

WESTWOOD HEIGHTS SCHOOLS

REPORT ON FINANCIAL STATEMENTS  
(with required supplementary and additional  
supplementary information)

JUNE 30, 2018

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October 12, 2018

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of  
Westwood Heights Schools

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Westwood Heights Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Westwood Heights Schools, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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### **Emphasis of Matter – Change in Accounting Principle**

As discussed in Note 12 to the financial statements, Westwood Heights Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress and employer contributions for the pension plan, the schedules of funding progress and employer contributions for OPEB, and budgetary comparison information, 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 Westwood Heights Schools' basic financial statements. The combining and individual non-major fund and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Such combining and individual non-major fund and other schedules and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is 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, 2018, on our consideration of the Westwood Heights Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Westwood Heights Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Westwood Heights Schools' internal control over financial reporting and compliance.

*Lewis & Knopf, P.C.*

LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

WESTWOOD HEIGHTS SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS

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As administration of Westwood Heights Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018.

**Financial Highlights**

- \* The liabilities and deferred inflows of the District exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$8,962,096 (net position).
- \* The District's total net position decreased by \$1,021,820. The decrease was primarily due to pension and OPEB related items, offset by bond proceeds.
- \* The general fund had an increase in fund balance of \$86,764. At the end of the year, unassigned fund balance for the general fund was \$2,826,408, or 19%, of total general fund expenditures. Total fund balance for the general fund was \$2,848,151, or 19%, of total general fund expenditures.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The District-Wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. 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 provide information about the School District's most significant funds - the General Fund and the 2018 Capital Projects Fund. All other funds are presented in one column as non-major funds.

**Reporting the District as a Whole**

**The Statement of Net Position and Statement of Activities** - One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by private-sector corporations. However, the School District's goal is to provide services to our students, not to generate profits as private-sector corporations do. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The statement of net position and the statement of activities present information about the following:

**Governmental Activities** - All of the District's basic services are considered to be governmental activities, including instruction, support services, community services, food services, and transfers to other local districts. Property taxes, intergovernmental revenues (unrestricted and restricted State Aid), and charges for services finance most of these activities. These two statements report the District's net position and changes therein. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, political conditions at the State Capitol, student enrollment growth, birth rates, and facility conditions in arriving at their conclusion regarding the overall health of the District.

The government-wide financial statements can be found on pages 1 - 2 of this report.

WESTWOOD HEIGHTS SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS

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**Reporting the District's Most Significant Funds**

**Fund Financial Statements** - The fund financial statements provide detailed information about the most significant funds - not the District as a whole. The fund financial statements begin on page 3 and provide detailed information about the most significant funds. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The District's two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements. In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

**Governmental Funds** - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 3 and 4 of this report.

**Fiduciary Funds** - The District is the fiduciary for various student group activities. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets.

The basic fiduciary fund financial statement can be found on page 5 of this report.

**Additional Information** - The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 6 - 27 of this report.

WESTWOOD HEIGHTS SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS

**SUMMARY OF NET POSITION:**

For the year ended June 30, 2018 Westwood Heights Schools implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. These changes are significant at the government-wide level.

The 2017 figures have not been updated for the adoption of GASB 75.

	2018	2017
<b><u>NET POSITION SUMMARY</u></b>		
<b><u>ASSETS</u></b>		
Other Assets	\$7,956,894	\$5,334,674
Capital Assets	6,535,437	5,855,805
<b><u>TOTAL ASSETS</u></b>	\$14,492,331	\$11,190,479
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	5,771,506	3,235,952
<b><u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u></b>	\$20,263,837	\$14,426,431
<b><u>LIABILITIES</u></b>		
Other Liabilities	23,993,313	16,472,561
Long-Term Liabilities	3,331,189	117,821
Total Liabilities	\$27,324,502	\$16,590,382
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	1,901,431	53,750
<b><u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u></b>	\$29,225,933	\$16,644,132
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	5,586,947	5,855,805
Restricted	910,042	855,214
Unrestricted	(15,459,085)	(8,928,720)
<b><u>TOTAL NET POSITION</u></b>	(\$8,962,096)	(\$2,217,701)

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The net position differs from fund balances and a reconciliation appears on page 3.

The District's net position reflects its investment in capital assets, and capital projects (i.e. land, buildings, vehicles, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

WESTWOOD HEIGHTS SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS

**SUMMARY OF NET POSITION: (Continued)**

An additional portion of the District's net position, \$910,042, represents resources that are subject to external restrictions on how they may be used. In the case of the School District, these amounts are restricted for capital projects and food service.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see table above), which shows the changes in net position for fiscal year 2018.

**RESULTS OF OPERATIONS:**

For the fiscal years ended June 30, 2018 and 2017, the District wide results of operations were:

	<u>2018</u>	<u>2017</u>
<u>REVENUES</u>		
<u>Program Revenues</u>		
Charges for Services	\$151,416	\$157,568
Operating Grants	4,317,668	3,756,083
Total Program Revenues	<u>\$4,469,084</u>	<u>\$3,913,651</u>
<u>General Revenues:</u>		
Property Taxes	1,572,765	1,553,137
State Sources - Unrestricted	9,858,400	9,853,552
Interdistrict Sources	82,156	81,898
Other General Revenues	218,644	279,112
Total General Revenues	<u>\$11,731,965</u>	<u>\$11,767,699</u>
Total Revenues	<u>\$16,201,049</u>	<u>\$15,681,350</u>
<u>EXPENSES</u>		
Instruction & Instructional Support	9,037,737	7,415,649
Support Services	6,647,257	5,725,153
Community Services	8,662	6,383
Food Service	988,679	843,716
Interest Expense	17,500	0
Bond Issuance Costs	87,144	0
Depreciation	435,890	382,428
Total Expenses	<u>\$17,222,869</u>	<u>\$14,373,329</u>
<u>CHANGE IN NET POSITION</u>	(\$1,021,820)	\$1,308,021
<u>BEGINNING NET POSITION - AS RESTATED</u>	<u>(7,940,276)</u>	<u>(3,525,722)</u>
<u>ENDING NET POSITION</u>	<u><u>(\$8,962,096)</u></u>	<u><u>(\$2,217,701)</u></u>

The District's net position decreased by \$1,021,820 during the current fiscal year. The decrease in net position differs from the change in fund balances and a reconciliation appears on page 4.

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

WESTWOOD HEIGHTS SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS

**General Fund Budgeting and Operating Highlights**

The School District's budgets are prepared according to Michigan law. The most significant budgeted fund is the General Fund.

During the fiscal year ended June 30, 2018, the School District amended the budget of the General Fund two times. State law requires that the budget be amended to ensure that expenditures do not exceed appropriation. A schedule showing the School District's general fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The general fund actual revenue and other financing sources was \$14,884,883. That amount is less than the final budget estimate of \$14,919,478. The variance was \$34,595, or less than 1%.

The actual expenditures and other financing uses of the general fund were \$14,798,119, which is less the final budget estimate of \$15,174,625. The variance was \$376,506, or 2%. The variance was due mostly to actual expenditures for grant programs being below budgeted amounts and the Gym Floor Project being done in July, 2018.

The general fund had total revenues of \$14,884,883 and total expenditures of \$14,798,119 with a net increase in fund balance of \$86,764 and an ending fund balance of \$2,848,151.

**Capital Asset and Debt Administration**

A. Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2018 amounted to \$5,588,784 (net of accumulated depreciation). This investment in capital assets included land, land improvements, machinery and equipment, and licensed vehicles. Capital assets at fiscal year-end included the following:

	Capital Assets (Net of Depreciation)	
	2018	2017
Buildings and Improvements	\$4,770,474	\$5,104,812
Land Improvements	636,654	634,178
Equipment and Furniture	165,406	110,876
Vehicles and Buses	16,250	5,939
<b><u>Total capital assets, net</u></b>	<b><u>\$5,588,784</u></b>	<b><u>\$5,855,805</u></b>

Additional information on the District's capital assets can be found in Note 5.

B. Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of \$3,331,189. Long-term debt at fiscal year-end included the following:

	Long-Term Debt	
	2018	2017
General Obligation Bonds	\$3,150,000	\$0
Bond Premiums	63,166	0
Sick Days Payable	118,023	117,821
<b>Total Long-Term Debt</b>	<b><u>\$3,331,189</u></b>	<b><u>\$117,821</u></b>

The District's issued school improvement bonds of \$3,150,000 during the current fiscal year. Additional information on the District's long-term debt can be found in Note 7.

WESTWOOD HEIGHTS SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS

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**Economic Factors and Next Year's Budget**

The following factors will affect the District in the future and were considered in preparing the District's budget for the 2018-19 fiscal year:

- \* Foundation Allowance  
The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,871 per pupil for the 2018-19 fiscal year, a \$240 per pupil increase from 2017-18, based on information received from various educational organizations such as Michigan School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions with local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan will all affect this estimate before the final foundation allowance is known.
  
- \* Retirement Rate  
The continuing cost of health insurance to current and potential retirees continues to drive the rate increase the Michigan School Employees Retirement System recommends to the legislature for approval. In 2018-19, the rate is anticipated to increase to 26.18%. However, the District will be required to pay an additional 12.21%, for all wages earned October 1, 2018 and later, for the Unfunded Actuarial Accrued Liability (UAAL).
  
- \* The Westwood Heights Schools' 2018/2019 adopted budget is as follows:

<u>REVENUE</u>	\$14,757,232
<u>EXPENDITURES</u>	<u>14,522,553</u>
<u>NET OVER BUDGET</u>	<u>\$234,679</u>

**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, Westwood Heights Schools.

## BASIC FINANCIAL STATEMENTS

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	Governmental Activities
<u>ASSETS</u>	
Cash and Cash Equivalents	\$5,262,894
Receivables:	
Accounts Receivable	8,736
Due from Other Governmental Units	2,649,432
Inventory	11,298
Prepaid Expenditures	24,534
Capital Assets, Not Being Depreciated - Construction in Progress	946,653
Capital Assets, Net of Accumulated Depreciation	5,588,784
Total Assets	\$14,492,331
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Pensions	5,332,914
Related to Postemployment Benefits	438,592
Total Deferred Outflows of Resources	\$5,771,506
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	\$20,263,837
<u>LIABILITIES</u>	
Accounts Payable	37,958
State Aid Note Payable	333,046
Due to Other Governmental Units	128,337
Accrued Expenditures	238,473
Salaries Payable	646,475
Unearned Revenue	63,609
Non-Current Liabilities - Due in One Year	291,317
Non-Current Liabilities - Due in More than One Year	3,039,872
Net Pension Liability	16,820,106
Net Other Postemployment Benefits Liability	5,725,309
Total Liabilities	\$27,324,502
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to State Aid Funding for Pension and Other Postemployment Benefits	808,199
Related to Pensions	899,675
Related to Other Postemployment Benefits	193,557
Total Deferred Inflows of Resources	\$1,901,431
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>	\$29,225,933
<u>NET POSITION</u>	
Net Investment in Capital Assets	5,586,947
Restricted	910,042
Unrestricted	(15,459,085)
<u>TOTAL NET POSITION</u>	(\$8,962,096)

See notes to the financial statements.

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Program Revenues Program Specific Operating Grants and Contributions</u>	<u>Governmental Activities Net (Expense) Revenue and Change in Net Position</u>
Governmental Activities:				
Instruction	\$9,037,737	\$0	\$3,362,753	(\$5,674,984)
Support Services	6,647,257	88,722	26,345	(6,532,190)
Community Services	8,662	0	0	(8,662)
Food Service	988,679	62,694	928,570	2,585
Interest Expense	17,500	0	0	(17,500)
Bond Issuance Costs	87,144	0	0	(87,144)
Depreciation - Unallocated	435,890	0	0	(435,890)
<b><u>Total Governmental Activities</u></b>	<b><u>\$17,222,869</u></b>	<b><u>\$151,416</u></b>	<b><u>\$4,317,668</u></b>	<b><u>(\$12,753,785)</u></b>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				1,204,876
Property Taxes, Levied for Capital Projects				367,889
State Sources - Unrestricted				9,858,400
Interdistrict Sources				82,156
Investment Earnings				2,141
Miscellaneous				216,503
Total General Revenues and Transfers				<u>\$11,731,965</u>
<b>Change in Net Position</b>				<u>(\$1,021,820)</u>
Net Position - Beginning of Year - As Restated				<u>(7,940,276)</u>
<b><u>Net Position - End of Year</u></b>				<b><u>(\$8,962,096)</u></b>

See notes to the financial statements.

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	General Fund	2018 Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$1,606,238	\$2,277,678	\$1,378,978	\$5,262,894
Receivables:				
Accounts Receivable	4,200	0	4,536	8,736
Due From Other Governmental Units	2,605,610	0	43,822	2,649,432
Inventory	0	0	11,298	11,298
Prepaid Expenditures	21,743	0	2,791	24,534
<b><u>TOTAL ASSETS</u></b>	<b><u>\$4,237,791</u></b>	<b><u>\$2,277,678</u></b>	<b><u>\$1,441,425</u></b>	<b><u>\$7,956,894</u></b>
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$24,839	\$13,002	\$117	\$37,958
State Aid Note Payable	333,046	0	0	333,046
Due to Other Governmental Units	101,885	0	26,452	128,337
Accrued Expenditures	220,695	0	278	220,973
Salaries Payable	645,566	0	909	646,475
Unearned Revenue	63,609	0	0	63,609
Total Liabilities	<u>\$1,389,640</u>	<u>\$13,002</u>	<u>\$27,756</u>	<u>\$1,430,398</u>
<b><u>FUND BALANCES</u></b>				
Non-Spendable				
Inventory	0	0	11,298	11,298
Prepaid Expenditures	21,743	0	2,791	24,534
Restricted				
Capital Projects	0	2,264,676	904,164	3,168,840
Debt Retirement	0	0	23,378	23,378
Food Service	0	0	472,038	472,038
Unassigned	2,826,408	0	0	2,826,408
Total Fund Balances	<u>\$2,848,151</u>	<u>\$2,264,676</u>	<u>\$1,413,669</u>	<u>\$6,526,496</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$4,237,791</u></b>	<b><u>\$2,277,678</u></b>	<b><u>\$1,441,425</u></b>	<b><u>\$7,956,894</u></b>

See notes to the financial statements.

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2018

Total Governmental Fund Balances:		\$6,526,496
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred Outflows of Resources - Related to Pensions		5,332,914
Deferred Outflows of Resources - Related to Postemployment Benefits		438,592
Deferred Inflows Related to State Aid Funding for Pension and Other Postemployment Benefits		(808,199)
Deferred Inflows of Resources - Related to Pensions		(899,675)
Deferred Inflows of Resources - Related to Other Postemployment Benefits		(193,557)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital Assets	\$18,430,618	
Less: Accumulated Depreciation	<u>(12,841,834)</u>	
Capital Assets, Net of Accumulated Depreciation		5,588,784
Construction in Progress		946,653
Accrued Interest on Long-Term Liabilities		(17,500)
Long-term liabilities, including bonds payable, 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:		
Bonds Payable	\$3,150,000	
Bond Premium	63,166	
Compensated Absences Payable	<u>118,023</u>	
Total Long-Term Liabilities		(3,331,189)
Net Pension Liability		(16,820,106)
Net Other Postemployment Benefits Liability		<u>(5,725,309)</u>
<u>TOTAL NET POSITION -</u>		
<u>GOVERNMENTAL ACTIVITIES</u>		<u><u>(\$8,962,096)</u></u>

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

	General Fund	2018 Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
<b><u>REVENUES</u></b>				
Local Sources	\$1,421,660	\$1,774	\$440,148	\$1,863,582
State Sources	12,270,343	0	29,531	12,299,874
Federal Sources	945,136	0	904,713	1,849,849
Interdistrict Sources	82,156	0	0	82,156
Total Revenues	<u>\$14,719,295</u>	<u>\$1,774</u>	<u>\$1,374,392</u>	<u>\$16,095,461</u>
<b><u>EXPENDITURES</u></b>				
Instruction	8,324,226	0	0	8,324,226
Student Services	1,327,452	0	0	1,327,452
Instructional Support	390,092	0	0	390,092
General Administration	919,845	0	0	919,845
School Administration	893,249	0	0	893,249
Business Administration	200,558	0	0	200,558
Operation & Maintenance of Plant	1,637,016	0	0	1,637,016
Transportation	479,568	0	0	479,568
Support Services - Central	304,212	0	0	304,212
Support Services - Other	289,504	0	0	289,504
Community Services	8,662	0	0	8,662
Food Service	0	0	950,190	950,190
Capital Projects	0	839,742	187,443	1,027,185
Total Expenditures	<u>\$14,774,384</u>	<u>\$839,742</u>	<u>\$1,137,633</u>	<u>\$16,751,759</u>
Excess (Deficiency) of Revenues Over (under) Expenditures	(\$55,089)	(\$837,968)	\$236,759	(\$656,298)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers In	60,000	0	47,113	107,113
Transfers (Out)	(23,735)	(23,378)	(60,000)	(107,113)
Bond Proceeds	0	3,150,000	0	3,150,000
Bond Premium	0	63,166	0	63,166
Issuance Costs	0	(87,144)	0	(87,144)
Insurance Reimbursements and Sale of Assets	105,588	0	0	105,588
Total Other Financing Sources (Uses)	<u>\$141,853</u>	<u>\$3,102,644</u>	<u>(\$12,887)</u>	<u>\$3,231,610</u>
Net Change in Fund Balance	\$86,764	\$2,264,676	\$223,872	\$2,575,312
<b><u>FUND BALANCE - BEGINNING OF YEAR</u></b>	<u>2,761,387</u>	<u>0</u>	<u>1,189,797</u>	<u>3,951,184</u>
<b><u>FUND BALANCE - END OF YEAR</u></b>	<u>\$2,848,151</u>	<u>\$2,264,676</u>	<u>\$1,413,669</u>	<u>\$6,526,496</u>

See notes to the financial statements.

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
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

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Total net change in fund balances - governmental funds \$2,575,312

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlay	174,448	
Depreciation Expense	(435,890)	
Construction in Progress	946,653	
Loss on Sale of Assets	(5,579)	
Total		679,632

Bond Proceeds (3,150,000)

Issuance of Bond Premium (63,166)

Change in accrued interest on long-term liabilities (17,500)

Change in accrued compensated absences (202)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental Funds.

State Aid Funding for Pension and Other Postemployment Benefits		242,301
Pension Related Items		(479,998)
OPEB Related Items		(808,199)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (\$1,021,820)

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2018

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	<u>Trust &amp; Agency</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$55,896</u>
<u>TOTAL ASSETS</u>	<u>\$55,896</u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$55,896</u>
<u>TOTAL LIABILITIES</u>	<u>\$55,896</u>

See notes to the financial statements.

WESTWOOD HEIGHTS SCHOOLS  
NOTES TO FINANCIAL STATEMENTS

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

B) REPORTING ENTITY

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

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

C) GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

D) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

WESTWOOD HEIGHTS SCHOOLS  
NOTES TO FINANCIAL STATEMENTS

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates are primarily related to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

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

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

When an expense is incurred for the purpose for which both restricted and unrestricted net position or fund balance are available, the School District's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the School District's policy to spend funds in this order: committed, assigned, and unassigned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

**Fund Financial Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the School District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

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

WESTWOOD HEIGHTS SCHOOLS  
NOTES TO FINANCIAL STATEMENTS

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

The School District reports the following major governmental funds:

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

**Building and Site Capital Projects Funds** - The Building and Site Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The funds operate until the purpose for which they were created is accomplished. The District has complied with the applicable provision of §1351a of the Revised School Code.

The School District reports the following fund types:

**Special Revenue Funds** - Special revenue funds are used to segregate, for administrative purposes, the transactions of the School District's food service operations from General Fund revenue and expenditure accounts. The School District maintains full control of these funds. Any deficits generated by these activities are the responsibility of the General Fund. The main sources of revenue for these funds are food sales to pupils, free/reduced breakfast and lunch reimbursement from federal funds and funds received from the State.

**Capital Projects Sinking Funds** - The Capital Projects Sinking Funds records capital project activities funded with Sinking Fund millage. For this fund, the school district has complied with the applicable provision of §1212 of the Revised School Code.

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

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

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

E) CASH AND CASH EQUIVALENTS/INVESTMENTS

Cash and cash equivalents include amounts in demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity.

WESTWOOD HEIGHTS SCHOOLS  
NOTES TO FINANCIAL STATEMENTS

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) CASH AND CASH EQUIVALENTS/INVESTMENTS (Continued)

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

F) INVENTORIES AND PREPAID COSTS

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds, including commodities received from the United States Department of Agriculture, are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Land Improvements	15 – 50 years
Equipment and Furniture	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net position.

WESTWOOD HEIGHTS SCHOOLS  
NOTES TO FINANCIAL STATEMENTS

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I) COMPENSATED ABSENCES

The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated sick leave. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts are included both for employees who are currently eligible to receive termination payments and for other employees who are expected to become eligible in the future to receive such payments upon termination.

J) LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

L) DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualifies for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

M) DEFINED BENEFIT PLAN

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

WESTWOOD HEIGHTS SCHOOLS  
NOTES TO FINANCIAL STATEMENTS

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) FUND BALANCE

Fund balances for each of the District's governmental funds are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- \* Nonspendable fund balance - amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- \* Restricted fund balance - amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. The District's Capital Projects Fund, and Food Service balances are considered restricted.
- \* Committed fund balance – amounts that have been formally set aside by specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- \* Assigned fund balance - amounts the District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The intent is expressed by the Board of Education.
- \* Unassigned fund balance - amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserve the right to selectively spend unassigned resources first to defer the use of these classified funds.

O) NET POSITION

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

P) BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

WESTWOOD HEIGHTS SCHOOLS  
NOTES TO FINANCIAL STATEMENTS

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P) BUDGETARY INFORMATION (Continued)

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year end June 30, 2018. The District does not consider these amendments to be significant.

2) DEPOSITS AND INVESTMENTS

As of June 30, 2018, the District had no investments.

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

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

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2018, \$6,485,732 of the District's bank balance of \$6,759,111 was exposed to custodial credit risk.

**Custodial credit risk – investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

WESTWOOD HEIGHTS SCHOOLS  
NOTES TO FINANCIAL STATEMENTS

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2) DEPOSITS AND INVESTMENTS (Continued)

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

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

**Fair value measurement.** The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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 prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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

The District does not have any investments subject to the fair value measurement.

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 55,896
Cash – District Wide	<u>5,262,894</u>
<u>TOTAL</u>	<u>\$ 5,318,790</u>

3) PROPERTY TAXES

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

WESTWOOD HEIGHTS SCHOOLS  
NOTES TO FINANCIAL STATEMENTS

4) RECEIVABLES

Receivables at June 30, 2018, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 2,207,435
Federal Grants	320,950
Other Grant Programs & Fees	121,047
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 2,649,432</u>

5) CAPITAL ASSETS

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

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Ending</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$13,026,259	\$30,339	\$0	\$13,056,598
Land Improvements	4,124,718	52,900	0	4,177,618
Equipment and Furniture	938,662	74,959	0	1,013,621
Vehicles and Buses	239,104	16,250	72,573	182,781
Totals at Historical Cost	\$18,328,743	\$174,448	\$72,573	\$18,430,618
Less: Accumulated Depreciation				
Buildings and Improvements	(7,921,447)	(364,677)	0	(8,286,124)
Land Improvements	(3,490,540)	(50,424)	0	(3,540,964)
Equipment and Furniture	(827,786)	(20,429)	0	(848,215)
Vehicles and Buses	(233,165)	(360)	(66,994)	(166,531)
Total Accumulated Depreciation	(\$12,472,938)	(\$435,890)	(\$66,994)	(\$12,841,834)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$5,855,805</u>	<u>(\$261,442)</u>	<u>\$5,579</u>	<u>\$5,588,784</u>

Depreciation expense was unallocated on the Statement of Activities as the District considers all fixed assets to have mixed use.

6) SHORT-TERM DEBT

In August, 2017, the District borrowed \$1,000,000 at 1.27% on a state aid anticipation note. The note proceeds were used to meet cash flow needs for the 2017-2018 fiscal year.

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Ending</u>
<u>State Aid</u>	<u>\$399,769</u>	<u>\$1,000,000</u>	<u>\$1,066,723</u>	<u>\$333,046</u>

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7) GENERAL LONG-TERM DEBT

A) BOND ISSUES

The District issued 2018 School Improvement Bonds dated March 21, 2018, in the amount of \$3,150,000, bearing interest at 3% per annum. The bonds are due in annual installments of \$230,000 to \$340,000 through May 1, 2029. The balance of the bonds as of June 30, 2018 was \$3,150,000. Payments on this debt are recorded in the District's 2018 Debt Fund.

B) The annual principal requirements for all debts outstanding as of June 30, 2018 are as follows:

	Bonds Payable	Interest	Total
June 30, 2019	\$285,000	\$99,750	\$384,750
June 30, 2020	295,000	85,950	380,950
June 30, 2021	300,000	77,100	377,100
June 30, 2022	310,000	68,100	378,100
June 30, 2023	320,000	58,800	378,800
June 30, 2024-2028	1,385,000	154,800	1,539,800
June 30, 2029	255,000	7,650	262,650
<u>TOTAL</u>	<u>\$3,150,000</u>	<u>\$552,150</u>	<u>\$3,702,150</u>

C) CHANGES IN GENERAL LONG-TERM DEBT

	Balance Beginning	Additions	Deductions	Balance Ending	Amount Due in One Year
<u>Governmental Activities:</u>					
Bonds Payable	\$0	\$3,150,000	\$0	\$3,150,000	\$285,000
Bond Premium	0	63,166	0	63,166	6,317
Sick Days Payable	117,821	202	0	118,023	0
<u>Total Governmental Activities</u>	<u>\$117,821</u>	<u>\$3,213,368</u>	<u>\$0</u>	<u>\$3,331,189</u>	<u>\$291,317</u>

Sick days payable are generally paid by the General Fund.

8) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2018, consisted of the following:

TRANSFERS TO	TRANSFERS FROM			
	General Fund	Capital Projects	Food Service	Total
General Fund	\$0	\$0	\$60,000	\$60,000
Debt Retirement	0	23,378	0	23,378
Food Service	23,735	0	0	23,735
<u>TOTAL</u>	<u>\$23,735</u>	<u>\$23,378</u>	<u>\$60,000</u>	<u>\$107,113</u>

Transfers are made to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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9) TAX ABATEMENTS

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by cities and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities.

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no significant abatements made by the District.

10) RESTRICTED NET POSITION

Restricted net position consists of the following:

Capital Projects	\$904,164
Debt Retirement	23,378
Less: Accrued Interest	<u>(17,500)</u>
 <u>TOTAL</u>	 <u><u>\$910,042</u></u>

11) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

**Plan Description**

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

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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

**Benefits Provided - Overall**

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

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

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11) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

**Benefits Provided – Pension**

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

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

**Pension Reform 2010**

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

**Pension Reform 2012**

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

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

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

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

\* Basic plan members: 4% contribution

\* Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

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

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11) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

**Pension Reform 2012** (Continued)

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

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

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

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

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

**Pension Reform of 2017**

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

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11) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

**Benefits Provided – Other postemployment benefit (OPEB)**

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

**Retiree Healthcare Reform of 2012**

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

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

**Regular Retirement (no reduction factor for age)**

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

Annual Amount – The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

**Member Contributions**

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

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11) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

**Employer Contributions**

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

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

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

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

	Pension	Other Postemployment Benefits
October 1, 2016 – September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 – September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately \$1,869,000, with \$1,849,000 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2018 were equal to the required contribution total. OPEB benefits were approximately \$505,000, with \$484,000 specifically for the Defined Benefit Plan.

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

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

**Pension Liabilities**

At June 30, 2018, the District reported a liability of \$16,820,106 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the District's proportion was 0.06490678 and 0.06047922 percent.

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11) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Pension Liabilities (Continued)**

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Total Pension Liability	\$72,407,218,688	\$67,917,445,078
Plan Fiduciary Net Position	46,492,967,573	42,968,263,308
Net Pension Liability	25,914,251,115	24,949,181,763
Proportionate Share	0.06490678%	0.06047922%
Net Pension Liability for the District	16,820,106	15,089,071

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2017, the District recognized pension expense of \$2,351,685.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	\$1,607,075	(\$13,030)
Differences Between Expected and Actual Experience	146,178	(82,533)
Changes of Assumptions	1,842,776	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	(804,112)
Reporting Unit's Contributions Subsequent to the Measurement Date	<u>1,736,885</u>	<u>0</u>
<b><u>TOTAL</u></b>	<b><u>\$5,332,914</u></b>	<b><u>(\$899,675)</u></b>

\$1,736,885 is reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

<u>Year Ending Sept. 30,</u>	<u>Amount</u>
2018	\$914,656
2019	1,124,899
2020	568,947
2021	87,852

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11) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

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

**OPEB Liabilities**

At June 30, 2018, the District reported a liability of \$5,725,309 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.06465279 percent.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2017</u>
Total Other Postemployment Benefits Liability	\$13,920,945,991
Plan Fiduciary Net Position	5,065,474,948
Net Other Postemployment Benefits Liability	8,855,471,043
Proportionate Share	0.06465279%
Net Other Postemployment Benefits Liability for the District	5,725,309

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2017, the District recognized OPEB expense of \$383,758.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	\$3,609	\$0
Differences Between Expected and Actual Experience	0	(60,958)
Changes of Assumptions	0	0
Net Difference Between Projected and Actual OPEB Plan Investment Earnings	0	(132,599)
Reporting Unit's Contributions Subsequent to the Measurement Date	434,983	0
<b><u>TOTAL</u></b>	<b><u>438,592</u></b>	<b><u>(\$193,557)</u></b>

\$434,983 is reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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11) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**  
(Continued)

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

<u>Year Ending Sept. 30,</u>	<u>Amount</u>
2018	(\$45,968)
2019	(45,968)
2020	(45,968)
2021	(45,968)
2022	(6,076)

**Actuarial Assumptions**

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

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

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

**Inflation** – 3.0%

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

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

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

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

**Healthcare cost trend rate for other postemployment benefit** – 7.5% for year one and graded to 3.5% to year twelve.

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11) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

**Actuarial Assumptions** (Continued)

**Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012:**

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

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

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

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

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

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

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

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

WESTWOOD HEIGHTS SCHOOLS  
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11) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

**Actuarial Assumptions** (Continued)

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

	<b>Pension</b>		
	<b>1% Decrease (6.5% / 6.0%)</b>	<b>Discount Rate (7.5% / 7.0%)</b>	<b>1% Increase (8.5% / 8.0%)</b>
Reporting Unit's proportionate share of the net pension liability	\$21,911,004	\$16,820,106	\$12,533,894

**Sensitivity of the net OPEB liability to changes in the discount rate** - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<b>Other Postemployment Benefit</b>		
	<b>1% Decrease (6.5%)</b>	<b>Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$6,705,992	\$5,725,309	\$4,893,017

**Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates** - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<b>Other Postemployment Benefit</b>		
	<b>1% Decrease (6.5% decreasing to 2.5%)</b>	<b>Healthcare cost trend rates (7.5% decreasing to 3.5%)</b>	<b>1% Increase (8.5% decreasing to 4.5%)</b>
Reporting Unit's proportionate share of the net other postemployment benefit liability	4,848,567	\$5,725,309	\$6,720,788

**Pension and OPEB Plan Fiduciary Net Position**

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

WESTWOOD HEIGHTS SCHOOLS  
NOTES TO FINANCIAL STATEMENTS

11) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

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

**Other Information**

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

12) NEW ACCOUNTING STANDARDS

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

**Summary:**

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

	Governmental Activities
Net Position as previously stated July 1, 2017	(\$2,217,701)
Adoption of GASB statement No. 75	
Net Other Postemployment Benefits Liability	(6,038,933)
Deferred Outflows	492,664
Deferred Inflows	(176,306)
<b><u>NET POSITION AS RESTATED JULY 1, 2017</u></b>	<b>(7,940,276)</b>

WESTWOOD HEIGHTS SCHOOLS  
NOTES TO FINANCIAL STATEMENTS

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13) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and worker's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

14) SUBSEQUENT EVENT

In August, 2018, the District borrowed \$500,000 at 1.75% on a state aid anticipation note. The note proceeds will be used to meet cash flow needs for the 2018-2019 fiscal year.

15) UPCOMING ACCOUNTING PRONOUNCEMENTS

A) Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

B) Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY  
INFORMATION

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Local Sources	\$1,427,075	\$1,398,794	\$1,421,660	\$22,866
State Sources	11,910,930	12,245,411	12,270,343	24,932
Federal Sources	862,788	1,053,858	945,136	(108,722)
Total Revenues	<u>\$14,200,793</u>	<u>\$14,698,063</u>	<u>\$14,637,139</u>	<u>(\$60,924)</u>
<b><u>EXPENDITURES</u></b>				
Instruction	8,811,412	8,524,113	8,324,226	199,887
Student Services	1,132,271	1,324,874	1,327,452	(2,578)
Instructional Support	614,356	474,734	390,092	84,642
General Administration	655,523	918,017	919,845	(1,828)
School Administration	983,751	900,603	893,249	7,354
Business Administration	199,414	199,209	200,558	(1,349)
Operation & Maintenance of Plant	612,291	1,650,740	1,637,016	13,724
Transportation	483,876	470,468	479,568	(9,100)
Support Services - Central	256,055	321,867	304,212	17,655
Support Services - Other	345,056	279,098	289,504	(10,406)
Community Services	6,800	7,613	8,662	(1,049)
Total Expenditures	<u>\$14,100,805</u>	<u>\$15,071,336</u>	<u>\$14,774,384</u>	<u>\$296,952</u>
Excess of Revenues Over Expenditures	\$99,988	(\$373,273)	(\$137,245)	\$236,028
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Net Change in Fund Balance	<u>\$204,768</u>	<u>(\$255,147)</u>	<u>\$86,764</u>	<u>\$341,911</u>
<b><u>FUND BALANCE - BEGINNING OF YEAR</u></b>			<u>2,761,387</u>	
<b><u>FUND BALANCE - END OF YEAR</u></b>			<u>\$2,848,151</u>	

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)						0.06491%	0.06048%	0.05801%	0.05303%
Reporting unit's proportionate share of net pension liability						\$16,820,106	\$15,089,071	\$14,168,340	\$11,679,908
Reporting unit's covered-employee payroll						\$5,569,621	\$5,195,652	\$5,011,775	\$4,508,775
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll						302.00%	290.42%	282.70%	259.05%
Plan fiduciary net position as a percentage of total pension liability						64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions							\$1,522,409	\$1,538,446	\$1,119,039	\$823,535
Contributions in relation to statutorily required contributions							<u>1,522,409</u>	<u>1,538,446</u>	<u>1,119,039</u>	<u>823,535</u>
Contribution deficiency (excess)							<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Reporting unit's covered-employee payroll							\$5,848,965	\$5,678,945	\$5,117,699	\$4,864,495
Contributions as a percentage of covered-employee payroll							26.03%	27.09%	21.87%	16.93%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Reporting unit's proportion of net OPEB liability (%)									0.06465%
Reporting unit's proportionate share of net OPEB liability									\$5,725,309
Reporting unit's covered-employee payroll									\$5,569,621
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll									102.80%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)									36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS - OPEB  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	<u>2027</u>	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions										\$503,349
Contributions in relation to statutorily required contributions										<u>503,349</u>
Contribution deficiency (excess)										<u>\$0</u>
Reporting unit's covered-employee payroll										\$5,848,965
Contributions as a percentage of covered-employee payroll										8.61%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

WESTWOOD HEIGHTS SCHOOLS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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**BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Special Revenue Fund (Food Service). All annual appropriations lapse at fiscal year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District increased/decreased budgeted amounts during the year in response to changes in funding and related expenditures.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

During the year, Westwood Heights Schools did not have any significant expenditure budget variances.

**PENSION AND OPEB RELATED**

**Changes of benefit terms:** There were no changes of benefit terms for the plan year ended September 30, 2017.

**Changes of assumptions:** There were no changes of benefit assumptions for the plan year ended September 30, 2017.

ADDITIONAL SUPPLEMENTARY  
INFORMATION

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018

	Food Service	2018 Debt	1990 Sinking Capital Projects	1999 Capital Projects	Total Non-Major Governmental Funds
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$457,666	\$23,378	\$158,867	\$739,067	\$1,378,978
Receivables:					
Accounts Receivable	4,536	0	0	0	4,536
Due From Other Governmental Units	37,592	0	1,947	4,283	43,822
Inventory	11,298	0	0	0	11,298
Prepaid Expenditures	2,791	0	0	0	2,791
<b><u>TOTAL ASSETS</u></b>	<b><u>\$513,883</u></b>	<b><u>\$23,378</u></b>	<b><u>\$160,814</u></b>	<b><u>\$743,350</u></b>	<b><u>\$1,441,425</u></b>
<b><u>LIABILITIES</u></b>					
Accounts Payable	\$117	\$0	\$0	\$0	\$117
Due to Other Governmental Units	26,452	0	0	0	26,452
Accrued Expenditures	278	0	0	0	278
Salaries Payable	909	0	0	0	909
Total Liabilities	\$27,756	\$0	\$0	\$0	\$27,756
<b><u>FUND BALANCES</u></b>					
Non-Spendable					
Inventory	11,298	0	0	0	11,298
Prepaid Expenditures	2,791	0	0	0	2,791
Restricted					
Capital Projects	0	0	160,814	743,350	904,164
Debt Retirement	0	23,378	0	0	23,378
Food Service	472,038	0	0	0	472,038
Total Fund Balances	\$486,127	\$23,378	\$160,814	\$743,350	\$1,413,669
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$513,883</u></b>	<b><u>\$23,378</u></b>	<b><u>\$160,814</u></b>	<b><u>\$743,350</u></b>	<b><u>\$1,441,425</u></b>

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

	Food Service	2018 Debt	1990 Sinking Capital Projects	1990 Sinking Capital Projects	Total Non-Major Governmental Funds
<b><u>REVENUES</u></b>					
Local Sources	\$71,892	\$0	\$115,016	\$253,240	\$440,148
State Sources	23,857	0	1,773	3,901	29,531
Federal Sources	904,713	0	0	0	904,713
Total Revenues	<u>\$1,000,462</u>	<u>\$0</u>	<u>\$116,789</u>	<u>\$257,141</u>	<u>\$1,374,392</u>
<b><u>OTHER FINANCING SOURCES</u></b>					
Transfers from Other Funds	23,735	23,378	0	0	47,113
Total Revenues and Other Financing Sources	<u>\$1,024,197</u>	<u>\$23,378</u>	<u>\$116,789</u>	<u>\$257,141</u>	<u>\$1,421,505</u>
<b><u>EXPENDITURES</u></b>					
Food Service					
Salaries - Non-Professional	238,239	0	0	0	238,239
Insurances	18,946	0	0	0	18,946
Fica, Retirement, Etc.	99,907	0	0	0	99,907
Purchased Services	21,591	0	0	0	21,591
Supplies and Materials	470,146	0	0	0	470,146
Capital Outlay	96,181	0	0	0	96,181
Other	5,180	0	0	0	5,180
Capital Outlay	0	0	67,991	119,452	187,443
Total Expenditures	<u>\$950,190</u>	<u>\$0</u>	<u>\$67,991</u>	<u>\$119,452</u>	<u>\$1,137,633</u>
<b><u>OTHER FINANCING USES</u></b>					
Transfers to Other Funds	60,000	0	0	0	60,000
Total Expenditures and Other Financing Uses	<u>\$1,010,190</u>	<u>\$0</u>	<u>\$67,991</u>	<u>\$119,452</u>	<u>\$1,197,633</u>
Net Change in Fund Balance	<u>\$14,007</u>	<u>\$23,378</u>	<u>\$48,798</u>	<u>\$137,689</u>	<u>\$223,872</u>
<b><u>FUND BALANCE - BEGINNING OF YEAR</u></b>	<u>472,120</u>	<u>0</u>	<u>112,016</u>	<u>605,661</u>	<u>1,189,797</u>
<b><u>FUND BALANCE - END OF YEAR</u></b>	<u>\$486,127</u>	<u>\$23,378</u>	<u>\$160,814</u>	<u>\$743,350</u>	<u>\$1,413,669</u>

INDIVIDUAL FUND SCHEDULES OF  
REVENUES, EXPENDITURES AND  
OTHER FINANCING SOURCES AND USES

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
GENERAL FUND  
SCHEDULE OF REVENUES  
YEAR ENDED JUNE 30, 2018

REVENUES FROMLocal Sources

Property Tax Levy	\$1,204,876
Tuition	2,173
Athletics	33,078
Building Rentals	53,471
Medicaid School Based Services	26,345
Other Local Revenues	101,717
Total Revenues from Local Sources	<u>\$1,421,660</u>

State Sources

State Aid - Unrestricted	9,852,726
Headlee	217,762
At Risk	989,398
Vocational Education	11,015
Other State Grants	1,199,442
Total Revenues from State Sources	<u>\$12,270,343</u>

Federal Sources

Title I	580,775
Title IV	6,885
IDEA - Preschool	72,755
Other Grants from ISD	4,847
Improving Teacher Quality	44,524
Special Education - Flow Through	235,169
Medicaid - Administrative Outreach	181
Total Revenues from Federal Sources	<u>\$945,136</u>

Interdistrict Sources

Total Revenues	<u>82,156</u>
	<u>\$14,719,295</u>

OTHER FINANCING SOURCES

Transfers from Other Funds	60,000
Insurance Reimbursements and Sale of Assets	105,588
Total Other Financing Sources	<u>\$165,588</u>

TOTAL REVENUES

\$14,884,883

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30, 2018

INSTRUCTION

BASIC PROGRAMS

Elementary

Salaries - Professional	\$1,425,422
Salaries - Non-Professional	86,112
Insurances	245,234
Fica, Retirement, Etc.	719,718
Other Benefits	9,400
Purchased Services	71,212
Supplies and Materials	23,391
Capital Outlay	14,696
Other	732
Total Elementary	\$2,595,917

Middle School

Salaries - Professional	470,169
Salaries - Non-Professional	18,024
Insurances	60,698
Fica, Retirement, Etc.	230,192
Other Benefits	750
Purchased Services	29,113
Supplies and Materials	14,863
Capital Outlay	1,116
Total Middle School	\$824,925

High School

Salaries - Professional	1,681,785
Salaries - Non-Professional	8,252
Insurances	356,250
Fica, Retirement, Etc.	799,032
Other Benefits	8,650
Purchased Services	572,542
Supplies and Materials	33,147
Capital Outlay	38,146
Other	1,576
Total High School	\$3,499,380

Summer School

Salaries - Professional	39,281
Salaries - Non-Professional	7,379
Insurances	3,397
Fica, Retirement, Etc.	20,327
Other	1,100
Total Summer School	\$71,484

Total Basic Programs	\$6,991,706
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WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30, 2018

INSTRUCTION (Continued)ADDED NEEDSSpecial Education

Salaries - Professional	\$307,666
Salaries - Non-Professional	31,983
Insurances	77,611
Fica, Retirement, Etc.	148,807
Purchased Services	6,865
Supplies and Materials	22,014
Total Special Education	<u>\$594,946</u>

Compensatory Education

Salaries - Professional	82,560
Salaries - Non-Professional	108,849
Insurances	26,619
Fica, Retirement, Etc.	84,584
Other Benefits	200
Purchased Services	13,784
Supplies and Materials	134,831
Total Compensatory Education	<u>\$451,427</u>

Vocational Education

Salaries - Professional	65,287
Insurances	2,472
Fica, Retirement, Etc.	28,991
Other Benefits	2,400
Purchased Services	4,610
Supplies and Materials	9,922
Capital Outlay	1,000
Other	1,605
Total Vocational Education	<u>\$116,287</u>

Total Added Needs

\$1,162,660

Adult Education

Salaries - Professional	68,325
Insurances	20,334
Fica, Retirement, Etc.	29,769
Purchased Services	29,712
Supplies and Materials	5,957
Capital Outlay	15,763
Total Adult Education	<u>\$169,860</u>

Total Instruction

\$8,324,226

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30, 2018

SUPPORT SERVICESStudent Services

Salaries - Professional	\$618,726
Insurances	87,245
Fica, Retirement, Etc.	268,573
Purchased Services	324,697
Supplies and Materials	23,642
Other	4,569
Total Student Services	<u>\$1,327,452</u>

Instructional Support

Salaries - Professional	153,803
Salaries - Non-Professional	31,064
Insurances	53,914
Fica, Retirement, Etc.	80,754
Purchased Services	60,588
Supplies and Materials	1,502
Other	8,467
Total Instructional Support	<u>\$390,092</u>

General Administration

Salaries - Professional	413,600
Salaries - Non-Professional	53,782
Insurances	60,652
Fica, Retirement, Etc.	79,886
Purchased Services	300,765
Supplies and Materials	4,769
Other	6,391
Total General Administration	<u>\$919,845</u>

School Administration

Salaries - Professional	335,608
Salaries - Non-Professional	88,723
Insurances	100,486
Fica, Retirement, Etc.	187,516
Purchased Services	151,164
Supplies and Materials	24,151
Other	5,601
Total School Administration	<u>\$893,249</u>

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30, 2018

SUPPORT SERVICES (Continued)Business Administration

Purchased Services	\$16,076
Supplies and Materials	2,184
Other	182,298
Total Business Administration	<u>\$200,558</u>

Operation and Maintenance of Plant

Salaries - Non-Professional	28,373
Fica, Retirement, Etc.	8,575
Purchased Services	1,116,510
Supplies and Materials	457,290
Capital Outlay	25,938
Other	330
Total Operation and Maintenance of Plant	<u>\$1,637,016</u>

Transportation

Purchased Services	282,044
Supplies and Materials	143,546
Other	53,978
Total Transportation	<u>\$479,568</u>

Support Services - Central

Salaries - Professional	6,190
Salaries - Non-Professional	135
Insurance	3,819
Fica, Retirement, Etc.	2,334
Purchased Services	243,457
Supplies and Materials	10,628
Capital Outlay	10,011
Other	27,638
Total Support Services - Central	<u>\$304,212</u>

Support Services - Other

Salaries - Professional	35,350
Salaries - Non-Professional	56,059
Fica, Retirement, Etc.	62,301
Purchased Services	106,982
Supplies and Materials	24,547
Other	4,265
Total Support Services - Other	<u>\$289,504</u>

Total Support Services	\$6,441,496
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WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30, 2018

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<u>COMMUNITY SERVICES</u>	
Supplies and Materials	\$7,167
Other	1,495
Total Community Services	<u>\$8,662</u>
<u>Total Expenditures</u>	\$14,774,384
<u>OTHER FINANCING USES</u>	
Transfers to Food Service	<u>23,735</u>
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$14,798,119</u>

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
TRUST AND AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2018

Student Activity	Due to (From)			Due to (From)
	Student Groups	Receipts	Disbursements	Student Groups
	July 1, 2017			June 30, 2018
Alternative Education Activities	(\$51)	\$5,197	\$4,310	\$836
Alternative Education Robotics	269	0	269	0
Athletic Baseball	844	0	844	0
Athletic Tournaments	130	1,846	0	1,976
Band	1,003	7,906	8,349	560
Boys Basketball	1,626	0	0	1,626
Business Management Class	158	0	158	0
Central Office Concessions	32	0	32	0
District Water Fund	3,901	0	3,901	0
Drama	304	0	304	0
Faculty Pop Machine	435	2,835	3,270	0
Football Club	2	439	441	0
Girls Basketball Club	707	0	707	0
Graduation Class of 2016	22	0	22	0
Graduation Class of 2018	0	3,059	3,121	(62)
Graphics Arts	219	0	219	0
Hamady Europe Class Trip 2017	1,114	0	1,100	14
Hawk Pride	6,829	8,900	5,481	10,248
Hawks Hideout	6,623	5,591	6,004	6,210
Hawks' Nest	19,403	19,104	15,866	22,641
High School Activities	200	2,605	4,901	(2,096)
High School Cheerleading	215	0	215	0
High School Concessions	(170)	220	50	0
High School Library	68	0	68	0
High School Student Council	2,474	3,183	3,934	1,723
High School Student Fees/fines	81	30	111	0
High School Yearbook	15	0	15	0
Holiday Donation	220	0	220	0
Interest	(3,847)	0	1,059	(4,906)
Junior High Cheerleading	18	0	18	0
Junior High Student Council	15	0	15	0
McMonagle Elem Concessions	1,617	11,539	11,573	1,583
McMonagle Elem Library	169	4,135	3,413	891
McMonagle Elem Misc (PTO)	1	0	1	0
McMonagle Elem School Improv	310	3	153	160
McMonagle Science	7,378	10,043	6,768	10,653
Memorial Fund	47	0	47	0
National Honor Society	15	0	15	0
Parents with a Purpose	1,839	0	0	1,839
Peerhood	94	0	94	0
PBIS HHS	0	250	0	250
Physical Education and Health	405	601	1,006	0
Subtotal	\$54,734	\$87,486	\$88,074	\$54,146

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
TRUST AND AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2018

<u>Student Activity</u>	<u>Due to (From)</u> <u>Student Groups</u> <u>July 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Due to (From)</u> <u>Student Groups</u> <u>June 30, 2018</u>
Quiz Bowl	\$3	\$0	\$3	\$0
Reading is Fundamental	2	0	2	0
Scholarship - Dress Down Day	1,082	1,515	1,000	1,597
Scholarship - Marlene Dean	153	0	0	153
Softball	37	0	37	0
Watkins Legacy (Greg)	514	0	514	0
Youth Advisory Council	9	0	9	0
<u>TOTALS</u>	<u>\$56,534</u>	<u>\$89,001</u>	<u>\$89,639</u>	<u>\$55,896</u>

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
JUNE 30, 2018

DATE OF ISSUE - April 11, 2018

Original amount of issue - \$3,150,000

2018 SCHOOL IMPROVEMENT BONDS

<u>DUE DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST PAYMENTS DUE</u>		<u>TOTAL</u>
			<u>NOVEMBER 1</u>	<u>MAY 1</u>	
2018-2019	3.000%	\$285,000	\$52,500	\$47,250	\$384,750
2019-2020	3.000%	295,000	42,975	42,975	380,950
2020-2021	3.000%	300,000	38,550	38,550	377,100
2021-2022	3.000%	310,000	34,050	34,050	378,100
2022-2023	3.000%	320,000	29,400	29,400	378,800
2023-2024	3.000%	330,000	24,600	24,600	379,200
2024-2025	3.000%	340,000	19,650	19,650	379,300
2025-2026	3.000%	230,000	14,550	14,550	259,100
2026-2027	3.000%	240,000	11,100	11,100	262,200
2027-2028	3.000%	245,000	7,500	7,500	260,000
2028-2029	3.000%	255,000	3,825	3,825	262,650
<u>TOTAL</u>		<u>\$3,150,000</u>	<u>\$278,700</u>	<u>\$273,450</u>	<u>\$3,702,150</u>

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Project Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2017	Prior Year Expenditures	Current Year Expenditures	Adjustments	Current Year Cash Receipts	Accrued (Unearned) Revenue June 30, 2018
<u>U.S. DEPARTMENT OF EDUCATION</u>									
Passed Through Michigan Department of Education:									
Federal Adult Education ABE Instruction	84.002								
Federal Adult Education ABE Instruction (17-18)		181730-1718	\$105,000	\$0	\$0	\$68,637	\$0	\$42,553	\$26,084
Title I Grants to Local Educational Agencies	84.010								
ESEA Title I - Regular (16-17)		171530-1617	582,057	142,783	503,244	52,887	0	195,670	0
ESEA Title I - Regular (17-18)		181530-1718	554,506	0	0	527,888	0	367,991	159,897
Total Title I Grants to Local Educational Agencies			\$1,136,563	\$142,783	\$503,244	\$580,775	\$0	\$563,661	\$159,897
Improving Teacher Quality	84.367								
Improving Teacher Quality (16-17)		170520-1617	77,259	28,603	70,456	6,281	3	34,887	0
Improving Teacher Quality (17-18)		180520-1718	70,998	0	0	38,240	0	24,464	13,776
Total Improving Teacher Quality			\$148,257	\$28,603	\$70,456	\$44,521	\$3	\$59,351	\$13,776
Student Support & Academic Enrichment	84.424								
Title IV (17-18)		180720-1718	10,000	0	0	6,885	0	3,243	3,642
Total Passed Through Michigan Department of Education			\$1,399,820	\$171,386	\$573,700	\$700,818	\$3	\$668,808	\$203,399
Passed Through Genesee Intermediate School District:									
Special Education - Grants to States	84.027								
IDEA Flow Through (16-17)		170450-1617	230,708	66,187	217,585	13,123	0	79,310	0
IDEA Flow Through (17-18)		180450-1718	231,848	0	0	222,046	0	136,822	85,224
Total Special Education - Grants to States			\$462,556	\$66,187	\$217,585	\$235,169	\$0	\$216,132	\$85,224
Special Education - Preschool Grants	84.173								
IDEA Preschool Incentive (15-16)		160460-1516	3,884	1,736	1,736	0	0	1,736	0
IDEA Preschool Incentive (16-17)		170460-1617	1,734	0	0	1,734	0	1,734	0
IDEA Preschool Incentive (17-18)		180460-1718	2,387	0	0	2,384	0	366	2,018
Total Special Education - Preschool Grants			\$8,005	\$1,736	\$1,736	\$4,118	\$0	\$3,836	\$2,018
Total Special Education Cluster			\$470,561	\$67,923	\$219,321	\$239,287	\$0	\$219,968	\$87,242
Vocational Education - Grants to States	84.048								
Perkins Secondary Regional (17-18)		183520-1812-15	5,095	0	0	4,847	0	4,496	351
Total Passed Through Genesee Intermediate School District:			\$475,656	\$67,923	\$219,321	\$244,134	\$0	\$224,464	\$87,593
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			\$1,875,476	\$239,309	\$793,021	\$944,952	\$3	\$893,272	\$290,992

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Project Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2017	Prior Year Expenditures	Current Year Expenditures	Adjustments	Current Year Cash Receipts	Accrued (Unearned) Revenue June 30, 2018
<u>U.S. DEPARTMENT OF AGRICULTURE</u>									
Passed Through Michigan Department of Education:									
Non-Cash Assistance									
Entitlement Commodities	10.555	N/A	\$46,785	\$0	\$0	\$46,785	\$0	\$46,785	\$0
Cash Assistance									
National School Lunch Program	10.555	N/A	530,464	18,555	0	530,464	0	529,563	19,456
Total			\$577,249	\$18,555	\$0	\$577,249	\$0	\$576,348	\$19,456
School Breakfast Program	10.553	N/A	236,162	10,104	0	236,162	0	236,129	10,137
Total Nutrition Cluster			\$813,411	\$28,659	\$0	\$813,411	\$0	\$812,477	\$29,593
Child Care Food Program	10.558	N/A	72,410	581	0	72,410	0	72,626	365
Fresh Fruit and Vegetable Program	10.582	N/A	18,892	0	0	18,892	0	18,892	0
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			\$904,713	\$29,240	\$0	\$904,713	\$0	\$903,995	\$29,958
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>									
Pass Through Genesee Intermediate School District									
Medicaid - Administrative Outreach (16-17)	93.778	N/A	344	344	344	0	0	344	0
Medicaid - Administrative Outreach (17-18)		N/A	181	0	0	181	0	181	0
<u>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			\$525	\$344	\$344	\$181	\$0	\$525	\$0
<u>TOTAL FEDERAL AWARDS</u>			\$2,780,714	\$268,893	\$793,365	\$1,849,846	\$3	\$1,797,792	\$320,950

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

<u>FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>	\$1,849,846
<u>Add: Adjustment</u>	<u>3</u>
<u>TOTAL</u>	<u>\$1,849,849</u>
<u>FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS</u>	
General Fund	\$945,136
School Service Fund	<u>904,713</u>
<u>TOTAL</u>	<u>\$1,849,849</u>

- 1) Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activity of Westwood Heights Schools for the year ended June 30, 2018.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (the "Uniform Guidance"). Because the schedule presents only a selected portion of the operations of Westwood Heights Schools, it is not intended to and does not present the financial position or changes in net position of Westwood Heights Schools.

- 2) Summary of Significant Accounting Policies - Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Expenditures are recognized following the cost principles in OMB Circular A-87 or the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The District has elected not to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

- 3) Management has utilized the Cash Management System (CMS) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Grant Auditor's Report have been reconciled in the attached reconciliation on page 48 of this report.
- 4) Noncash Assistance - The value of noncash assistance received was determined in accordance with the provisions of the Uniform Guidance. The grantee received no noncash assistance during the year ended June 30, 2018 that is not included on the schedule of expenditures of federal awards.
- 5) The District did not pass-through any federal awards to subrecipients.

WESTWOOD HEIGHTS SCHOOLS - FLINT, MICHIGAN  
RECONCILIATION OF "GRANT AUDITOR'S REPORT"  
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018

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Current Payments Per the Grant Auditor's Report		
Cash Management System		\$1,526,018
<u>Add:</u> Grants Passed Through Genesee Intermediate School District:		
Special Education - Grants to States (CFDA 84.027)	\$216,132	
Special Education - Preschool (CFDA 84.173)	3,836	
Vocational Education - Grants to States (CFDA 84.048)	4,496	
Medicaid (CFDA 93.778)	525	
Total Passed Through Genesee Intermediate School District	224,989	
Entitlement and Bonus Commodities (CFDA 10.550)		46,785
 <u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF</u> <u>EXPENDITURES OF FEDERAL AWARDS</u>		 \$1,797,792



October 12, 2018

**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 of  
Westwood Heights Schools

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 Westwood Heights Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Westwood Heights Schools' basic financial statements, and have issued our report thereon dated October 12, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Westwood Heights 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 Westwood Heights Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Westwood Heights Schools' 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 a 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Westwood Heights Schools' 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Westwood Heights Schools  
Page 2  
October 12, 2018

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.

*Lewis & Knopf, P.C.*

LEWIS & KNOFF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



October 12, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education of  
Westwood Heights Schools

**Report on Compliance for Each Major Federal Program**

We have audited Westwood Heights Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Westwood Heights Schools' major federal programs for the year ended June 30, 2018. Westwood Heights Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Westwood Heights Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Westwood Heights Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Westwood Heights Schools' compliance.

**Opinion on Each Major Federal Program**

In our opinion, Westwood Heights Schools, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

Westwood Heights Schools' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Westwood Heights Schools' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response and corrective action plan.

### **Report on Internal Control over Compliance**

Management of the Westwood Heights Schools, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Westwood Heights Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Westwood Heights Schools' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Lewis & Knopf, P.C.*

LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

WESTWOOD HEIGHTS SCHOOLS – FLINT, MICHIGAN  
SUMMARY OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency (ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency (ies) identified?  Yes  None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)?  Yes  No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553/10.555	Nutrition Cluster

Dollar threshold use to distinguish between type A and type B programs: \$ 750,000.00

Auditee qualified as low-risk auditee?  Yes  No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no findings for the current year.

WESTWOOD HEIGHTS SCHOOLS – FLINT, MICHIGAN  
SUMMARY OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding 2018-001** (Repeat Finding)

Program Name – (Nutrition Cluster) National School Breakfast and National School Lunch, U.S. Department of Agriculture, passed through Michigan Department of Education. CFDA #10.553/ 10.555.

Pass-through Entity – Michigan Department of Education

Finding Type - Noncompliance

Criteria – Federal register section 7 CFR Part 210.14b requires school districts to limit its School Breakfast and Lunch Fund net resources to an amount that does not exceed three months average expenditures.

Condition – The District’s net cash resources exceeded three months average expenditures at June 30, 2018.

Questioned Costs – None

Context – The District did not meet the three months average expenditure test at June 30, 2018.

Cause/Effect – Management did not monitor net cash resources to ensure they did not exceed three months average expenditures.

Recommendation: We recommend that the District review the Food Service Fund net cash resources periodically to ensure that the fund will not have an excess of three months average expenditures at the fiscal year end. The District should take this requirement into consideration when preparing the annual budget, and any subsequent adjustments to the budget.



# WESTWOOD HEIGHTS SCHOOLS

3400 N. Jennings Rd. Flint, MI 48504  
PH: 810-591-0870 Fax: 810-591-4341  
Peter Toal, Superintendent

## 2018 SINGLE AUDIT FINDINGS CORRECTIVE ACTION PLAN

<u>Finding Number</u>	<u>Responsible Person</u>	<u>Management Views</u>	<u>Corrective Action</u>	<u>Anticipated Completion Date</u>
2018-001	Superintendent, Food Service Director, Business Manager	The District agrees with the recommendations. On June 29, 2018, a Spend Down Plan was approved by the Michigan Department of Education. This Plan will reduce the fund balance level in 2018-19 below the maximum allowable amount.	The Business Manager will monitor the approved Spend Down Plan to assure the Excess Funds are spent, appropriately and timely.	June 30, 2019

Respectfully submitted October 3, 2018.

Rebecca Boggs  
Business Manager

WESTWOOD HEIGHTS SCHOOLS – FLINT, MICHIGAN  
STATUS OF PRIOR YEAR FINDINGS  
YEAR ENDED JUNE 30, 2018

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding 2017-001** (Repeat Finding)

Program Name – (Nutrition Cluster) National School Breakfast and National School Lunch, U.S. Department of Agriculture, passed through Michigan Department of Education. CFDA #10.553/ 10.555.

Pass-through Entity – Michigan Department of Education

Finding Type - Noncompliance

Criteria – Federal register section 7 CFR Part 210.14b requires school districts to limit its School Breakfast and Lunch Fund net resources to an amount that does not exceed three months average expenditures.

Condition – The District’s net cash resources exceeded three months average expenditures at June 30, 2017.

Questioned Costs – None

Context – The District did not meet the three months average expenditure test at June 30, 2017.

Cause/Effect – Management did not monitor net cash resources to ensure they did not exceed three months average expenditures.

Recommendation: We recommend that the District review the Food Service Fund net cash resources periodically to ensure that the fund will not have an excess of three months average expenditures at the fiscal year end. The District should take this requirement into consideration when preparing the annual budget, and any subsequent adjustments to the budget.

Status

No change in condition, repeat finding in 2018.

**Finding 2017-002**

Program Name – Title I CFDA #84.010

Pass-through Entity – Michigan Department of Education

Finding Type – Significant Deficiency and Noncompliance – Cash Management

Criteria – Requests for cash reimbursements for the program should not occur before expenditures have been incurred. Amounts for payroll related expenditures were requested before they were actually incurred.

Condition – The District requested cash reimbursement in excess of expenditures for the programs listed above.

Questioned Costs – None

Context – In the district’s accounting for the grant, the payroll, payroll taxes and benefits of certain employees were originally charged to the grant. Upon further review of the employees’ duties, a lesser amount should have been charged to the grant. Journal entries were made to remove the payroll charged to the grant, however, the payroll taxes and retirement benefits associated with the payroll were not removed from the grant. This resulted in a request for reimbursement in excess of the actual expenditures of the grant.

WESTWOOD HEIGHTS SCHOOLS – FLINT, MICHIGAN  
STATUS OF PRIOR YEAR FINDINGS  
YEAR ENDED JUNE 30, 2018

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS** (Continued)

Recommendation- The district should have an additional responsible party who has knowledge of the grant review the transactions and any adjustments to the amounts charged grant before reimbursement requests are made.

Status

The finding has been corrected in accordance with the corrective action plan filed after the June 30, 2017 financial statements.



October 12, 2018

To the Board of Education of  
Westwood Heights Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Westwood Heights Schools for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 28, 2018. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Westwood Heights Schools are described in Note 1 to the financial statements. During 2017, Westwood Heights Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The application of existing policies was not changed during the 2017-2018 year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Estimates have been used to calculate the net pension and net OPEB liabilities.

Estimates have been used in calculating the liability for employee compensated absences.

We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets.

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 12, 2018.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Westwood Heights Schools  
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We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Westwood Heights Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Lewis & Knopf, P.C.*

LEWIS & KNOFF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS