

WESTWOOD COMMUNITY SCHOOL DISTRICT

**FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION**

JUNE 30, 2016

WESTWOOD COMMUNITY SCHOOL DISTRICT

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Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alancyoung.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Westwood Community School District
Dearborn Heights, MI

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 the Westwood Community School District (the School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report
(Continued)

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 the Westwood Community School District as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As more fully discussed in the management's discussion and analysis and Note 2 of the financial statements, the general fund is in a \$1,730,216 deficit position at June 30, 2016. State law requires the School District to continue to implement cost-cutting initiatives that will enable it to bring expenditures in line with expected current revenue and eliminate the general fund deficit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of proportionate share of net pension liability and contributions, as identified 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 Community School District's basic financial statements. The other supplemental information, as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

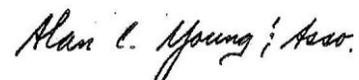
Independent Auditor's Report
(Continued)

Other Information (Continued)

The other supplemental information, as identified in the table of contents is 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, the other supplemental information, as identified in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016, on our consideration of the Westwood Community School District's 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Westwood Community School District's internal control over financial reporting and compliance.



Detroit, Michigan
October 31, 2016

WESTWOOD COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A)

June 30, 2016

This section of the Westwood Community School District's (the School District) annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 2000. Certain comparative information between the current year and the prior year is required and is presented in the Management's Discussion and Analysis.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Westwood Community School District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant fund – the General Fund, with all other funds presented in one column as Non Major Governmental Funds. The remaining statement, the Statement of Fiduciary Net Position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The following comments show how the various parts of the annual report are arranged and related to one another

Organization of Westwood Community School District's Annual Financial Report

Management's Discussion & Analysis (MD&A)

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for General Fund

Schedule of School District's Proportionate Share of Net Liability

Schedule of School District's Contributions

Other Supplemental Information

WESTWOOD COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) (Continued)
June 30, 2016

Reporting the School District as a Whole - District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, is the School District better off or worse off financially 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 on the School District as a whole, and its activities, in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The Statement of Net Position and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, athletics, food services and capital improvement projects. Property taxes, sales taxes, foundation allowance revenue, and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – Fund Financial Statements

The School District's fund financial statements provide detailed information about the most *significant funds* - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (like the Cafeteria Fund) or to show that it is meeting legal responsibilities for using certain taxes and other money (like Sinking Fund taxes received from the local taxing entities for use on capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation

WESTWOOD COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) (Continued)

June 30, 2016

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or *fiduciary* for its student activity funds. All of the School District's fiduciary activities are reported in a separate Statement of Net Position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis, Budgetary Comparison Schedule – General Fund and the schedules for the Michigan Public School Employees Retirement System ("MPERS") immediately following the notes to the financial statements. The combining statements referred to earlier in connection with non major governmental funds are presented immediately following the required supplemental information.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2016 and 2015:

TABLE 1

	2016	2015
	(in millions)	(in millions)
ASSETS		
Current Assets	\$ 8.47	\$ 8.27
Capital Assets - Net of Accumulated Depreciation	5.66	6.09
Total Assets	14.13	14.36
Deferred Outflows of Resources	4.12	3.95
Total Assets and Deferred Outflows of Resources	<u>\$ 18.25</u>	<u>\$ 18.31</u>
LIABILITIES		
Current Liabilities	9.97	10.69
Long-Term Liabilities	30.94	29.75
Total Liabilities	40.91	40.44
Deferred Inflows of Resources	2.18	3.04
Total Liabilities and Deferred Inflows of Resources	<u>43.09</u>	<u>43.48</u>
NET POSITION		
Net Investment in Capital Assets	4.76	5.10
Restricted	0.41	0.37
Unrestricted	(30.01)	(30.64)
Total Net Position	<u>(24.84)</u>	<u>(25.17)</u>
Total Liabilities and Deferred Inflows and Net Position	<u>\$ 18.25</u>	<u>\$ 18.31</u>

WESTWOOD COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) (Continued) June 30, 2016

The School District as a Whole (Continued)

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. At the end of the current fiscal year, the School District is reporting a positive balance in net position for capital assets net of related debt, restricted for debt services and food service program. The remaining net position is negative.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal year ending June 30, 2016. The fiscal year 2016 revenue and expenses are also compared to fiscal year 2015:

TABLE 2

	<u>2016</u> (in millions)	<u>2015</u> (in millions)
REVENUES		
General Revenue		
Property Taxes Levied for General Purposes	\$ 2.49	\$ 2.46
State Aid not Restricted for Specific Purposes	15.03	16.23
Other	0.58	0.49
Program Revenue		
Grants and Categoricals	6.42	6.60
Charges for Services	0.05	0.04
Total Revenue	<u>24.57</u>	<u>25.82</u>
FUNCTION/PROGRAM EXPENSES		
Instruction	13.17	13.04
Support Services	9.50	8.99
Food Services	1.12	1.11
Building and Site	0.01	0.01
Depreciation (unallocated)	0.44	0.53
Total Expenses	<u>24.24</u>	<u>23.68</u>
Change in Net Position	<u>\$ 0.33</u>	<u>\$ 2.14</u>

The School District implemented GASB Statement No. 68 and No. 71 in 2015. In addition to expanded disclosure requirements, the School District is required to report its proportionate share of the MPERS net pension liability on the statement of net position.

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$24.24 million. Certain activities were partially funded from those who benefited from the programs (\$0.05 million) or by other governments and organizations that subsidized certain programs with grants and categorical (\$6.42 million). The School District paid for the remaining "public benefit" portion of our governmental activities with \$2.49 million in taxes and \$15.03 million in state aid not restricted for specific purposes.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) (Continued)

June 30, 2016

The School District as a Whole (Continued)

The School District experienced an increase in net position of \$0.33 million. Key reasons for the change in net position were an increase in property tax revenues and a net decrease in the depreciation. The increase in net position differs from the change in fund balance, and a reconciliation appears on page 15.

As discussed above, the net costs show 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 School District 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.

The School District's Funds

As we noted earlier, the School District uses funds to help control and manage money for particular purposes. Looking at funds helps you consider whether the School District is being accountable for the resources taxpayers and others provide, but may also give you more insight into the School District's overall financial health.

As the School District completed this year, our governmental funds reported a combined fund deficit of \$1.31 million, which is a decrease of \$1.22 million from last year's deficit of \$2.53 million. This is due mainly to the following:

- The General Fund had a net increase in the total fund balance of \$1,180,901, resulting from more effective management of the School District.
- Other Governmental Funds, which includes the Cafeteria Fund (food services) and the Capital Projects Fund (Sinking Fund), had an increase of \$36,808.

General Fund Budgetary Highlights

The School District's budget for the 2015-2016 fiscal year was adopted in June, 2015, and a budget amendment for fiscal year 2015-2016 was also adopted in June, 2016. There were variations between the budget and actual results. A schedule showing the School District's budget amounts compared with amounts actually paid and received is provided in our annual report.

The actual revenues were better than budgeted amounts in local sources due to a "one time" reimbursement for special education transportation services along with higher than anticipated delinquent tax collections. Intermediate source revenue was higher than anticipated due to additional revenue received from Act 18 County Special Education reimbursement as well as additional fees from Medicaid fee for services. Federal source revenue was greater than budgeted due to recognition of deferred revenue from the prior year.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) (Continued) June 30, 2016

General Fund Budgetary Highlights (Continued)

Actual expenditures in the Basic Program category were over budget due to higher than anticipated severance payments for retired teachers. Added Needs expenditures were over budget due to higher than anticipated fringe benefit costs. The Instructional Staff category was under budget primarily due to careful planning and timing of Title I expenditures. General Administration costs were under budget due to various cost control measures, while School Administration costs were over budget due to increased benefits costs associated with a personnel change. Business services were under budget due to lower than anticipated liability insurance costs. Maintenance & Operations costs were higher than planned due to unexpected repairs related to the boiler in the High School. Pupil transportation costs were over budget due to higher than anticipated transportation costs for both general and special education. Other services came in over budget due to increased offerings in our athletic programs. Over all, district wide expenditures were under the total budget and as a result, the district achieved an overall operating surplus in excess of \$1.1 million.

Capital Assets and Debt Administration

Capital Assets

The School District's net investments in capital assets decreased during the year by \$440,338 which is summarized below:

	Governmental Activities	
	2016	2015
Land	\$ 283,079	\$ 283,079
Building Improvements	5,100,871	5,478,090
Buses and Other Vehicles	5,435	16,301
Furniture and Equipment	266,091	318,344
Total Capital Assets	\$ 5,655,476	\$ 6,095,814

Current year depreciation was \$444,829.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) (Continued) June 30, 2016

Debt

At the end of this year, the School District had \$0.9 million in bonds outstanding versus \$1.0 million last year. Those bonds consisted of the following:

	<u>2016</u>	<u>2015</u>
Energy Bonds	<u>\$ 900,000</u>	<u>\$ 1,000,000</u>
	<u>\$ 900,000</u>	<u>\$ 1,000,000</u>

Other obligations include accrued vacation pay and sick leave payable to employees. There is more detailed information about our long-term liabilities in the *Notes to the Financial Statements*.

Economic Factors and Next Year's Budgets and Rates

At the time these financial statements were prepared and audited, the School District was aware of several on-going circumstances that could significantly affect its financial health in the future:

- The primary factor affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2016 fiscal year was 90% of the October, 2015 student count and 10% of the February, 2015 student counts, respectively. However, uncertainty due to the fluctuation in the number of students places the School District in a challenging position. The School District must budget for sufficient staff and other expenditures, even though enough students may not enroll to produce the state foundation revenue needed to pay those expenses.
- The 2016-2017 budget was adopted in June, 2016, based on an estimate of students that were expected to be enrolled in September, 2016. Approximately 61% of total revenues were derived from the foundation allowance, and 72% of total revenue was generated from State Aid. Based on the October, 2016 preliminary student count, it appears that the fall student count will be lower than projected in the appropriations budget for 2016-2017, which is consistent with prior year's trend data. This difference will require a budget amendment after the fall count is finalized.
- The Michigan legislature has passed the state's budget for fiscal year 2016-17. A \$265 per pupil reduction, as compared to the 2010-11 foundation allowance of \$8,275; remains in effect for the 2016-17 school year. As a result, the district will continue to implement staff reduction initiatives, privatization of supporting services, stringent cost control measures while maintaining a continued focus on educational services to help mitigate the reduction in revenue. In addition, the FY 2016-17 Title I allocation is expected to be lower than the FY 2015-16 allocation. Further decreases in funding for the 2016-17 fiscal year are not anticipated at this time.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) (Continued)
June 30, 2016

Economic Factors and Next Year's Budgets and Rates (Continued)

- The state's depressed economic position has affected the state's ability to provide adequate school funding. Additionally, the economic downturn and the large number of local mortgage foreclosures have contributed to the departure of a number of families and students from the local area. This has added to the decrease in the student count which generates state foundation revenue.
- The 3-mill Sinking Fund levy approved by Westwood Community School District voters in 1997 was not renewed in the election held in May, 2007. The School District has continued to finance capital projects with the remainder of the funds generated by the millage levy. However, when these funds are depleted, capital projects will have to be delayed, curtailed, or financed with general fund dollars. This latter possibility would reduce the funds that could be spent on instructional costs. Because of the present economic climate, the School District has not considered asking voters to reinstate the Sinking Fund levy for capital projects in the School District at this time.

Despite the economic climate and the financial situation, our elected officials and administration monitor the budget very closely and endeavor to balance revenue and expenditures to meet their fiscal responsibilities to their taxpayers, citizens, investors, and creditors.

Deficit Elimination Plan

The School District has been operating under an approved Deficit Elimination Plan (DEP) for the last five years due to the accumulated annual fund balance deficits in the School District's General Fund. During the year ended June 30, 2016, the oversight of the Deficit Elimination Plan was transferred from the Michigan Department of Education (MDE) to the Michigan Department of Treasury because the School District did not completely eliminate its original fund balance deficit within five years. This transfer of oversight was required by the enacted 2015 Early Warning statutes. In 2016, the Department of Treasury completed a Preliminary Review of the School District and determined that probable fiscal stress does not exist in the School District. Following this determination, the School District executed a Financial Recovery Agreement with the Department of Treasury which identifies remedial measures, conditions, reporting, and approval requirements of the School District until the fund balance deficit is eliminated. The School District anticipates elimination of the fund balance deficit by June 2018.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Westwood Community School District, 3335 S. Beech Daly, Dearborn Heights, Michigan 48125.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Statement of Net Position June 30, 2016

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current Assets	
Cash	\$ 2,192,931
Petty Cash	400
Investments	2,371,203
Restricted Investments	183,044
Receivables	
Taxes	1,345
Accounts	2,675
Due From Other Governmental Units	3,713,745
Inventory	8,414
Total Current Assets	8,473,757
Noncurrent Assets	
Capital Assets	17,583,698
Less: Accumulated Depreciation	(11,928,222)
Total Noncurrent Assets	5,655,476
Total Assets	14,129,233
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	4,116,272
Total Assets and Deferred Outflows of Resources	\$ 18,245,505
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 482,300
Accrued Liabilities	1,500,741
Due to Fiduciary Fund	14,206
State Aid Anticipation Note	7,496,632
Due to Other Governmental Units	205,896
Other Liabilities	95,790
Unearned Revenue	1,124
Bonds Payable, Due Within One Year	100,000
Other Long Term Debt, Due Within One Year	73,300
Total Current Liabilities	9,969,989
Noncurrent Liabilities	
Bonds Payable	800,000
Net Pension Liability	28,844,977
Other Long-term Debt	1,298,656
Total Noncurrent Liabilities	30,943,633
Total Liabilities	40,913,622
Deferred Inflows of Resources	
Related to Pensions and State Aid Funding for Pension	2,179,649
Total Liabilities and Deferred Inflows of Resources	\$ 43,093,271
NET POSITION (Deficit)	
Invested in Capital Assets, Net of Related Debt	\$ 4,755,476
Restricted for Capital Project Funds	105,131
Restricted for Food Service	311,186
Unrestricted (Deficit)	(30,019,559)
Total Net Position	(24,847,766)
Total Liabilities, Deferred Inflows and Net Position	\$ 18,245,505

The notes to the financial statements are an integral part of these financial statements.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Statement of Activities Year Ended June 30, 2016

Functions/Programs	PROGRAM REVENUES			ACTIVITIES
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
Governmental Activities:				
Instruction	\$ 13,168,038	\$ -	\$ 3,080,816	\$ (10,087,222)
Support Services	9,430,170	-	2,230,936	(7,199,234)
Cafeteria	1,117,312	51,249	1,110,172	44,109
Building and Site	7,301	-	-	(7,301)
Interest on Long Term Debt	72,108	-	-	(72,108)
Depreciation - Unallocated	444,829	-	-	(444,829)
Total Government Activities	<u>\$ 24,239,758</u>	<u>\$ 51,249</u>	<u>\$ 6,421,924</u>	(17,766,585)
General Revenues				
Taxes				
Property Taxes Levied for General Operations				2,487,781
State Aid Unrestricted				15,028,865
Interest on Investments and Taxes				9,889
Other				571,000
Change in Net Position				330,950
Net Position, Beginning of Year				<u>(25,178,716)</u>
Net Position, End of Year				<u>\$ (24,847,766)</u>

The notes to the financial statements are an integral part of these financial statements.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Governmental Funds Balance Sheet June 30, 2016

	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 2,192,931	\$ -	\$ 2,192,931
Petty Cash	200	200	400
Investments	2,298,725	72,478	2,371,203
Restricted Investments	-	183,044	183,044
Receivables			
Taxes	1,345	-	1,345
Accounts	2,675	-	2,675
Due From Other Governmental Units	3,645,664	68,081	3,713,745
Due From Other Funds	2,050,203	231,869	2,282,072
Inventory	-	8,414	8,414
TOTAL ASSETS	\$ 10,191,743	\$ 564,086	\$ 10,755,829
LIABILITIES			
Accounts Payable	\$ 412,444	\$ 69,856	\$ 482,300
Salaries Payable	1,500,741	-	1,500,741
Due To Other Funds	2,218,365	77,913	2,296,278
State Aid Anticipation Note	7,496,632	-	7,496,632
Due to Other Governmental Units	205,896	-	205,896
Other Liabilities	86,757	-	86,757
Unearned Revenue	1,124	-	1,124
Total Liabilities	11,921,959	147,769	12,069,728
FUND BALANCES (DEFICIT)			
Nonspendable	-	8,414	8,414
Restricted for Capital Project Funds	-	105,131	105,131
Restricted for Food Service	-	302,772	302,772
Deficit	(1,730,216)	-	(1,730,216)
Total Fund Balances (Deficit)	(1,730,216)	416,317	(1,313,899)
TOTAL LIABILITIES, AND FUND BALANCES (DEFICIT)			
	\$ 10,191,743	\$ 564,086	\$ 10,755,829

The notes to the financial statements are an integral part of these financial statements.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Reconciliation of Balance Sheet of Governmental Funds To the Statement of Net Position June 30, 2016

Fund Balances - Total Governmental Funds		\$	(1,313,899)
Amount Reported for Governmental Activities in the Statement of Net Position are different because:			
Capital Assets used in Governmental Activities are not Financial Resources and are not Reported in the Governmental Funds:			
The Cost of Capital Assets	17,583,698		
Accumulated Depreciation	<u>(11,928,222)</u>		5,655,476
Deferred outflows related to pension including payments made subsequent to the measurement date.			4,116,272
Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities.			(28,844,977)
Deferred inflows related to pension investment returns and changes in assumptions are not reported in the governmental funds.			(1,393,532)
Deferred inflows related to State Aid funding for pension are not reported in the governmental funds.			(786,117)
Accrued Interest Payable is not included as a Liability in Governmental Funds			(9,033)
Long - Term Liabilities are not due and payable in the current period and are not reported in the Governmental Funds:			
Bond Payable	(900,000)		
Compensated Absences	(1,341,621)		
Unemployment Payable	<u>(30,335)</u>		<u>(2,271,956)</u>
Net Position - Governmental Activities		\$	<u><u>(24,847,766)</u></u>

The notes to the financial statements are an integral part of these financial statements.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances (Deficit) Year Ended June 30, 2016

	<u>GENERAL</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUE			
Local Sources	\$ 2,845,516	\$ 51,249	\$ 2,896,765
State Sources	17,115,939	35,745	17,151,684
Federal Sources	3,172,117	1,074,427	4,246,544
Intermediate Sources	638,847	-	638,847
Total Revenues	23,772,419	1,161,421	24,933,840
EXPENDITURES			
Instruction	13,017,827	-	13,017,827
Support Service	9,573,691	1,124,613	10,698,304
Total Expenditures	22,591,518	1,124,613	23,716,131
EXCESS OF REVENUE OVER EXPENDITURES	1,180,901	36,808	1,217,709
FUND BALANCE (DEFICIT), BEGINNING OF THE YEAR	(2,911,117)	379,509	(2,531,608)
FUND BALANCE (DEFICIT), END OF THE YEAR	\$ (1,730,216)	\$ 416,317	\$ (1,313,899)

The notes to the financial statements are an integral part of these financial statements.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balances (Deficit) of Governmental Funds to Statement of Activities Year Ended June 30, 2016

NET CHANGES IN FUND BALANCE (DEFICIT) - TOTAL GOVERNMENTAL FUNDS \$ 1,217,709

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

Governmental funds reported capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(444,829)	
Capital Outlay by School District	<u>4,491</u>	(440,338)

Revenue is reported in the Statement of Activities at the time it is earned, without regard to timeliness of collection (363,132)

Interest expense is recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid. 16,261

Change in pension expense related to deferred items (263,319)

Repayments of bond principal are expenditures in the governmental funds, but not in the Statement of Activities (where it reduces long-term debt). 100,000

Increase in Other Long Term Liabilities are reported as expenditures in the governmental funds, but not in the Statement of Activities (where it reduces long-term debt). 63,769

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 330,950

The notes to the financial statements are an integral part of these financial statements.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Fiduciary Funds
Statement of Net Position
June 30, 2016

	PRIVATE- PURPOSE TRUST FUNDS - SCHOLARSHIPS	AGENCY FUNDS - STUDENT ACTIVITIES
ASSETS		
Cash in Bank	\$ 3,430	\$ 89,209
Petty Cash	-	150
Due from Other Funds	-	14,206
Total Assets	\$ 3,430	\$ 103,565
LIABILITIES		
Due to Student and Other School Groups	\$ -	\$ 102,025
Accounts Payable	-	1,540
Total Liabilities	-	\$ 103,565
NET POSITION		
Held in Trust	\$ 3,430	

The notes to the financial statements are an integral part of these financial statements.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Fiduciary Funds
Statement of Changes in Net Position
Year Ended June 30, 2016

	PRIVATE- PURPOSE TRUST FUNDS
	<hr/>
ADDITIONS	
Gifts and Contributions	\$ 900
DEDUCTIONS	
Scholarships Awarded	<hr/> -
Change in Net Position	900
NET POSITION, Beginning of Year	<hr/> 2,530
NET POSITION, End of Year	<hr/> <hr/> \$ 3,430

The notes to the financial statements are an integral part of these financial statements.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements
June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Westwood Community School District (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

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

District-wide and Fund Financial Statements

The district-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 revenues, 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 district-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. 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 revenues 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 district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements (Continued)
June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide Financial Statements – The district-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 district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital 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. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences 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 accrual basis of accounting.

The School District reports the following major governmental fund:

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.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements (Continued)
June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the School District reports the following funds:

Cafeteria Fund – The Cafeteria Fund accounts for the activities of the food service operation at the various cafeteria locations. The School District charges users primarily for the direct costs of this program, which are subsidized by state and federal grants.

Building and Site Capital Projects Fund – The Building and Site Capital Projects Fund accounts for the acquisition of capital assets or construction of major capital projects, which are primarily funded by settlements from asbestos abatement lawsuits.

Capital Project Sinking Fund – The Capital Projects Sinking Fund accounts for the acquisition of capital assets or construction of major capital projects, which are primarily funded by property taxes (sinking fund millage) and transfers from other funds.

Fiduciary Fund – The Fiduciary Fund is used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net position and results of operations are not included in the district-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Student Activities Agency Fund – The Student Activities Agency Fund is used to record transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Cash and Investments – Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on relative participation in the pool.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements (Continued)
June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Receivables and Payables (Continued) – Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

Inventories and Prepaid Costs – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture commodities received by the Cafeteria fund are recorded as inventory. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both district-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Building, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and Building Additions	20-50 years
Buses and Other Vehicles	5-15 years
Furniture and Other Equipment	5-20 years

Compensated Absences – The liability for compensated absences reported in the district-wide statement consists of earned but unused accumulated vacation and sick leave benefits. 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 for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Fund Designations - GASB 54 provides for two major types of fund balances, which are non-spendable and spendable. Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to non-spendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

Deferred Inflow of Resources – 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 School District has two items that qualify for reporting in this category. Deferred inflows at June 30, 2016 included \$786,117 for funding received through state appropriations for contributions to the MPSERS pension plan after the measurement date, and \$1,393,532 related to the pension plan described in Note 12. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred Outflow of Resources – The statement of net position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflow of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The School District has deferred outflow of resources, of \$4,116,272 related to deferred pension plan expenses.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Comparative Data – Comparative data is not included in the School District's financial statements.

Restricted Cash - Monies related to the Capital Project Fund and the School District's sinking funds are required to be set aside for specific purposes. These amounts have been classified as restricted assets. When an expense is incurred for purposes 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 for 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.

Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Adoption of New Standards – Adoption of New Accounting Standards – As of June 30, 2016, the Organization adopted Governmental Accounting Standards Board (GASB) Statements No. 72, Fair Value Measurement and Application, and No. 79, Certain External Investments Pools and Pool Participants. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 79 provides guidance for determining whether certain investment pools can continue to be accounted for using amortized cost. The adoption did not have a significant impact on amounts reported in the financial statements.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2016

2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General Fund, and all Special Revenue Funds. 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 General Fund budget was amended during the year to take into account changes in State and local source revenue and related program expenditures.

Excess of Expenditures over Appropriations in Budgeted Funds

During the year, the School District incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated as follows:

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Instruction Service				
Basic Programs	\$ 11,431,173	\$ 9,789,314	\$ 9,850,924	(61,610)
Added Needs	2,949,755	3,151,372	3,166,903	(15,531)
Support Services				
Pupil Services	695,940	816,637	817,671	(1,034)
School Administration	1,173,031	1,206,629	1,227,253	(20,624)
Operation & Maintenance	1,884,082	1,885,165	1,917,128	(31,963)
Pupil Transportation	1,497,432	1,429,504	1,590,234	(160,730)
Central Services	362,781	332,931	350,225	(17,294)
Other Services	273,733	233,129	247,453	(14,324)

Fund Deficits – The School District has an accumulated fund deficit of \$1,730,216 in the General Fund at June 30, 2016. The School District is currently operating under an approved Deficit Elimination Plan with the Michigan Department of Education and Treasury. The approved Plan calls for the elimination of the General Fund deficit by June 2018. Additionally, the School District provides monthly financial reporting to the Departments of Education and Treasury as required by the approved Deficit Elimination Plan.

3) DEPOSITS AND INVESTMENTS

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements (Continued)
June 30, 2016

3) DEPOSITS AND INVESTMENTS (Continued)

The Board of Education has designated two banks for the deposit of School District funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in 1) bonds, bills or notes of the United States, or obligations the principal and interest of which are fully guaranteed by the United States Government; 2) certificates of deposit issued by any state or national bank organized and authorized to operate a bank in this state; 3) commercial paper rated prime at the time of purchase and maturing not more than 270 days from date of purchase; 4) certificates of deposit or share certificates of state or federal credit unions organized and authorized to operate in this state, but not the remainder of State statutory authority as listed above.

As of June 30, 2016, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Standard & Poor's Rating</u>	<u>%</u>
MILAF+ Cash Mgmt Class	\$ 931,928	0.0027	AAAm	21.97%
MILAF+ MAX Class	3,310,359	0.0027	AAAm	78.03%
	<u>\$ 4,242,286</u>			<u>100.00%</u>

Portfolio weighted average weighted maturity 0.0027

The School District voluntarily invests certain excess funds in external pooled investments funds which included money market funds. The pooled investment funds utilized by the District are the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investments pools as defined by GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to fair value disclosures.

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

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School District has the ability to access.

Level 2: Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets

Inputs other than quoted prices that are observable for the assets or liabilities;

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements (Continued)
June 30, 2016

3) DEPOSITS AND INVESTMENTS (Continued)

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Investments	\$ 4,564,134	\$ 92,639	\$ 4,656,773
Petty Cash	400	150	550
Restricted Investments	183,044	-	183,044
Total	<u>\$ 4,747,578</u>	<u>\$ 92,789</u>	<u>\$ 4,840,367</u>

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. At year end, the School District had a deposit balance of \$675,482 (excluding outstanding checks and deposits in transit) of which \$352,428 was insured through the FDIC and \$323,054 was uninsured. The School District evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements (Continued)
June 30, 2016

3) DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

The School District's policy minimizes interest rate risk 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 School District's cash requirements.

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by; and, requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

4) RECEIVABLES AND DEFERRED REVENUE

Receivables at June 30, 2016 consist primarily of state school aid due from the State of Michigan, and grant payments from the federal government. There are no applicable allowances for uncollectible accounts.

Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue are as follows:

	<u>Unearned</u>
Payments Received Prior to Meeting all Eligibility Requirements:	
Grants and Categorical Aid Payments	\$ 1,124
	<u>\$ 1,124</u>

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements (Continued)
June 30, 2016

5) CAPITAL ASSETS

Capital asset activity of the School District's governmental activities was as follows:

	Balance June 30, 2015	Additions	Disposals and Adjustments	Balance June 30, 2016
Capital Assets not being Depreciated:				
Land	\$ 283,079	\$ -	\$ -	\$ 283,079
Total Assets not being Depreciated	<u>283,079</u>	<u>-</u>	<u>-</u>	<u>283,079</u>
Capital Assets being Depreciated:				
Building and Building Improvements	12,916,356	-	-	12,916,356
Site Improvements	1,122,561	-	-	1,122,561
Buses	491,792	-	-	491,792
Vehicles (Other than Buses)	110,312	-	-	110,312
Computer Equipment	932,726	-	-	932,726
Office Equipment	1,722,381	4,491	-	1,726,872
Total Assets being Depreciated	<u>17,296,128</u>	<u>4,491</u>	<u>-</u>	<u>17,300,619</u>
Total Governmental Capital Assets	<u>17,579,207</u>	<u>4,491</u>	<u>-</u>	<u>17,583,698</u>
Accumulated Depreciation:				
Building and Building Improvements	7,953,207	338,216	-	8,291,423
Site Improvements	607,620	39,003	-	646,623
Buses	475,491	10,866	-	486,357
Vehicles (Other than Buses)	110,312	-	-	110,312
Computer Equipment	932,726	-	-	932,726
Office Equipment	1,404,037	56,744	-	1,460,781
Subtotal	<u>11,483,393</u>	<u>444,829</u>	<u>-</u>	<u>11,928,222</u>
Net Assets being Depreciated	<u>5,812,735</u>	<u>(440,338)</u>	<u>-</u>	<u>5,372,397</u>
Net Governmental Capital Assets	<u>\$ 6,095,814</u>	<u>\$ (440,338)</u>	<u>\$ -</u>	<u>\$ 5,655,476</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

6) INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 2,050,203	\$ 2,218,365
Building and Site Fund	-	71,974
Cafeteria Fund	231,869	-
Sinking Fund	-	5,939
Student Activities Fund	14,206	-
Total	<u>\$ 2,296,278</u>	<u>\$ 2,296,278</u>

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2016

6) INTERFUND RECEIVABLES AND PAYABLES (Continued)

The amount due from the General Fund to the Cafeteria Fund is for expenditures originally paid through that fund. The amounts due from the Building and Site and Student Activities Funds represent amounts paid on behalf of those funds by the General Fund. All amounts due are scheduled to be repaid within one year.

7) LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. Long-term obligations include an energy conservation loan, compensated absences, and other payments to employees.

Long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment Debt					
2010B Energy Bonds	\$ 1,000,000	\$ -	\$ 100,000	\$ 900,000	\$ 100,000
Total Installment Debt	1,000,000	-	100,000	900,000	100,000
Other Debt					
Compensated Absences	1,353,904	-	12,283	1,341,621	42,965
Unemployment Payable	81,821	30,335	81,821	30,335	30,335
Total Long-Term Debt	<u>\$ 2,435,725</u>	<u>\$ 30,335</u>	<u>\$ 194,104</u>	<u>\$ 2,271,956</u>	<u>\$ 173,300</u>

Bond Payable

General obligation bonds consist of the following:

2010B Energy Conservation Improvement Bonds due in annual installments of \$95,000 for two years, then \$100,000 thereafter, to \$1,390,000 through May 1, 2025 with the first payment beginning May 1, 2012; interest between 1.75% and 6.70%

\$ 900,000

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2016

7) LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for the above governmental bond obligations are as follows:

Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2017	\$ 100,000	\$ 54,200	\$ 154,200
2018	100,000	48,900	148,900
2019	100,000	43,500	143,500
2020	100,000	37,900	137,900
2021	100,000	32,100	132,100
2022-2025	400,000	65,800	465,800
Total	\$ 900,000	\$ 282,400	\$ 1,182,400

8) NOTES PAYABLE

The School District participated in several borrowings of money in the forms of State Aid and Tax Anticipation Notes, pursuant to Act No. 451 of the Public Acts of 1976. This Act authorizes the borrowing of money in a single series of notes in anticipation of the collection of State Aid and Property Tax payments. The details of note payable balance at year end are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance
State Aid Note Payable dated August 20, 2014 bearing interest at 0.420% and is due August 20, 2015	\$ 560,889	\$ -	\$ 560,889	\$ -
State Aid Note Payable dated August 20, 2014 bearing interest at 1.050% and is due August 20, 2015	4,015,000	-	4,015,000	-
State Aid Note Payable dated August 20, 2014 bearing interest at 1.235% and is due August 20, 2015	3,285,000	-	3,285,000	-
State Aid Note Payable dated August 20, 2015 bearing interest at 1.080% and is due August 20, 2016	-	3,170,393	-	3,170,393
State Aid Note Payable dated August 20, 2015 bearing interest at 1.4625% and is due August 20, 2016	-	4,229,607	-	4,229,607
State Aid Anticipation Note	\$ 7,860,889	\$ 7,400,000	\$ 7,860,889	7,400,000
Interest				96,632
Total				\$ 7,496,632

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements (Continued)
June 30, 2016

9) CAPITAL PROJECT SINKING FUND

The Capital Project Sinking Fund records capital project activities funded with the Sinking Fund Millage. For this fund, the School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

10) LITIGATION, CONTINGENCIES AND RISK MANAGEMENT

The School District is the recipient of several Federal and State Grant programs. The expenditures for each program are subject to audit for technical compliance by an appropriate agency. In the event such audit procedures indicate that the School District is not in compliance, the Federal government could require repayment of funds to the grantor(s). In the opinion of management, such repayment, if any, is not likely to be material.

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees (workers' compensation) and natural disasters. For the year ended June 30, 2016, the School District purchased commercial insurance policies to satisfy any claims related to general liability, vehicle liability, property and casualty, athletic participation, employee health and accident and errors and omissions. The General Fund, since there is no internal Service Fund, accounts for all risk-financing activity.

During the year ended June 30, 2016, there was no significant reduction in insurance coverage in any of risk categories mentioned above. Additionally, the School District had no settlements in excess of insurance coverage during any of the past three fiscal years.

11) DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2016

11) DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided

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

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

Contributions and Funded Status

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

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

School District's contributions are determined based on employee elections. There are seven 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:

School District

October 1, 2014 – September 30, 2015	18.76% - 23.07%
October 1, 2015 – June 30, 2016	14.56% - 18.95%

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

Required contributions to the pension plan from the School District were \$2,278,225 for the year ended September 30, 2015.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements (Continued)
June 30, 2016

11) DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (Continued)

The School District's contributions to the MPSERS plan for the years ended June 30, 2016, 2015, and 2014 were \$3,113,015, \$3,252,992, and \$3,213,624 respectively.

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits.

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

At June 30, 2016, the School District reported a liability of \$28,844,977 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2014. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the School District's proportion was 0.11811 percent, which was a decrease of .0069 percent from its proportion measured as of September 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of \$2,118,302. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between Expected and Actual Experience Changes in Assumptions	\$ -	\$ 95,543	\$ (95,543)
Changes in Assumptions	710,224	-	710,224
Net Difference between Projected and Actual Earnings on Pension Plan	147,230	-	147,230
Changes in Proportion and Differences between Employer Contributions and Proportionate Share	109,979	1,297,989	(1,188,010)
	967,433	1,393,532	(426,099)
School District Contributions Subsequent to the Measurement Date	3,148,839	786,117	2,362,722
Total	\$ 4,116,272	\$ 2,179,649	\$ 1,936,623

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2016

12) **PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

\$3,148,839 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Deferred (Inflow) and Deferred Outflow of Resources by Year
(To Be Recognized in Future Pension Expenses)**

<u>Year Ended June 30,</u>	<u>Amount</u>
2017	\$ (238,775)
2018	(238,775)
2019	(277,285)
2020	<u>328,736</u>
Total	<u><u>\$ (426,099)</u></u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Inflation	3.50%
Salary increases	3.5% to 12.3%, including wage inflation at 3.5%
Investment rate of return	8.0% (7.0% for the Pension Plus plan)
Cost of living adjustments	3.0% annual, non-compounded for MIP members

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements (Continued)
June 30, 2016

12) PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity Pools	28.00%	5.90%
Alternative Investment Pool	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	90.00%
Real Estate and Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short-term Investment Pools	2%	0.00%
	<u>100.00%</u>	

Inflation

Investment Rate of Return

Discount Rate

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

WESTWOOD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements (Continued)
June 30, 2016

12) PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate.

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	<u>1% Decrease</u> 7.00%	<u>Current</u> <u>Discount Rate</u> 8.00%	<u>1% Increase</u> 9.00%
District's Proportionate Share of the Net Pension Liability	<u>\$ 37,188,570</u>	<u>\$ 28,844,977</u>	<u>\$ 21,810,987</u>

13) PAYABLE TO THE PENSION PLAN

At June 30, 2016, the School District reported a payable of \$675,237 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2016.

14) SUBSEQUENT EVENT

On August 22, 2016, the state aid anticipation note obtained in fiscal year 2015 was scheduled to mature (see Note 8). In order to pay off the matured balances of those notes and to borrow additional funds, the School District borrowed, one note (Series 2015-C), \$5,500,000 against anticipated 2016/17 state aid through the Michigan Municipal Bond Authority's pooled borrowing program. This new note will become due on August 22, 2017 at an interest rate between 1.2% per annum.

15) DEFICIT FUND BALANCE

At June 30, 2015, the School District's deficit fund balance in the General Fund was \$1,730,216 which is in violation of Michigan's Uniform Budgeting and Accounting Act for local units of government.

16) UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2018.

REQUIRED SUPPLEMENTAL INFORMATION

WESTWOOD COMMUNITY SCHOOL DISTRICT

Required Supplemental Information Budgetary Comparison Schedule – General Fund Year Ended June 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUE				
Local Sources	\$ 2,637,144	\$ 2,753,369	\$ 2,845,516	\$ 92,147
State Sources	17,179,300	17,120,179	17,115,939	(4,240)
Federal Sources	2,620,935	2,922,104	3,172,117	250,013
Intermediate Sources	510,369	529,369	638,847	109,478
Total Revenues	22,947,748	23,325,021	23,772,419	447,398
EXPENDITURES				
Instruction				
Basic Programs	9,851,776	9,789,314	9,850,924	(61,610)
Added Needs	3,225,649	3,151,372	3,166,903	(15,531)
Total Instruction	13,077,425	12,940,686	13,017,827	(77,141)
Support Services				
Pupil Services	803,535	816,637	817,671	(1,034)
Instructional Staff	1,773,297	2,108,455	2,020,983	87,472
General Administration	520,063	487,513	461,633	25,880
School Administration	1,201,804	1,206,629	1,227,253	(20,624)
Business Services	948,792	959,512	937,771	21,741
Operation & Maintenance	1,796,963	1,885,165	1,917,128	(31,963)
Pupil Transportation	1,371,672	1,429,504	1,590,234	(160,730)
Central Services	350,272	332,931	350,225	(17,294)
Other Services	228,818	233,129	247,453	(14,324)
Community Services	19,095	20,387	3,340	17,047
Total Support	9,014,311	9,479,862	9,573,691	(93,829)
Total Expenditures	22,091,736	22,420,548	22,591,518	(170,970)
Outgoing Transfers & Other	129,653	184,222	-	184,222
Total Expenditures & Transfers	22,221,389	22,604,770	22,591,518	13,252
Excess Revenue Over Expenditures	\$ 726,359	\$ 720,251	1,180,901	\$ 460,650
FUND BALANCE (DEFICIT), Beginning of the Year			(2,911,117)	
FUND BALANCE (DEFICIT), Ending of the Year			\$ (1,730,216)	

WESTWOOD COMMUNITY SCHOOL DISTRICT

Required Supplemental Information Schedule of the District's Proportionate Share of the Net Pension Liability As of September 30, 2015

Schedule of the District's Proportionate Share of the Net Pension Liability

	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability	0.11810%	0.12506%
School District's proportionate share of the net pension liability	\$ 28,844,977	\$ 27,546,717
School District's covered-employee payroll	9,926,977	10,726,740
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	290.58%	256.80%
Plan fiduciary net position as a percentage of the total pension liability	63.17%	66.20%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.
Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

WESTWOOD COMMUNITY SCHOOL DISTRICT

Required Supplemental Information Schedule of School District Contributions Year Ended June 30, 2016

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS

	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
Contractually Required Contribution	\$ 2,278,225	\$ 2,146,234
Contributions in Relation to the Contractually Required Contribution	2,278,225	2,146,234
Contribution Deficiency (Excess)	-	-
District's Covered-Employee Payroll	9,528,654	9,887,216
Contributions as a Percentage of Covered Employee Payroll	23.91%	21.70%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

WESTWOOD COMMUNITY SCHOOL DISTRICT

**Notes to Pension Required
Supplemental Information Schedules
Year Ended June 30, 2016**

Benefit Changes – There were no changes in benefit terms in 2016.

Changes in Assumptions – There were no changes of benefit assumptions in 2016.

OTHER SUPPLEMENTAL INFORMATION

WESTWOOD COMMUNITY SCHOOL DISTRICT

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	SPECIAL REVENUE CAFETERIA	CAPITAL PROJECTS- BUILDING AND SITE	CAPITAL PROJECT- SINKING FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Petty Cash	\$ 200	\$ -	\$ -	\$ 200
Investments	72,478	-	-	72,478
Restricted Investments	-	78,278	104,766	183,044
Due From Other Governmental Units	68,081	-	-	68,081
Due From Other Funds	231,869	-	-	231,869
Inventory	8,414	-	-	8,414
TOTAL ASSETS	<u>\$ 381,042</u>	<u>\$ 78,278</u>	<u>\$ 104,766</u>	<u>\$ 564,086</u>
LIABILITIES				
Accounts Payable	\$ 69,856	\$ -	\$ -	69,856
Due To Other Funds	-	71,974	5,939	77,913
TOTAL LIABILITIES	<u>69,856</u>	<u>71,974</u>	<u>5,939</u>	<u>147,769</u>
FUND BALANCES				
Nonspendable	8,414	-	-	8,414
Restricted for Capital Projects	-	6,304	98,827	105,131
Restricted for Food Service	302,772	-	-	302,772
TOTAL FUND BALANCES	<u>311,186</u>	<u>6,304</u>	<u>98,827</u>	<u>416,317</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 381,042</u>	<u>\$ 78,278</u>	<u>\$ 104,766</u>	<u>\$ 564,086</u>

WESTWOOD COMMUNITY SCHOOL DISTRICT

Other Supplemental Information
Combining Statement of Revenue, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
June 30, 2016

	SPECIAL REVENUE CAFETERIA	CAPITAL PROJECTS- BUILDING AND SITE	CAPITAL PROJECT - SINKING FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUE				
Local Sources	\$ 50,782	\$ 200	\$ 267	\$ 51,249
State Sources	35,745	-	-	35,745
Federal Sources	1,074,427	-	-	1,074,427
Total Revenues	<u>1,160,954</u>	<u>200</u>	<u>267</u>	<u>1,161,421</u>
EXPENDITURES				
Support - Business				
Salaries	46,401	-	-	46,401
Benefits	24,093	-	-	24,093
Purchased Services	986,588	7,301	-	993,889
Supplies & Materials	59,905	-	-	59,905
Other Expenditures	325	-	-	325
Total Expenditures	<u>1,117,312</u>	<u>7,301</u>	<u>-</u>	<u>1,124,613</u>
Excess of Revenue over/(under) Expenditures	43,642	(7,101)	267	36,808
FUND BALANCE, Beginning of Year	<u>267,544</u>	<u>13,405</u>	<u>98,560</u>	<u>379,509</u>
FUND BALANCE, End of Year	<u>\$ 311,186</u>	<u>\$ 6,304</u>	<u>\$ 98,827</u>	<u>\$ 416,317</u>

WESTWOOD COMMUNITY SCHOOL DISTRICT

Other Supplemental Information
Balance Sheet
General Fund
June 30, 2016

	<u>GENERAL FUND</u>	<u>GRANT FUND</u>	<u>TOTAL</u>
ASSETS			
Cash	\$ 2,192,931	\$ -	\$ 2,192,931
Petty Cash	200	-	200
Investments	2,298,725	-	2,298,725
Receivables			
Taxes	1,345	-	1,345
Accounts	2,675	-	2,675
Due From Other Governmental Units	3,134,970	510,694	3,645,664
Due From Other Funds	-	2,050,203	2,050,203
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 7,630,846	\$ 2,560,897	10,191,743
LIABILITIES			
Accounts Payable	\$ 400,106	\$ 12,338	\$ 412,444
Salaries Payable	1,255,135	245,606	1,500,741
Due to Other Funds	285,458	1,932,907	2,218,365
Due to Other Governmental Units	205,896	-	205,896
Other Liabilities	86,757	-	86,757
State Aid Anticipation Note	7,496,632	-	7,496,632
Unearned Revenue	1,124	-	1,124
	<hr/>	<hr/>	<hr/>
Total Liabilities	9,731,108	2,190,851	11,921,959
FUND BALANCE (DEFICIT)			
Surplus/(Deficit)	(2,100,262)	370,046	(1,730,216)
	<hr/>	<hr/>	<hr/>
Total Fund Balance (Deficit)	(2,100,262)	370,046	(1,730,216)
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES, AND FUND BALANCES	\$ 7,630,846	\$ 2,560,897	\$ 10,191,743

WESTWOOD COMMUNITY SCHOOL DISTRICT

**Other Supplemental Information
Statement of Changes in Fund Deficit
General Fund
Year Ended June 30, 2016**

	<u>ACTUAL</u>
FUND BALANCE (DEFICIT), Beginning of Year	\$ (2,911,117)
Total Revenue	23,772,419
Total Expenditures	<u>22,591,518</u>
Excess Revenue over Expenditures	<u>1,180,901</u>
FUND BALANCE (DEFICIT), Ending of Year	<u><u>\$ (1,730,216)</u></u>

WESTWOOD COMMUNITY SCHOOL DISTRICT

Other Supplemental Information
Statement of Revenue
General Fund
Year Ended June 30, 2016

REVENUE FROM LOCAL SOURCES

Property Tax Levy	\$ 2,487,781
Interest from Investments	9,889
Facility Rental	24,353
Athletics	14,200
E-Rate Revenue	122,611
Miscellaneous	186,683
Total Local Sources	<u>2,845,517</u>

REVENUE FROM STATE SOURCES

Foundation	13,519,917
Special Education	997,726
MPSERS Offset	1,272,062
State Aid - At Risk	1,089,348
State Aid - Best Practices	11,159
State Aid Other	225,727
Total State Sources	<u>17,115,939</u>

REVENUE FROM FEDERAL SOURCES

Title I	2,085,847
Title IIA	272,069
IDEA Flowthrough	586,587
IDEA PreSchool	12,768
IDEA CPE	34,599
JROTC	66,503
Carl Perkins	24,857
Medicaid Outreach	5,177
Other	83,710
Total Federal Sources	<u>3,172,117</u>

INTERMEDIATE SOURCES

County Spec Ed Reimbursement - Act 18	334,818
Career Tech Tuition	71,260
Medicaid Reimbursement	159,442
Alternative Education Reimbursement	73,326
Total Intermediate Sources	<u>638,846</u>

Total Revenue	<u><u>\$ 23,772,419</u></u>
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WESTWOOD COMMUNITY SCHOOL DISTRICT

Other Supplemental Information
Statement of Expenditures
General Fund
Year Ended June 30, 2016

INSTRUCTION

BASIC PROGRAMS

ELEMENTARY

Salaries	\$	2,752,172
Employee Benefits		1,768,859
Purchased Services		122,074
Supplies and Materials		53,200
Other Expenditures		85
Transfers		21,000

MIDDLE SCHOOL

Salaries		615,696
Employee Benefits		422,667
Purchased Services		47,576
Supplies and Materials		2,070

HIGH SCHOOL

Salaries		1,893,963
Employee Benefits		1,220,946
Purchased Services		590,723
Supplies and Materials		29,888
Capital Outlay		1,844
Other Expenditures		7,533
Transfers		191,949

OTHER BASIC PROGRAMS

Salaries		34,034
Employee Benefits		14,078
Purchased Services		8,633
Supplies and Materials		51,934

Total Basic Programs	\$	9,850,924
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WESTWOOD COMMUNITY SCHOOL DISTRICT

Other Supplemental Information
Statement of Expenditures (Continued)
General Fund
Year Ended June 30, 2016

INSTRUCTION (Continued)

ADDED NEEDS

SPECIAL EDUCATION

Salaries	\$ 1,284,709
Employee Benefits	886,896
Purchased Services	31,923
Supplies and Materials	8,176

COMPENSATORY EDUCATION

Salaries	214,987
Employee Benefits	152,156
Purchased Services	165,223
Supplies and Materials	332,752

CAREER & TECH EDUCATION

Salaries	42,279
Employee Benefits	19,097
Purchased Services	4,337
Supplies and Materials	24,368

Total Added Needs	<u>3,166,903</u>
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Total Instruction	<u>\$ 13,017,827</u>
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WESTWOOD COMMUNITY SCHOOL DISTRICT

Other Supplemental Information
Statement of Expenditures (Continued)
General Fund
Year Ended June 30, 2016

SUPPORTING SERVICES

PUPIL SERVICES

GUIDANCE

Salaries	\$ 74,179
Employee Benefits	32,763

HEALTH

Purchased Services	836
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PSYCHOLOGICAL

Salaries	25,111
Employee Benefits	1,921
Purchased Services	15,450
Supplies and Materials	9,206

SPEECH

Salaries	86,730
Employee Benefits	41,125
Purchased Services	83,364

SOCIAL WORKERS

Salaries	271,859
Employee Benefits	169,252
Purchased Services	5,121

OTHER PUPIL SERVICES

Salaries	532
Employee Benefits	222

Total Pupil Services	\$ 817,671
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WESTWOOD COMMUNITY SCHOOL DISTRICT

Other Supplemental Information
Statement of Expenditures (Continued)
General Fund
Year Ended June 30, 2016

SUPPORTING SERVICES (Continued)

INSTRUCTIONAL STAFF (Continued)

IMPROVEMENT OF INSTRUCTION

Salaries	\$ 287,632
Employee Benefits	162,433
Purchased Services	244,894
Supplies and Materials	12,337
Other Expenses	460

EDUCATION MEDIA

Supplies and Materials	484
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INSTRUCTIONAL RELATED TECHNOLOGY

Salaries	68,502
Employee Benefits	51,085
Purchased Services	52,161
Supplies and Materials	35,326

DIRECTION OF INSTRUCTIONAL STAFF

Salaries	654,177
Employee Benefits	388,689
Purchased Services	1,756
Supplies and Materials	3,798

ACADEMIC STUDENT ASSESSMENT

Purchased Services	57,249
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Total Instructional Staff

2,020,983

GENERAL ADMINISTRATION

BOARD OF EDUCATION

Salaries	5,375
Employee Benefits	415
Purchased Services	120,830
Supplies and Materials	11,615
Other Expenses	7,826

EXECUTIVE ADMINISTRATION

Salaries	198,342
Employee Benefits	100,860
Purchased Services	2,757
Supplies and Materials	1,540
Other Expenses	12,073

Total General Administration

\$ 461,633

WESTWOOD COMMUNITY SCHOOL DISTRICT

Other Supplemental Information
Statement of Expenditures (Continued)
General Fund
Year Ended June 30, 2016

SUPPORTING SERVICES (Continued)

SCHOOL ADMINISTRATION

OFFICE OF PRINCIPAL

Salaries	\$ 751,375
Employee Benefits	456,815
Purchased Services	7,559
Supplies and Materials	11,504
	<hr/>
Total School Administration	1,227,253

BUSINESS SERVICES

FISCAL SERVICES

Salaries	262,282
Employee Benefits	200,302
Purchased Services	5,790
Supplies and Materials	3,651
Other Expenses	19,117

INTERNAL SERVICES

Purchased Services	26,624
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OTHER BUSINESS

Purchased Services	148,470
Other Expenses	271,535
	<hr/>

Total Business Services **937,771**

MAINTENANCE AND OPERATIONS

MAINTENANCE AND OPERATIONS

Salaries	30,173
Employee Benefits	18,600
Purchased Services	1,438,622
Supplies and Materials	429,733
	<hr/>

Total Maintenance and Operations **\$ 1,917,128**

WESTWOOD COMMUNITY SCHOOL DISTRICT

**Other Supplemental Information
Statement of Expenditures (Continued)
General Fund
Year Ended June 30, 2016**

SUPPORTING SERVICES (Continued)

PUPIL TRANSPORTATION

Salaries	\$ 37,715
Employee Benefits	19,451
Purchased Services	1,532,430
Supplies and Materials	34
Other Expenses	604

Total Pupil Transportation 1,590,234

**CENTRAL OFFICE AND TECHNOLOGY
PERSONNEL**

Employee Benefits	30,902
Purchased Services	74,580
Supplies and Materials	5,952
Other Expenses	1,205

TECHNOLOGY SERVICES

Salaries	49,532
Employee Benefits	37,792
Purchased Services	122,215
Supplies and Materials	28,047

Total Central Office and Technology 350,225

OTHER SUPPORT SERVICES

Salaries	89,078
Employee Benefits	40,268
Purchased Services	101,159
Supplies and Materials	7,335
Capital Outlay	4,029
Other Expenses	5,584

Total Other Support Services \$ 247,453

WESTWOOD COMMUNITY SCHOOL DISTRICT

**Other Supplemental Information
Statement of Expenditures (Continued)
General Fund
Year Ended June 30, 2016**

SUPPORTING SERVICES (Continued)

**COMMUNITY SERVICE ACTIVITIES
COMMUNITY ACTIVITIES**

Supplies and Materials	\$ 3,340
Total Community Service Activities	<u>3,340</u>

Total Supporting Services	<u>9,573,691</u>
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TOTAL EXPENDITURES	<u><u>\$ 22,591,518</u></u>
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WESTWOOD COMMUNITY SCHOOL DISTRICT

Other Supplemental Information Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual Special Revenue Fund Year Ended June 30, 2016

	CAFETERIA			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Local Sources	\$ 50,000	\$ 50,000	\$ 50,782	\$ 782
State Sources	30,000	30,000	35,745	5,745
Federal Sources	1,180,000	1,180,000	1,074,427	(105,573)
Total Revenues	1,260,000	1,260,000	1,160,954	(99,046)
EXPENDITURES				
Salaries	40,000	40,000	46,401	(6,401)
Benefits	20,000	20,000	24,093	(4,093)
Purchased Services	1,100,000	1,100,000	986,588	113,412
Supplies & Materials	70,000	70,000	59,905	10,095
Other Expenditures	250	250	325	(75)
Total Expenditures	1,230,250	1,230,250	1,117,312	112,938
Total Revenue Excess/(Under) Expenditures	\$ 29,750	\$ 29,750	43,642	\$ 13,892
Fund Balance - Beginning of Year			267,544	
Fund Balance - End of Year			\$ 311,186	

WESTWOOD COMMUNITY SCHOOL DISTRICT

Other Supplemental Information
Combining Balance Sheet
Capital Project Funds
June 30, 2016

	<u>BUILDING & SITE FUND</u>	<u>SINKING FUND</u>	<u>COMBINED TOTAL</u>
ASSETS			
Restricted Investments	<u>\$ 78,278</u>	<u>\$ 104,766</u>	<u>\$ 183,044</u>
TOTAL ASSETS	<u>\$ 78,278</u>	<u>\$ 104,766</u>	<u>\$ 183,044</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Due to Other Funds	<u>\$ 71,974</u>	<u>\$ 5,939</u>	<u>\$ 77,913</u>
TOTAL LIABILITIES	<u>71,974</u>	<u>5,939</u>	<u>77,913</u>
FUND BALANCE			
Restricted for Capital Projects	<u>6,304</u>	<u>98,827</u>	<u>105,131</u>
TOTAL FUND BALANCE	<u>6,304</u>	<u>98,827</u>	<u>105,131</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 78,278</u>	<u>\$ 104,766</u>	<u>\$ 183,044</u>

WESTWOOD COMMUNITY SCHOOL DISTRICT

Other Supplemental Information
Combining Statement of Revenue, Expenditures
and Changes in Fund Balance
Capital Project Funds
June 30, 2016

	<u>BUILDING & SITE FUND</u>	<u>SINKING FUND</u>	<u>COMBINED TOTAL</u>
REVENUES			
Local Sources	\$ 200	\$ 267	\$ 467
Total Revenue	200	267	467
EXPENDITURES			
Purchased Services	7,301	-	7,301
Total Program Expenditures	7,301	-	7,301
Excess Revenue Over/(Under) Expenditures	(7,101)	267	(6,834)
FUND BALANCE, Beginning of Year	13,405	98,560	111,965
FUND BALANCE, End of Year	<u>\$ 6,304</u>	<u>\$ 98,827</u>	<u>\$ 105,131</u>

WESTWOOD COMMUNITY SCHOOL DISTRICT

Other Supplemental Information Budgetary Comparison Schedule – Building and Site Fund Year Ended June 30, 2016

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Local Sources	\$ 100	\$ 200	\$ 100
Total Revenues	<u>100</u>	<u>200</u>	<u>100</u>
EXPENDITURES			
Purchased Services	10,000	7,301	2,699
Capital Outlay	2,000	-	2,000
Total Expenditures	<u>12,000</u>	<u>7,301</u>	<u>4,699</u>
Excess Revenue Over/(Under) Expenditures	<u>\$ (11,900)</u>	<u>\$ (7,101)</u>	<u>\$ 4,799</u>
FUND BALANCE, Beginning of Year		<u>13,405</u>	
FUND BALANCE, End of Year		<u>\$ 6,304</u>	

WESTWOOD COMMUNITY SCHOOL DISTRICT

**Other Supplemental Information
Statement of Net Position
Trust and Agency Funds
June 30, 2016**

ASSETS

Cash in Bank	\$ 92,639
Petty Cash	150
Due from Other Funds	<u>14,206</u>

TOTAL ASSETS

\$ 106,995

LIABILITIES AND FUND BALANCE

Due to Student and Other School Groups	\$ 102,025
Accounts Payable	1,540
Funds Held in Trust	<u>3,430</u>

TOTAL LIABILITIES AND FUND BALANCE

\$ 106,995

WESTWOOD COMMUNITY SCHOOL DISTRICT

**Other Supplemental Information
Statement of Revenue, Expenditures and
Changes in Net Position Private Purpose Funds
Trust and Agency Funds
June 30, 2016**

	M. LOVE SCHOLARSHIP & BOOK SCHOLARSHIP
RECEIPTS	\$ 900
DISBURSEMENTS	<u>-</u>
Excess Receipts	900
FUNDS HELD IN TRUST, Beginning of the Year	<u>2,530</u>
FUNDS HELD IN TRUST, End of the Year	<u><u>\$ 3,430</u></u>

WESTWOOD COMMUNITY SCHOOL DISTRICT

**Other Supplemental Information
Schedule of Receipts and Disbursements and
Changes in Liability
Agency Funds
Year Ended June 30, 2016**

DUE TO STUDENT GROUPS - JULY 1, 2015	\$ 96,645
Receipts	<u>129,725</u>
Sub-Total	226,370
Disbursements	<u>120,915</u>
DUE TO STUDENT GROUPS - June 30, 2016	<u><u>\$ 105,455</u></u>