

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENAWE,
MICHIGAN**
Ottawa Lake, Michigan

ANNUAL FINANCIAL REPORT
June 30, 2014

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENAWE, MICHIGAN**

*School Board Members
June 30, 2014*

<u>Name</u>	<u>Office</u>	<u>Date Term Expires</u>
Holly Bunge	President	12/31/2016
Dan Martin	Vice-President	12/31/2014
Karen Miller	Secretary	12/31/2016
Michelle Wing	Treasurer	12/31/2014
Rob Schnipke	Trustee	12/31/2016
Christine Bischoff	Trustee	12/31/2014
Tracy Malhoit	Trustee	12/31/2016

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENAWE, MICHIGAN**

*Table of Contents
June 30, 2014*

Independent Auditor's Report	1-3
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	4-5
Management's Discussion and Analysis	6-13
Basic Financial Statements:	
District-wide Financial Statements:	
Statement of Net Position.....	14
Statement of Activities.....	15
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Fiduciary Fund - Statement of Fiduciary Net Position	20
Notes to Financial Statements.....	21-34
Required Supplemental Information:	
General Fund:	
Budgetary Comparison Schedule.....	35
Schedule of Revenues - Budget and Actual.....	36
Schedule of Expenditures - Budget and Actual	37-40
Other Supplemental Information:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	41
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	42
Food Service Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual.....	43

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENA WEE, MICHIGAN**

Table of Contents (Continued)
June 30, 2014

Other Supplemental Information (Continued):

2005 Refunding School Bond	
Debt Retirement Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	44
Sinking Capital Projects Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	45
Student Activities Agency Fund:	
Statement of Changes in Assets and Liabilities.....	46
Summary of Receipts and Disbursements	47-48
Summary of 2013 Tax Levy	49
Schedule of Technology Enhancement Millage - Budget and Actual.....	50
Schedule of Athletics - Budget and Actual	51

Federal Financial Assistance Programs:

Schedule of Expenditures of Federal Awards	52-53
Notes to Schedule of Expenditures of Federal Awards	54



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Independent Auditor's Report

Board of Education
Whiteford Agricultural School District in the Counties of Monroe and Lenawee, Michigan
Ottawa Lake, Michigan 49267

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 Whiteford Agricultural School District in the Counties of Monroe and Lenawee, Michigan, as of and for the year ended June 30, 2014, 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.

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 Whiteford Agricultural School District in the Counties of Monroe and Lenawee, Michigan as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 13 and 35 through 40 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 Whiteford Agricultural School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2014, on our consideration of the Whiteford Agricultural 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 Whiteford Agricultural School District's internal control over financial reporting and compliance.



September 19, 2014



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Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*

Board of Education
Whiteford Agricultural School District in the Counties of Monroe and Lenawee, Michigan
Ottawa Lake, Michigan 49267

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Whiteford Agricultural School District in the Counties of Monroe and Lenawee, Michigan as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated September 19, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Whiteford Agricultural School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



September 19, 2014

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENAWEЕ, MICHIGAN**

*Management's Discussion and Analysis
Year Ended June 30, 2014*

This section of Whiteford Agricultural School District in the Counties of Monroe and Lenawee, Michigan (Whiteford Schools) annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended June 30, 2014. Please read it in conjunction with the School District's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District's revenues and expenditures by program for the General Fund, the Special Revenue Fund, the Debt Service Fund, and the Capital Projects Fund.

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 Whiteford Schools financially as a whole. The *District-Wide Financial Statements*, which include the Statement of Net Position and the Statement of Activities, provide information about the activities of the School District as a whole and presents both a short-term and a long-term view of those finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The *Fund Financial Statements* report 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 nonmajor 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 following summary illustrates how the various parts of this annual report are arranged:

*Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)*

Basic Financial Statements

District-Wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

*Budgetary Information for Major Funds
(Required Supplemental Information)*

Other Supplemental Information

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENA WEE, MICHIGAN**

*Management's Discussion and Analysis
Year Ended June 30, 2014*

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities (pages 14-15), which appear first in the School District's financial statements, report information on the School District as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in them. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The relationship between revenues and expenses indicates 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 non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

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

Fund Financial Statements

The School District's Fund Financial Statements (pages 16-20) provide detailed information about the most significant or "major" 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 other funds to control and manage money for particular purposes or to show that it is properly using revenues. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as described below:

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 the modified accrual accounting method, 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 format in the financial section on pages 17 and 19.

Fiduciary funds - The School District is the trustee, or fiduciary for its student activity funds. All of the School District's fiduciary activities are reported in the Statement of Fiduciary 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.

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENAWE, MICHIGAN**

*Management's Discussion and Analysis
Year Ended June 30, 2014*

District-Wide Financial Analysis

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, 2014 and 2013.

Table 1

Comparative Statement of Net Position

	June 30, 2014	June 30, 2013
Current and other assets	\$2,473,594	\$2,102,199
Capital assets, net	6,631,473	6,790,539
Total Assets	9,105,067	8,892,738
Current and other liabilities	1,433,848	1,446,978
Long-term liabilities	5,924,796	6,297,270
Total Liabilities	7,358,644	7,744,248
Deferred Inflows of Resources	(121,745)	(138,400)
Net Position		
Investment in capital assets	628,218	409,423
Restricted for technology enhancement	22,733	19,958
Restricted for debt service	122,892	153,112
Restricted for capital outlay	211,050	82,475
Unrestricted	883,275	704,397
Total Net Position	\$1,868,168	\$1,286,890

As depicted in Table 1, the School District's net position was \$1,868,168 at June 30, 2014. Of this amount, \$883,275 was unrestricted. This amount represents the *accumulated* results of all past years' operations. The unrestricted net position balance is used for working capital and cash flow needs as well as to provide for future uncertainties. It means that if we had to pay off all of our bills *today*, including all of our noncapital liabilities (compensated absences for example), we would have \$883,275 left. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net position for the fiscal years ended June 30, 2014 and 2013.

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENA WEE, MICHIGAN**

*Management's Discussion and Analysis
Year Ended June 30, 2014*

District-Wide Financial Analysis - Concluded

Table 2

Comparative Statement of Changes in Net Position

	June 30, 2014	June 30, 2013
Revenues		
Program revenues:		
Charges for services	\$210,334	\$227,034
State grants and other revenue	559,740	463,031
Federal grants	146,354	151,074
	916,428	841,139
General revenues:		
Property taxes	1,786,689	1,751,043
State foundation allowance	3,951,999	3,920,388
Other general revenues	51,862	41,735
	5,790,550	5,713,166
Total Revenues	6,706,978	6,554,305
 Functions/Program Expenses		
Instruction	3,293,173	3,347,631
Support services	2,154,839	2,078,305
Athletics	181,072	157,357
Food service	3,823	196,320
Interest on long-term debt	284,691	302,549
Depreciation	208,102	203,664
Total Expenses	6,125,700	6,285,826
 Increase (Decrease) in Net Position	 \$581,278	 \$268,479

As indicated in Table 2, the cost of *all governmental* activities this year was \$6,125,700. Of this amount, \$916,428 was subsidized with revenue generated from charges for services, grants, and other contributions with the remaining costs financed with general revenues.

The School District experienced an increase in net position this year of \$581,278. Reasons for this increase include: an increase in property taxes, state grants (MPSERS UAAL Rate Stabilization), and state foundation revenue. There was a decrease of total expenses of \$160,126. A reconciliation of the change in fund balances to the change in net position appears on page 19.

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENAWE, MICHIGAN**

*Management's Discussion and Analysis
Year Ended June 30, 2014*

Fund Financial Analysis

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$1,446,345, which is an increase of \$396,608 from last year. The changes by major and nonmajor funds are as follows:

	General Fund	Nonmajor Funds	Total
Fund balances - Beginning of year	\$814,150	\$235,587	\$1,049,737
Increase (decrease)	256,654	139,954	396,608
Fund balances – End of year	\$1,070,804	\$375,541	\$1,446,345

The School District's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities of the General Fund.

	June 30, 2014	June 30, 2013	Percent Change
Revenues			
Local sources	\$878,504	\$841,786	4.4%
State sources	4,365,006	4,247,718	2.8%
Federal sources	79,817	82,468	(3.2)%
Interdistrict and other sources	372,815	373,503	(0.2)%
	\$5,696,142	\$5,545,475	2.7%

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENA WEE, MICHIGAN**

*Management's Discussion and Analysis
Year Ended June 30, 2014*

Fund Financial Analysis – Concluded

Expenditures	June 30, 2014	June 30, 2013	Percent Change
Instruction	\$3,299,152	\$3,404,887	(3.1)%
Support services	1,985,794	2,107,337	(5.8)%
Athletics	148,474	150,930	(1.6) %
Interdistrict and other uses	3,823	0	100.0 %
Operating transfers out	2,245	11,410	(80.3)%
	<u>\$5,439,488</u>	<u>\$5,674,564</u>	(4.1)%

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires the Board of Education to adopt the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. Revisions to the General Fund original budget were as follows:

Beginning Budget versus Ending Budget

Revenues – The original budget for revenues was \$5,472,595 versus the final budget of \$5,739,846, an increase of \$267,251. Major components of the original budget for revenues versus final projections are discussed below:

- Decrease of \$26,526 for property taxes.
- Increase of \$6,576 for miscellaneous revenue due to a utility rebate.
- Increase of \$196,346 in the foundation allowance due to a decrease in property taxes and an increase in pupil count. Budgeted FTE's were 648.31 and actual FTE's were 673.37.
- Adjustment of \$19,891 for an increase in Title II allocation and Title II Part A carryover.
- Adjustment of \$59,641 for an increase in At Risk allocation and At Risk carryover.
- An increase of \$6,714 for Technology Readiness Infrastructure Grant.
- Decrease of \$18,582 for MPSERS UAAL Rate Stabilization.
- Decrease of \$12,546 due to the dissolution of the shared technology arrangement with Summerfield Schools.
- Increase of \$4,442 in Special Education Headlee funds.
- Increase of \$3,030 for bus driver training.

Expenditures – The original budget for expenditures was \$5,612,565 compared to the final budget of \$5,574,683; a decrease of \$37,882. Major components of the original budget for expenditures versus final projections are discussed below:

- Decrease salary and benefits for instructional staff by \$37,627 due to personnel changes and adjustments to retirement rates.

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENA WEE, MICHIGAN**

*Management's Discussion and Analysis
Year Ended June 30, 2014*

- Increase to expenditure budgets by \$79,532 for At Risk and Title II allocation and carryover adjustments.
- Decrease of \$32,944 due to the resignation of on-staff technology support and the adjustment to the budget for technology equipment.
- Adjust for decrease in budget of \$7,367 for Other business services due mainly to the reduction in interest rate for the state aid note.
- Adjust for decrease in Operations and Maintenance budget of by \$26,928 due to the net effect of the following: a reduction of \$78,396 for salary and benefits, a reduction of \$15,000 for cleaning supplies, and increase of \$102,555 for third-party contracted custodial services, an increase of \$12,260 for snow plowing, a decrease of \$43,672 for annual major repairs.
- Decrease of \$6,398 in athletic expenditures due to changes in the coaching staff.
- Decrease of \$9,707 for the transfer to the Food Service Fund.

Final Budget versus Actual Figures

Revenues – General Fund actual revenue was \$5,696,142 versus a budget of \$5,739,846; a difference of \$43,704.

- Received delinquent personal property taxes in the amount of \$30,281 that were not budgeted.
- Carryover allocation for fiscal year 2013 At Risk revenue was budgeted at \$58,458 and \$49,514 was recognized; a difference of \$8,944.
- The fiscal year 2014 At Risk revenue was budgeted at \$51,183 and no funds were utilized.
- Total allocation for the current year Title IIA revenue was budgeted at \$35,891, but only \$23,958 was recognized; a difference of \$11,933.
- Special Education Headlee was budgeted at \$150,848; actual was decreased by \$15,815 for a prior year adjustment.
- Funds for the Technology Millage exceeded the anticipated budget by \$6,311.

Expenditures – Final budget for expenditures was \$5,574,683 compared to actual expenditures of \$5,439,488, a difference of \$135,195. This difference is mainly attributed to the following:

- FICA and retirement benefits were \$18,178 less than budgeted; the major factor was unsettled contracts (employee's responsible for a portion of their healthcare costs therefore decreasing FICA expenditures).
- At Risk and Title II grant funds of \$63,116 were budgeted and were not spent will become a carryover.
- At Risk funds of \$8,944 were unspent and will be returned to the state.
- Other business service expenses were \$4,567 less than the budget due to the reduction in the interest rate for the state aid note.
- Expenditures related to Operations and Maintenance were approximately \$11,200 less than budgeted.
- The actual transfer to the Food Service Fund was \$6,745 less than budgeted.

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENA WEE, MICHIGAN**

*Management's Discussion and Analysis
Year Ended June 30, 2014*

Capital Asset and Debt Administration

Capital Assets

At June 30, 2014, the School District had \$10,985,821 invested in a broad range of capital assets, including land, land improvements, buildings and improvements, buses and other vehicles, machinery and equipment. This amount includes additions of \$49,036 in capital assets. This year's additions consisted of shop retrofit lights, lighting upgrades, and window and door replacements. Depreciation for this year totaled \$208,102. Detailed information regarding capital assets is included in Note 5 to the Financial Statements.

Debt

At June 30, 2014, the School District had \$6,125,000 in outstanding bonds. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. The School District's outstanding general obligation debt is significantly below the statutorily imposed limit.

Other obligations of \$164,796 include accrued vacation, sick and severance pay. More detailed information about long-term liabilities is presented in Note 10 to the Financial Statements.

Development of the 2014-15 Fiscal Year Budget

Our elected officials and administration consider many factors when setting the School District's 2014-15 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The method for determining the blended count has changed effective in fiscal 2014. The blended count for the 2014 fiscal year is 90 percent of the October student count and 10 percent of the current fiscal year's February's count. The District projected a blended pupil count of 647.29 students which is approximately 26 FTE's less than the previous year's actual figure. Approximately 84% of total revenue is from the foundation allowance and property tax levy. The foundation allowance used in the projected budget included a \$112/pupil increase to reflect an increase to the new minimum foundation of \$7,138/pupil.

The School District has been actively scrutinizing processes and procedures in an attempt to control costs and keep the budget in line with projected revenues. Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriations to school districts.

The budget for the 2014-15 fiscal year was adopted on June 9, 2014. Once the final student count and related per pupil funding is validated, the School District will amend the budget accordingly and will continue to do so periodically throughout the fiscal year as changes to the revenue and expenditure budgets are needed.

Contacting Whiteford Schools Business Office

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors and creditors with a general overview of the School District's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, 6655 Consear Road, Ottawa Lake, MI 49267.

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENAWEE, MICHIGAN**

*Statement of Net Position
June 30, 2014*

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$1,652,550
Accounts/taxes receivable	67
Due from student groups	2,086
Due from other governmental units	810,606
Deposit	5,050
Inventories	2,555
Prepaid expenses	680
Capital assets, net	<u>6,631,473</u>
Total Assets	<u>9,105,067</u>
Liabilities	
Accounts payable	157,136
Salaries payable	304,062
Other liabilities	194,562
Accrued interest payable	41,599
State aid note payable	276,429
Due to other governmental units	40,373
Unearned revenue	54,687
Long-term liabilities:	
Due within one year	365,000
Due in more than one year	<u>5,924,796</u>
Total Liabilities	<u>7,358,644</u>
Deferred Inflows of Resources	
Unamortized premium/unamortized advanced amount on refunding	(121,745)
Net Position	
Net investment in capital assets	628,218
Restricted for technology enhancement	22,733
Restricted for debt service	122,892
Restricted for capital outlay	211,050
Unrestricted	<u>883,275</u>
Total Net Position	<u><u>\$1,868,168</u></u>

See accompanying notes to the basic financial statements

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENAWE, MICHIGAN**

*Governmental Funds
Balance Sheet
June 30, 2014*

	General	Other Nonmajor Governmental Funds	Totals
Assets			
Cash and cash equivalents	\$1,252,003	\$400,547	\$1,652,550
Accounts/taxes receivable	67	0	67
Due from student groups	1,975	111	2,086
Due from other governmental units	805,638	4,968	810,606
Due from other funds	9,171	0	9,171
Deposit	5,050	0	5,050
Inventory	0	2,555	2,555
Prepaid expenditures	78	602	680
	<u>\$2,073,982</u>	<u>\$408,783</u>	<u>\$2,482,765</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$135,679	\$21,457	\$157,136
Salaries payable	304,062	0	304,062
Other liabilities	194,562	0	194,562
State aid note payable	276,429	0	276,429
Unearned revenue	52,073	2,614	54,687
Due to other governmental units	40,373	0	40,373
Due to other funds	0	9,171	9,171
	<u>1,003,178</u>	<u>33,242</u>	<u>1,036,420</u>
Fund Balances			
Nonspendable:			
Prepaid expenditures	78	0	78
Restricted for:			
Technology enhancement	22,733	0	22,733
2005 School bond debt retirement	0	164,491	164,491
Capital outlay	0	211,050	211,050
Unassigned	1,047,993	0	1,047,993
	<u>1,070,804</u>	<u>375,541</u>	<u>1,446,345</u>
Total Liabilities and Fund Balances	<u>\$2,073,982</u>	<u>\$408,783</u>	<u>\$2,482,765</u>

See accompanying notes to the basic financial statements

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENAWE, MICHIGAN**

*Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Year Ended June 30, 2014*

Total Fund Balances - Governmental Funds		\$1,446,345
Amounts 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 funds:		
Cost of the capital assets	\$10,985,821	
Accumulated depreciation	<u>(4,354,348)</u>	
		6,631,473
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	(6,125,000)	
Compensated absences	(164,796)	
Accrued interest	(41,599)	
Premium amortized over the life of the bonds	(22,937)	
Advanced amount on refunding amortized over the life of the bonds	<u>144,682</u>	
		<u>(6,209,650)</u>
Total Net Position - Governmental Activities		<u>\$1,868,168</u>

See accompanying notes to the basic financial statements

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENAWE, MICHIGAN**

*Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2014*

	General	Other Nonmajor Governmental Funds	Totals
Revenues			
Local sources	\$878,504	\$932,258	\$1,810,762
State sources	4,365,006	8,904	4,373,910
Federal sources	79,817	66,537	146,354
Interdistrict and other sources	372,815	0	372,815
Total Revenues	5,696,142	1,007,699	6,703,841
Expenditures			
Instruction	3,299,152	0	3,299,152
Support services	1,985,794	181,072	2,166,866
Capital outlay	0	71,102	71,102
Debt service	0	617,816	617,816
Athletics	148,474	0	148,474
Interdistrict and other uses	3,823	0	3,823
Total Expenditures	5,437,243	869,990	6,307,233
Excess (Deficiency) of Revenues Over Expenditures	258,899	137,709	396,608
Other Financing Sources (Uses)			
Operating transfers in	0	2,245	2,245
Operating transfers out	(2,245)	0	(2,245)
Total Other Financing Sources (Uses)	(2,245)	2,245	0
Net Change in Fund Balances	256,654	139,954	396,608
Fund Balances - Beginning of year	814,150	235,587	1,049,737
Fund Balances - End of year	<u>\$1,070,804</u>	<u>\$375,541</u>	<u>\$1,446,345</u>

See accompanying notes to the basic financial statements

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENAWE, MICHIGAN**

*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2014*

Total Net Change in Fund Balances - Governmental Funds	\$396,608
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(\$208,102)
Capital outlay	<u>49,036</u>
	(159,066)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	350,000
Governmental funds report the advanced amount on refunding, and the bond premium when debt is first issued, but these costs increase long-term liabilities in the statement of net position and these amounts are amortized over the life of the bonds	(16,655)
Accrued interest is recorded in the statement of activities when incurred, it is not reported in the governmental funds until paid	2,917
Increases in the liability for compensated absences are reported as expenditures in the statement of activities, but not in the governmental funds	<u>7,474</u>
Change in Net Position of Governmental Activities	<u>\$581,278</u>

See accompanying notes to the basic financial statements

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENAWEЕ, MICHIGAN**

*Fiduciary Fund
Statement of Fiduciary Net Position
June 30, 2014*

	<u>Agency Fund</u>
	<u>Student Activities</u>
Assets	
Cash and certificates of deposit	\$112,949
Accounts receivable	41
Total Assets	<u>\$112,990</u>
Liabilities	
Due to student groups	\$110,904
Due to general fund	1,975
Due to food service	111
Total Liabilities	<u>\$112,990</u>

See accompanying notes to the basic financial statements

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENAWE, MICHIGAN**

*Notes to Financial Statements
Year Ended June 30, 2014*

Note 1 Description of the School District and Reporting Entity

The School District operates under a locally elected seven member Board form of government and provides educational and supportive services as mandated by the State of Michigan and/or federal agencies. This Board of Education controls the School District's instructional and support facilities.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Whiteford Agricultural School District in the Counties of Monroe and Lenawee, Michigan (Whiteford Schools), this includes general operations, athletics, food service, debt, sinking, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt, or the levying of taxes. The School District has no component units.

Note 2 Summary of Significant Accounting Policies

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

Basis of Presentation

A. 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. As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. All of the School District's district-wide activities are considered to be 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. Amounts reported as program revenue include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenue includes taxes, intergovernmental payments, and other items not properly included among program revenues.

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

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENAWE, MICHIGAN**

*Notes to Financial Statements
Year Ended June 30, 2014*

Note 2 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-Wide 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.

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 government 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 also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental fund:

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

The School District reports the following nonmajor governmental funds:

The Food Service Fund, the 2005 Refunding School Bond Debt Retirement Fund, and the Sinking Capital Projects Fund. These funds are used to account for specific revenue sources that are restricted for a particular purpose.

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENA WEE, MICHIGAN**

*Notes to Financial Statements
Year Ended June 30, 2014*

Note 2 Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, and Net Position or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Additionally, the School District’s external investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice and penalty.

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.

Property Tax Receivable - Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are considered delinquent February 15 of the following year. A portion of property taxes assessed are received by the School District from the State of Michigan in the form of a Foundation Allowance. The Foundation Allowance represents the difference between an amount guaranteed by the state and the per pupil tax revenue generated from an 18 mill levy (subject to Headlee rollback) on all non-homestead property. To meet the district per pupil guarantee, the state levies 6 mills on all taxable property on a statewide basis.

Prepaid Assets - Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Inventory - 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 inventory received by the Food Service Fund are recorded as expenditures when received.

Capital Assets - General capital assets are those assets related to the general activities and expenditures reported in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not record infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENAWE, MICHIGAN**

*Notes to Financial Statements
Year Ended June 30, 2014*

Note 2 Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, and Net Position or Equity (Continued)

Capital Assets (Concluded)

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land improvement	20 years
Buildings and building improvements	50 years
Machinery and equipment	5-20 years
Vehicles	8 years

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due to/due from.” These amounts are eliminated in the governmental activities column of the statement of net position.

Compensated Absences - Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year end, taking into consideration any limits specified in the School District’s employment contracts.

The entire compensated absence liability is reported on the district-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account “other liabilities” in the fund from which employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans are recognized as an expenditure on the governmental fund financial statements when due.

Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue in connection with resources that have been received but not yet earned.

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENAWEE, MICHIGAN**

*Notes to Financial Statements
Year Ended June 30, 2014*

Note 2 Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, and Net Position or Equity (Continued)

Net Position - Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The components of net position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net position is unrestricted when other net position does not meet the definition of net investment in capital assets or is restricted and is available for general use. Restricted resources should be used first, followed by unrestricted amounts.

Interfund Transactions - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

- D. Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial 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.
- E. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.
- F. Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.
- G. Budgetary Policies - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENA WEE, MICHIGAN**

*Notes to Financial Statements
Year Ended June 30, 2014*

Note 2 Summary of Significant Accounting Policies (Concluded)

G. Budgetary Policies (Concluded)

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

1. Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
2. A public hearing is conducted during June to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

Lapsing of Appropriations - At the close of each year all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriations.

- H. Restricted Assets - The cash and investments for technology enhancement, debt service, and capital outlay are restricted for specific purposes. Restricted assets on the statement of net position and the governmental fund balance sheet represent cash that can only be used for which the revenue was received.
- I. Subsequent Events - The School District's management evaluated subsequent events from June 30, 2014 through September 19, 2014, the date the financial statements were available to be issued.

Note 3 Stewardship, Accountability and Compliance

The School District shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds.

In the required supplemental information, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the adopted legal level of control.

During the year ended June 30, 2014, the School District incurred expenditures in a budgetary function which was in excess of the amounts appropriated. There were no deficit fund balances for any of the School District's funds required to be budgeted.

Note 4 Deposits and Investments

As of June 30, 2014, the School District's deposits and investments are all on deposit with Monroe Bank and Trust, Fifth Third Bank, Huntington Bank, Flagstar, JP Morgan Chase Bank, and Michigan School District Liquid Asset Fund Plus.

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENAWE, MICHIGAN**

*Notes to Financial Statements
Year Ended June 30, 2014*

Note 4 Deposits and Investments (Concluded)

- A. *Interest rate risk* - In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.
- B. *Credit risk* - The School District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the School District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the School District will do business in accordance with the School District's investment policy.
- C. *Concentration of credit risk* - The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.
- D. *Custodial credit risk - deposits* - In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to the School District. The School District has \$1,803,004 invested in certificates of deposit, checking accounts, and money markets. The School District's deposits are insured by the FDIC in the amount of \$1,150,416. Uninsured deposits are \$652,588.
- E. *Custodial credit risk - investments* - For an investment, this is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by; limiting investments to the types of securities listed in the School District's investment policy, and pre-qualifying the financial institutions, broker/dealer, intermediaries and advisors with which the School District will do business in accordance to the School District's investment policy.

The School District voluntarily invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the Securities Exchange Commission. MILAF reports that as of June 30, 2014, the fair value of the School District's investments is the same as the value of the pool shares. As of June 30, 2014, \$3,636 was held with MILAF.

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

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENA WEE, MICHIGAN**

*Notes to Financial Statements
Year Ended June 30, 2014*

Note 5 Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Assets not being depreciated:				
Land	\$21,913	\$0	\$0	\$21,913
Construction in progress	0	7,840	0	7,840
	21,913	7,840	0	29,753
Capital assets being depreciated:				
Land improvements	416,181	0	0	416,181
Buildings and building improvements	9,814,586	41,196	0	9,855,782
Machinery and equipment	274,013	0	0	274,013
Vehicles	410,092	0	0	410,092
	10,914,872	41,196	0	10,956,068
Total capital assets	10,936,785	49,036	0	10,985,821
Less Accumulated Depreciation:				
Land improvements	(213,116)	(20,265)	0	(233,381)
Buildings and building improvements	(3,417,902)	(171,231)	0	(3,589,133)
Machinery and equipment	(132,058)	(7,812)	0	(139,870)
Vehicles	(383,170)	(8,794)	0	(391,964)
	(4,146,246)	(208,102)	0	(4,354,348)
Total accumulated depreciation	(4,146,246)	(208,102)	0	(4,354,348)
Net capital assets	\$6,790,539	(\$159,066)	\$0	\$6,631,473

Depreciation expense was charged to governmental functions as an unallocated expense.

Note 6 Interfund Payables, Receivables, and Transfers

Interfund balances at June 30, 2014, consisted of the following individual fund receivables and payables:

	Due To General Fund
Due From Food Service Fund	\$9,171

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENA WEE, MICHIGAN**

*Notes to Financial Statements
Year Ended June 30, 2014*

Note 6 Interfund Payables, Receivables, and Transfers (Concluded)

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

Interfund transfers at June 30, 2014, consisted of the following:

	<u>Transfer Out:</u>
	<u>General Fund</u>
<u>Transfer In:</u>	
Food Service Fund	<u>\$2,245</u>

Transfers from the General Fund represent the use of unrestricted funds to support programs accounted for in other funds.

Note 7 Defined Benefit Pension Plans and Postemployment Benefits

A. Plan Description

The School participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909-7671 or online at www.michigan.gov/documents/orsschools/CAFR.

B. Funding Policy

Employer contributions to the MPERS result from the effects of implementing the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For the period from July 1, 2013 through September 30, 2013, employees could transition to a defined contribution plan (DC) and could also elect out of the healthcare premium subsidy and into the Personal Healthcare Fund (PHF) depending upon their date of hire and retirement plan election. Employees had the following plan option with the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF	Basic MIP			Basic MIP with PHF
				Pension Plus PHF	to DC with PHF	DB to DC with DB Health	
Pension contributions	15.21%	15.02%	15.02%	12.78%	12.78%	12.78%	15.21%
Health contributions	9.11%	9.11%	8.18%	8.18%	9.11%	8.18%	8.18%
Defined contribution plan employer contributions:							
DC employer contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Personal Healthcare Fund	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENA WEE, MICHIGAN**

*Notes to Financial Statements
Year Ended June 30, 2014*

Note 7 Defined Benefit Pension Plans and Postemployment Benefits (Concluded)

B. Funding Policy (Concluded)

For the period from October 1, 2013 through June 30, 2014, employees could transition to a defined contribution plan (DC) and could also elect out of the healthcare premium subsidy and into the Personal Healthcare Fund (PHF) depending upon their date of hire and retirement plan election. Employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF	Pension Plus to DC with PHF	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	18.34%	18.11%	18.11%	15.44%	15.44%	15.44%	18.34%
Health contributions	6.45%	6.45%	5.52%	5.52%	6.45%	5.52%	5.52%
Defined contribution plan employer contributions:							
DC employer contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Personal Healthcare Fund	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

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

The School's required and actual contributions to the MPSERS pension plan for the years ended June 30, 2014, 2013, and 2012 were \$853,932, \$748,167, and \$794,054, respectively.

C. Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage. Retirees electing continuing coverage, contribute a monthly portion of the premium based on various factors specified by the retirement system for the health, dental, and vision coverages. Required contributions for postemployment health care benefits are included as part of the School's total contribution to the MPSERS pension plan discussed above.

Note 8 Enhancement Millage for Technology

Voters of Monroe County passed an enhancement millage based on the taxable value of all property in the Monroe County Intermediate School District. The technology millage was renewed on May 3, 2011, at 0.9866 mill for an additional five years, 2012 to 2016. The intermediate school district will distribute the tax collections to the local school districts based on pupil membership count. The tax millage received by the local school districts will be used for technology enhancements and related expenses.

Note 9 Short-Term Debt Activity

The School District has various options for short-term financing including tax anticipation notes, state aid anticipation notes, and lines of credit. The School District entered into a short-term financing arrangement during the fiscal year ended June 30, 2014.

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENA WEE, MICHIGAN**

*Notes to Financial Statements
Year Ended June 30, 2014*

Note 9 Short-Term Debt Activity (Concluded)

This arrangement was for a state aid anticipation note, secured against the state aid fund allowance, through the Michigan Municipal Bond Authority. Short-term debt activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
State aid anticipation note	\$321,429	\$735,000	\$780,000	\$276,429

The short-term financing was utilized for cash-flow purposes based on the timing of School District revenues through state aid allowances.

Note 10 Long-Term Debt

Following is a summary of changes in long-term debt:

	Balance June 30, 2013	Additions	Payments	Balance June 30, 2014	Due in One Year
2005 Refunding Bonds	\$6,475,000	\$0	\$350,000	\$6,125,000	\$365,000
Compensated absences payable	172,270	0	7,474	164,796	0
	\$6,647,270	\$0	\$357,474	\$6,289,796	\$365,000

On October 5, 2005, the School issued \$7,405,000 in general obligation bonds with an average interest rate of 4.14 percent to advance refund \$7,070,000 of outstanding 2001 Series bonds with an average interest rate of 5.04 percent. The net proceeds of \$7,342,778 (after payment of \$113,454 in underwriting fees, insurance, and other issuance costs) plus an additional \$50,387 of 2001 Bond Debt Fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2001 Series bonds. As a result, the 2001 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$323,165. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2027 using an effective-interest method. The School completed the advance refunding to reduce its total debt service payments over the next 22 years by \$600,511 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$314,183.

Compensated absences payable represents benefits for vacation and sick leave as of year end.

2001 School Building and Site Bonds - \$8,115,000 - Interest rate 4.0% to 5.125%

These bonds were approved by the voters of the School District on March 20, 2001. The proceeds were used for erecting, furnishing and equipping an addition to the elementary school; partially remodeling, refurbishing and equipping the elementary and middle high schools; and developing and improving the school site. The bonds are to be paid by an annual property tax millage. On October 5, 2005, certain bonds totaling \$7,070,000 were defeased by the 2005 bond issue.

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENA WEE, MICHIGAN**

*Notes to Financial Statements
Year Ended June 30, 2014*

Note 10 Long-Term Debt (Concluded)

2005 Refunding Bonds - \$7,405,000 - Interest rate 3.0% to 4.25%

These bonds dated November 1, 2005, were issued to defease \$7,070,000 of the 2001 School Building and Site Bonds. The bonds are to be paid by an annual property tax millage. The principal and interest requirements to retire the 2005 bonds are as follows:

<u>Fiscal Year</u>	<u>Interest Requirements</u>		<u>Bond</u> <u>Maturities</u>	<u>Total</u> <u>Requirements</u>
	<u>November 1</u>	<u>May 1</u>	<u>May 1</u>	
2015	\$124,797	\$124,797	\$365,000	\$614,594
2016	117,497	117,497	380,000	614,994
2017	109,897	109,897	400,000	619,794
2018	101,897	101,897	415,000	618,794
2019	93,597	93,597	430,000	617,194
2020	84,997	84,997	450,000	619,994
2021	75,997	75,997	465,000	616,994
2022	66,697	66,697	485,000	618,394
2023	56,997	56,997	505,000	618,994
2024	46,644	46,644	525,000	618,288
2025	35,816	35,816	545,000	616,632
2026	24,508	24,508	570,000	619,016
2027	12,537	12,537	590,000	615,074
	<u>\$951,878</u>	<u>\$951,878</u>	<u>\$6,125,000</u>	<u>\$8,028,756</u>

Annual principal and interest requirements to maturity for the above bond obligations are as follows:

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u> <u>Requirement</u>
2015	\$249,594	\$365,000	\$614,594
2016	234,994	380,000	614,994
2017	219,794	400,000	619,794
2018	203,794	415,000	618,794
2019	187,194	430,000	617,194
2020-2024	662,664	2,430,000	3,092,664
2025-2027	145,722	1,705,000	1,850,722
	<u>\$1,903,756</u>	<u>\$6,125,000</u>	<u>\$8,028,756</u>

Note 11 Lease Commitments – Operating Leases

The School District has, as of June 30, 2014, contractual agreements specifying the following annual lease payment obligations:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$45,292
2016	45,292
2017	9,790
2018	9,790
	<u>\$110,164</u>

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENA WEE, MICHIGAN**

*Notes to Financial Statements
Year Ended June 30, 2014*

Note 12 Property Taxes

Property taxes are recorded as revenue when levied and received by the various governmental units that collect the School District's taxes. The School District's 2013 property taxes were levied on December 1, 2013 on assessed valuations as of December 31, 2012. Taxes were collected beginning December 1, 2013 and payments were due by February 14, 2014. Taxable values are based on a percentage of the fair market value of the assessed property. The following is a summary of the 2013 property tax levy:

	<u>Taxable Value</u>	<u>Mills Levied</u>	<u>Taxes Levied</u>
General Fund:			
Non-Homestead	\$40,289,670	18.00	\$725,214
Commercial	6,034,318	6.00	36,206
2005 Debt Retirement Fund:			
Regular	198,517,927	3.12	619,375
IFT	1,834,902	1.55	2,844
Sinking Fund:			
Regular	198,517,927	1.00	198,518
IFT	1,834,902	0.50	<u>917</u>
Total			<u><u>\$1,583,074</u></u>

Note 13 Michigan Unemployment Tax

The School District is liable to the State for unemployment claims against the School District on a reimbursement basis. For the year ended June 30, 2014, the School District incurred claims of \$16,615.

Note 14 Cafeteria Contract

During the fiscal year ended June 30, 2014, the School District contracted with Sodexo Management, Inc. (Sodexo) to cover all cafeterias within the School District. Pursuant to this agreement, Sodexo manages the food service operations of the School District. All costs of Sodexo have been reflected in the financial statements of the Food Service Fund.

Note 15 Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENAWEE, MICHIGAN**

*Notes to Financial Statements
Year Ended June 30, 2014*

Note 16 Risk Management and Insurance Pool

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (worker's compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims, self-funds worker's compensation claims subject to stop loss insurance, and participates in the SET-SEG risk pool for general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared risk pool program in which the School District participates operates as a common risk sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 17 Governmental Regulation

Substantially all of the School District's facilities are subject to federal, state, and local provisions regulating the discharge of material into the environment. Compliance with these provisions has not had, nor does the School District expect such compliance to have, any material effect upon the capital expenditures, net revenue in excess of expenditures or financial condition of the school district. Management believes that its current practices and procedures for the control and disposition of such wastes comply with applicable federal and state requirements.

Note 18 Sinking Fund

The Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENAWE, MICHIGAN**

*General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2014*

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local sources	\$848,043	\$844,953	\$878,504	\$33,551
State sources	4,184,720	4,436,639	4,365,006	(71,633)
Federal sources	66,750	91,750	79,817	(11,933)
Interdistrict and other sources	373,082	366,504	372,815	6,311
Total Revenues	5,472,595	5,739,846	5,696,142	(43,704)
Expenditures				
Instruction:				
Basic programs	3,047,450	3,006,161	2,981,526	24,635
Added needs	301,068	374,812	317,626	57,186
Support services:				
Pupil	252,696	272,756	267,865	4,891
Instructional staff	158,682	141,141	130,111	11,030
General administration	248,604	239,478	236,510	2,968
School administration	383,507	401,427	396,573	4,854
Business administration	102,270	94,663	88,514	6,149
Operation and maintenance	519,022	492,094	480,921	11,173
Pupil transportation	331,116	333,050	329,323	3,727
Central services	94,087	61,143	55,977	5,166
Athletics	155,366	148,968	148,474	494
Interdistrict and other uses	0	0	3,823	(3,823)
Total Expenditures	5,593,868	5,565,693	5,437,243	128,450
Excess (Deficiency) of Revenues Over Expenditures	(121,273)	174,153	258,899	84,746
Other Financing Uses				
Operating transfer out	(18,697)	(8,990)	(2,245)	6,745
Net Change in Fund Balances	(139,970)	165,163	256,654	91,491
Fund Balances - Beginning of year	724,648	814,150	814,150	0
Fund Balances - End of year	\$584,678	\$979,313	\$1,070,804	\$91,491

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENAWEE, MICHIGAN**

*General Fund
Schedule of Revenues-Budget and Actual
Year Ended June 30, 2014*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Local Sources			
Property taxes	\$761,017	\$786,732	\$25,715
Tuition	800	800	0
Investment income	1,100	1,246	146
Contributions	1,121	1,850	729
Athletics	62,708	67,058	4,350
Other revenue	18,207	20,818	2,611
Total Local Sources	844,953	878,504	33,551
State Sources			
Unrestricted grants:			
Proposal A obligation	2,764,420	2,768,253	3,833
Discretionary payment	1,115,048	1,115,062	14
Foundation equity payment	33,669	33,669	0
Best practices	35,015	35,015	0
Restricted grants:			
Special education-Headlee obligation	150,848	135,033	(15,815)
At risk	109,641	49,514	(60,127)
MPSERS rate offset	186,098	186,559	461
Other state grants	30,274	30,275	1
Transfer from intermediate school district:			
Vocational education added costs	11,626	11,626	0
Total State Sources	4,436,639	4,365,006	(71,633)
Federal Sources			
Title I	53,963	53,963	0
Title IIA	36,309	24,376	(11,933)
Medicaid outreach grant	1,478	1,478	0
Total Federal Sources	91,750	79,817	(11,933)
Interdistrict and Other Sources			
Transfer from intermediate school district:			
Section 74 transportation	4,789	4,789	0
County special education tax	133,040	133,040	0
Technology enhancement millage	165,000	171,311	6,311
Cooperative program	48,762	48,762	0
Insurance reimbursements	14,913	14,913	0
Total Interdistrict and Other Sources	366,504	372,815	6,311
Total Revenues	\$5,739,846	\$5,696,142	(\$43,704)

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENAWEE, MICHIGAN**

*General Fund
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2014*

	Salaries	Employee Benefits	Purchased Services
Instruction			
Basic Programs:			
Elementary	\$681,277	\$442,072	\$20,100
Middle School	414,877	260,928	7,893
High School	610,298	392,402	27,117
Summer School	1,029	385	1,200
	<u>1,707,481</u>	<u>1,095,787</u>	<u>56,310</u>
Added Needs:			
Special education	125,926	69,603	4,115
Compensatory education	55,510	20,976	0
Vocational education	18,340	11,566	469
	<u>199,776</u>	<u>102,145</u>	<u>4,584</u>
Total Instruction	1,907,257	1,197,932	60,894
Support Services			
Pupil:			
Guidance	93,811	49,810	0
Health	0	0	173
Speech	64,635	40,859	0
Social work services	0	0	0
Other pupil services	8,332	3,279	2,592
	<u>166,778</u>	<u>93,948</u>	<u>2,765</u>
Instructional Staff:			
Improvement of instruction	2,007	748	14,637
Library	15,922	6,005	1,398
Technology assisted	43,216	25,275	12,212
	<u>61,145</u>	<u>32,028</u>	<u>28,247</u>
General Administration:			
Board of Education	1,980	160	19,678
Executive administration	132,375	74,861	3,323
	<u>134,355</u>	<u>75,021</u>	<u>23,001</u>
School Administration:			
Office of the principal	236,602	153,216	2,267
Other school administration	0	0	0
	<u>236,602</u>	<u>153,216</u>	<u>2,267</u>
Business Administration:			
Fiscal services	6,649	9,328	29
Internal services	0	0	203
Other business services	0	0	4,113
	<u>6,649</u>	<u>9,328</u>	<u>4,345</u>

Supplies and Materials	Capital Outlay	Other Expenses	Totals	Final Budget	Variance with Final Budget Positive (Negative)
\$16,317	\$10,791	\$0	\$1,170,557	\$1,176,199	\$5,642
1,043	4,796	4,875	694,412	701,347	6,935
12,718	5,643	65,765	1,113,943	1,125,322	11,379
0	0	0	2,614	3,293	679
<u>30,078</u>	<u>21,230</u>	<u>70,640</u>	<u>2,981,526</u>	<u>3,006,161</u>	<u>24,635</u>
551	0	0	200,195	198,258	(1,937)
379	0	0	76,865	135,712	58,847
10,191	0	0	40,566	40,842	276
<u>11,121</u>	<u>0</u>	<u>0</u>	<u>317,626</u>	<u>374,812</u>	<u>57,186</u>
41,199	21,230	70,640	3,299,152	3,380,973	81,821
512	0	0	144,133	146,338	2,205
306	0	0	479	505	26
801	0	0	106,295	107,149	854
0	0	2,755	2,755	2,800	45
0	0	0	14,203	15,964	1,761
<u>1,619</u>	<u>0</u>	<u>2,755</u>	<u>267,865</u>	<u>272,756</u>	<u>4,891</u>
0	0	0	17,392	25,387	7,995
205	0	0	23,530	25,231	1,701
4,256	578	3,652	89,189	90,523	1,334
<u>4,461</u>	<u>578</u>	<u>3,652</u>	<u>130,111</u>	<u>141,141</u>	<u>11,030</u>
57	0	3,040	24,915	26,645	1,730
647	0	389	211,595	212,833	1,238
<u>704</u>	<u>0</u>	<u>3,429</u>	<u>236,510</u>	<u>239,478</u>	<u>2,968</u>
2,823	0	895	395,803	400,512	4,709
770	0	0	770	915	145
<u>3,593</u>	<u>0</u>	<u>895</u>	<u>396,573</u>	<u>401,427</u>	<u>4,854</u>
905	0	61,804	78,715	80,290	1,575
0	0	0	203	210	7
0	0	5,483	9,596	14,163	4,567
<u>905</u>	<u>0</u>	<u>67,287</u>	<u>88,514</u>	<u>94,663</u>	<u>6,149</u>

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENAWEE, MICHIGAN**

*General Fund
Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2014*

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>
(Concluded)			
Support Services			
Operation and maintenance	\$70,967	\$54,543	\$226,439
Pupil transportation	147,375	67,781	57,180
Central Services:			
Communication services	0	0	3,990
Staff services	1,542	511	7,199
Technology	16,621	8,911	6,469
	<u>18,163</u>	<u>9,422</u>	<u>17,658</u>
Athletics	<u>87,427</u>	<u>31,482</u>	<u>24,218</u>
Total Support Services	929,461	526,769	386,120
Interdistrict and Other Uses			
Prior period adjustments	<u>0</u>	<u>0</u>	<u>0</u>
Total Interdistrict and Other Uses	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	2,836,718	1,724,701	447,014
Other Financing Uses			
Fund modifications:			
Operating transfer out:			
Transfer to Food Service	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Uses	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures and Other Financing Uses	<u>\$2,836,718</u>	<u>\$1,724,701</u>	<u>\$447,014</u>

Supplies and Materials	Capital Outlay	Other Expenses	Totals	Final Budget	Variance with Final Budget Positive (Negative)
\$123,528	\$4,342	\$1,102	\$480,921	\$492,094	\$11,173
53,986	50	2,951	329,323	333,050	3,727
59	0	0	4,049	4,045	(4)
112	0	260	9,624	13,686	4,062
62	0	10,241	42,304	43,412	1,108
<u>233</u>	<u>0</u>	<u>10,501</u>	<u>55,977</u>	<u>61,143</u>	<u>5,166</u>
<u>1,815</u>	<u>0</u>	<u>3,532</u>	<u>148,474</u>	<u>148,968</u>	<u>494</u>
190,844	4,970	96,104	2,134,268	2,184,720	50,452
<u>0</u>	<u>0</u>	<u>3,823</u>	<u>3,823</u>	<u>0</u>	<u>(3,823)</u>
<u>0</u>	<u>0</u>	<u>3,823</u>	<u>3,823</u>	<u>0</u>	<u>(3,823)</u>
232,043	26,200	170,567	5,437,243	5,565,693	128,450
<u>0</u>	<u>0</u>	<u>2,245</u>	<u>2,245</u>	<u>8,990</u>	<u>6,745</u>
<u>0</u>	<u>0</u>	<u>2,245</u>	<u>2,245</u>	<u>8,990</u>	<u>6,745</u>
<u>\$232,043</u>	<u>\$26,200</u>	<u>\$172,812</u>	<u>\$5,439,488</u>	<u>\$5,574,683</u>	<u>\$135,195</u>

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENAWEE, MICHIGAN**

*Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2014*

	Special Revenue Fund	Debt Retirement Fund	Capital Projects Fund	
	Food Service	2005 Refunding School Bond	Sinking	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$17,002	\$164,491	\$219,054	\$400,547
Due from other governmental units	4,968	0	0	4,968
Due from student groups	111	0	0	111
Inventory	2,555	0	0	2,555
Prepaid expenditures	602	0	0	602
Total Assets	\$25,238	\$164,491	\$219,054	\$408,783
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$13,453	\$0	\$8,004	\$21,457
Unearned revenue	2,614	0	0	2,614
Due to other funds	9,171	0	0	9,171
Total Liabilities	25,238	0	8,004	33,242
Fund Balances				
Restricted for debt service	0	164,491	0	164,491
Restricted for capital outlay	0	0	211,050	211,050
Total Fund Balances	0	164,491	211,050	375,541
Total Liabilities and Fund Balances	\$25,238	\$164,491	\$219,054	\$408,783

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENAWEE, MICHIGAN**

*Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2014*

	Special Revenue Fund	Debt Retirement Fund	Capital Projects Fund	
	Food Service	2005 Refunding School Bond	Sinking	Total Nonmajor Governmental Funds
Revenues				
Local sources	\$103,386	\$629,195	\$199,677	\$932,258
State sources	8,904	0	0	8,904
Federal sources	66,537	0	0	66,537
Total Revenues	178,827	629,195	199,677	1,007,699
Expenditures				
Food service	181,072	0	0	181,072
Capital outlay	0	0	71,102	71,102
Debt service	0	617,816	0	617,816
Total Expenditures	181,072	617,816	71,102	869,990
Excess (Deficiency) of Revenues Over Expenditures	(2,245)	11,379	128,575	137,709
Other Financing Sources (Uses)				
Operating transfer in	2,245	0	0	2,245
Net Change in Fund Balances	0	11,379	128,575	139,954
Fund Balances - Beginning of year	0	153,112	82,475	235,587
Fund Balances - End of year	\$0	\$164,491	\$211,050	\$375,541

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENAWE, MICHIGAN**

*Food Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2014*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Local Sources:				
Food sales	\$104,358	\$103,482	\$103,303	(\$179)
Other	0	0	83	83
Total Local Sources	<u>104,358</u>	<u>103,482</u>	<u>103,386</u>	<u>(96)</u>
State Sources:				
Restricted grants	10,940	8,903	8,904	1
Federal Sources:				
Restricted grants	63,183	55,065	55,279	214
Commodities	10,000	10,966	11,258	292
Total Federal Sources	<u>73,183</u>	<u>66,031</u>	<u>66,537</u>	<u>506</u>
Total Revenues	<u>188,481</u>	<u>178,416</u>	<u>178,827</u>	<u>411</u>
Expenditures				
Purchases services	109,108	99,205	94,170	5,035
Supplies and materials	96,330	86,551	85,252	1,299
Other	1,740	1,650	1,650	0
Total Expenditures	<u>207,178</u>	<u>187,406</u>	<u>181,072</u>	<u>6,334</u>
Excess (Deficiency) of Revenue Over Expenditures	(18,697)	(8,990)	(2,245)	6,745
Other Financing Sources (Uses)				
Operating transfer in	18,697	8,990	2,245	(6,745)
Net Change in Fund Balances	0	0	0	0
Fund Balance - Beginning of year	0	0	0	0
Fund Balance - End of year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENAWEE, MICHIGAN**

*2005 Refunding School Bond Debt Retirement Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2014*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Local Sources:				
Property taxes	\$621,794	\$620,014	\$629,000	\$8,986
Investment income	0	190	195	5
Total Revenues	<u>621,794</u>	<u>620,204</u>	<u>629,195</u>	8,991
Expenditures				
Debt service:				
Principal	350,000	350,000	350,000	0
Interest and fiscal charges	267,094	267,094	267,094	0
Other	775	788	722	66
Total Expenditures	<u>617,869</u>	<u>617,882</u>	<u>617,816</u>	66
Net Change in Fund Balances	3,925	2,322	11,379	9,057
Fund Balance - Beginning of year	<u>151,251</u>	<u>153,112</u>	<u>153,112</u>	0
Fund Balance - End of year	<u><u>\$155,176</u></u>	<u><u>\$155,434</u></u>	<u><u>\$164,491</u></u>	<u><u>\$9,057</u></u>

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENA WEE, MICHIGAN**

*Sinking Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2014*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Local Sources:				
Property taxes	\$197,809	\$198,721	\$199,646	\$925
Investment income	0	30	31	1
Total Revenues	<u>197,809</u>	<u>198,751</u>	<u>199,677</u>	926
Expenditures				
Capital outlay:				
Purchase services	7,500	57,938	55,478	2,460
Capital outlay	210,000	15,460	15,624	(164)
Total Expenditures	<u>217,500</u>	<u>73,398</u>	<u>71,102</u>	2,296
Net Change in Fund Balances	(19,691)	125,353	128,575	3,222
Fund Balance - Beginning of year	<u>81,411</u>	<u>82,475</u>	<u>82,475</u>	0
Fund Balance - End of year	<u><u>\$61,720</u></u>	<u><u>\$207,828</u></u>	<u><u>\$211,050</u></u>	<u><u>\$3,222</u></u>

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENAWE, MICHIGAN**

*Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
June 30, 2014*

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Assets				
Cash	\$116,208	\$164,112	\$167,371	\$112,949
Accounts receivable	0	41	0	41
Due from athletics	50	0	50	0
Total assets	<u>\$116,258</u>	<u>\$164,153</u>	<u>\$167,421</u>	<u>\$112,990</u>
 Liabilities				
Due to student groups	\$116,134	\$146,406	\$151,636	\$110,904
Due to general fund	0	16,054	14,079	1,975
Due to athletics	0	1,300	1,300	0
Due to food service	124	393	406	111
Total liabilities	<u>\$116,258</u>	<u>\$164,153</u>	<u>\$167,421</u>	<u>\$112,990</u>

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENA WEE, MICHIGAN**

*Student Activities Agency Fund
Summary of Receipts and Disbursements
Year Ended June 30, 2014*

	Due to (From) Student Groups July 1, 2013	Receipts	Disbursements	Due to (From) Student Groups June 30, 2014
Due to School District:				
Athletic Officials	\$447	\$3,432	\$3,016	\$863
Elementary Claws	172	0	0	172
Elementary Activity	1,026	11,386	11,922	490
Employee Recognition	300	0	0	300
Families in Need Program	109	1,200	206	1,103
High School - Audio Visual	1,899	4,617	4,285	2,231
S.E. Work Experience	1	0	0	1
XYZ Club	1,745	0	50	1,695
Interest	0	40	40	0
Michigan Sales Tax	914	1,780	1,871	823
Kindergarten	0	750	437	313
First Grade	38	450	464	24
Second Grade	221	932	1,057	96
Third Grade	607	642	678	571
Fourth Grade	148	2,830	2,916	62
Fifth Grade	339	1,982	1,579	742
Sixth Grade	1,470	813	683	1,600
Graduated-carryover	5,208	398	2	5,604
Class of 2014	3,472	2,633	6,105	0
Class of 2015	1,253	7,468	8,561	160
Class of 2016	333	1,467	1,210	590
Class of 2017	0	1,277	622	655
Bobcat Archery	643	0	0	643
Varsity Baseball	12	2,864	1,690	1,186
Basketball - Boys	2,396	1,075	1,469	2,002
Cheerleaders	771	3,736	4,149	358
Cross Country	1,115	4,652	4,613	1,154
Varsity Football	6,124	12,660	13,792	4,992
Hubbard Concessions	2,893	10,249	9,773	3,369
High School Girls Track	43	0	0	43
Basketball-Girls	665	47	666	46
Volleyball	98	1,145	431	812
Cheerleaders-MS	498	0	0	498
Binder Scholarship	1,774	0	250	1,524
Bischoff Scholarship	12,943	0	200	12,743
Lennard Scholarship	6	100	100	6
Seegert Scholarship	25,295	0	1,500	23,795
Van Hove Scholarship	1,565	0	200	1,365

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENAWE, MICHIGAN**

*Student Activities Agency Fund
Summary of Receipts and Disbursements
Year Ended June 30, 2014*

	Due to (From) Student Groups July 1, 2013	Receipts	Disbursements	Due to (From) Student Groups June 30, 2014
(Concluded)				
King Scholarship	\$2,275	\$0	\$100	\$2,175
Whiteford Community Scholarship	387	350	700	37
WRC Scholarship	1,000	500	1,000	500
Liz Lykowski Scholarship	4,565	1,243	300	5,508
Class of '76 Scholarship	100	1,065	250	915
Winters Scholarship	1,000	2,000	2,000	1,000
Wing Trust Scholarship	0	6,000	6,000	0
Dean Knight Scholarship	0	855	0	855
WRC P2P Scholarship	0	500	0	500
Elementary Art	325	0	31	294
MS/HS Art	87	1,594	1,663	18
Band	1	0	0	1
Building Trades	3,815	386	157	4,044
Elementary Camp	2,920	18,130	18,384	2,666
Challenge Day	21	0	0	21
Choir-All	332	0	250	82
Elementary Crafting For Literacy	522	470	38	954
Science Fair	457	0	0	457
Honor Society	266	1,100	988	378
Horticulture Club	269	0	0	269
Elementary Journalism	73	3,524	2,944	653
High School Journalism	5,129	13,968	14,639	4,458
Middle School Journalism	36	1,076	1,112	0
Elementary Library	2,011	3,284	4,462	833
High School Library	3,415	0	98	3,317
Life Management	337	330	460	207
Put-in-Bay	3,108	2,981	5,561	528
MS Recycling	57	43	0	100
Solar Sprint	896	0	0	896
Spanish Club	85	0	0	85
Elementary Student Council	614	764	240	1,138
Student Council - High School	4,111	2,681	3,163	3,629
Student Council - Middle School	370	2,382	2,272	480
Legacy	900	0	0	900
Elementary Special Education	107	555	287	375
Total Due to Student Groups	\$116,134	\$146,406	\$151,636	\$110,904

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENAWEE, MICHIGAN**

Summary of 2013 Tax Levy

Year Ended June 30, 2014

	Millage Rate	Taxable Value	Levy
Whiteford Township			
General Fund operating - non-homestead	18.00	\$39,428,323	\$709,710
General Fund operating - commercial	6.00	5,998,318	35,990
2005 Debt Retirement Fund	3.12	189,973,833	592,718
2005 Debt Retirement Fund - IFT	1.55	1,834,902	2,844
Sinking Fund	1.00	189,973,833	189,974
Sinking Fund - IFT	0.50	1,834,902	917
			<u>1,532,153</u>
Summerfield Township			
General Fund operating - non-homestead	18.00	269,336	4,848
2005 Debt Retirement Fund	3.12	1,741,440	5,433
Sinking Fund	1.00	1,741,440	1,741
			<u>12,022</u>
Riga Township			
General Fund operating - non-homestead	18.00	592,011	10,656
General Fund operating - commercial	6.00	36,000	216
2005 Debt Retirement Fund	3.12	6,802,654	21,224
Sinking Fund	1.00	6,802,654	6,803
			<u>38,899</u>
 Total			 <u>\$1,583,074</u>
Summary			
General Fund operating - non-homestead		40,289,670	\$725,214
General Fund operating - commercial		6,034,318	36,206
2005 Debt Retirement Fund		198,517,927	619,375
2005 Debt Retirement Fund - IFT		1,834,902	2,844
Sinking Fund		198,517,927	198,518
Sinking Fund - IFT		1,834,902	917
			<u>\$1,583,074</u>

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENAWEE, MICHIGAN**

*Schedule of Technology Enhancement Millage
Budget and Actual
Year Ended June 30, 2014*

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Technology enhancement millage	\$165,000	\$171,311	\$6,311
Total Revenues	165,000	171,311	6,311
Expenditures			
Instruction:			
Salaries	1,000	800	200
Fringe benefits	377	302	75
Purchase services	9,450	4,274	5,176
Supplies	2,213	1,892	321
Capital outlay	21,650	21,230	420
Other	44,620	45,089	(469)
Total Instruction	79,310	73,587	5,723
Support:			
Salaries	43,690	43,216	474
Fringe benefits	25,824	25,275	549
Purchase services	19,394	17,973	1,421
Supplies	4,325	4,255	70
Capital outlay	700	578	122
Other	4,181	3,652	529
Total Support	98,114	94,949	3,165
Total Expenditures	177,424	168,536	8,888
Net Change in Fund Balance	(12,424)	2,775	(2,577)
Restricted for Technology			
Enhancement - Beginning of Year	(8,957)	19,958	28,915
Restricted for Technology			
Enhancement - End of Year	(\$21,381)	\$22,733	\$26,338

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENAWEЕ, MICHIGAN**

*Schedule of Athletics
Budget and Actual
Year Ended June 30, 2014*

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local Sources:				
Admissions	\$26,050	\$27,705	\$27,705	\$0
Participation fees	27,100	29,764	29,764	0
Other	0	5,239	9,589	4,350
	<u>0</u>	<u>5,239</u>	<u>9,589</u>	<u>4,350</u>
Total Revenues	<u>\$53,150</u>	<u>\$62,708</u>	<u>\$67,058</u>	<u>\$4,350</u>
Expenditures				
Pupil Transportation:				
Salaries	\$6,350	\$5,442	\$5,162	\$280
Employee benefits	2,219	2,253	1,856	397
Purchased services	0	1,035	1,035	0
Other	0	567	564	3
Central Services:				
Staff services				
Purchased services	1,300	510	505	5
Athletics:				
Salaries	97,951	87,466	87,427	39
Employee benefits	29,612	31,981	31,482	499
Purchased services	21,978	22,829	24,218	(1,389)
Supplies and materials	4,075	3,160	1,815	1,345
Other	1,750	3,532	3,532	0
	<u>1,750</u>	<u>3,532</u>	<u>3,532</u>	<u>0</u>
Total Expenditures	<u>\$165,235</u>	<u>\$158,775</u>	<u>\$157,596</u>	<u>\$1,179</u>

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT IN
THE COUNTIES OF MONROE AND LENAWEE, MICHIGAN**

*Schedule of Expenditures of Federal Awards
June 30, 2014*

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
<u>U.S. Department of Education</u>		
Passed Through State Department of Education:		
Title I	131530-1213	\$74,859
Title I	141530-1314	53,963
Title II Part A	130520-1213	37,306
Title II Part A	140520-1314	35,891
Total Passed Through State Dept. of Education		202,019
 <u>U.S. Department of Health and Human Services</u>		
Passed Through Intermediate School District:		
Medicaid Outreach	93.778	651
 <u>U.S. Department of Agriculture</u>		
Passed Through State Department of Education:		
National School Lunch Program		
131960 All Lunches	10.555	52,191
141960 All Lunches	10.555	42,080
		94,271
131970 Breakfast	10.553	6,783
141970 Breakfast	10.553	7,021
		13,804
		108,075
U.S.D.A. Donated Commodities Entitlements	10.555	11,258
Total U.S. Department of Agriculture		119,333
Total Federal Financial Assistance		\$322,003

See accompanying notes to this schedule

Accrued (Deferred) Revenue July 1, 2013	Prior Year Expenditures (Memo Only)	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2014
\$16,837	\$67,124	\$0	\$16,837	\$0
0	0	53,963	53,963	0
1,346	10,531	418	1,764	0
0	0	23,958	10,000	13,958
<u>\$18,183</u>	<u>\$77,655</u>	<u>78,339</u>	<u>\$82,564</u>	<u>\$13,958</u>
<u>\$0</u>	<u>\$651</u>	1,478	<u>\$1,478</u>	<u>\$0</u>
\$0	\$46,629	5,562	\$5,562	\$0
0	0	42,080	42,080	0
0	46,629	47,642	47,642	0
0	6,167	616	616	0
0	0	7,021	7,021	0
0	6,167	7,637	7,637	0
0	52,796	55,279	55,279	0
0	9,578	11,258	11,258	0
<u>\$0</u>	<u>\$62,374</u>	<u>66,537</u>	<u>\$66,537</u>	<u>\$0</u>
		<u>\$146,354</u>		

**WHITEFORD AGRICULTURAL SCHOOL DISTRICT
IN THE COUNTIES OF MONROE AND LENAWEE, MICHIGAN**

*Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014*

SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of Whiteford Agricultural School District in the Counties of Monroe and Lenawee, Michigan.
2. No significant deficiencies considered to be material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Whiteford Agricultural School District in the Counties of Monroe and Lenawee, Michigan were disclosed during the audit.
4. The accompanying schedule of expenditures of federal awards includes the federal grant activity of Whiteford Agricultural School District in the Counties of Monroe and Lenawee, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
5. The amounts reported on the Grant Section Auditors Report reconcile with this schedule.



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Board of Education

Whiteford Agricultural School District in the Counties of Monroe and Lenawee, Michigan
Ottawa Lake, Michigan 49267

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Whiteford Agricultural Schools as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

This communication is intended solely for the information and use of the Board of Education, management, others within the School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

September 19, 2014



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September 19, 2014

To the Board of Education
Whiteford Agricultural School District in the Counties of Monroe and Lenawee, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Whiteford Agricultural Schools for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 3, 2014. Professional standards require that we provide you with the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Whiteford Agricultural Schools are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by Whiteford Agricultural Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the allowance of doubtful accounts is based on confirmation of the state aid status report. We evaluated the key factors and assumptions used to develop the estimate of a zero percent for the allowance of doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the useful lives of depreciable capital assets is based on the length of time those assets will provide economic benefit in the future.

Management's estimate of the accrued compensated absences is based on formulas and conditions specified in various contracts regarding vacation and sick leave benefits.

To the Board of Education
Whiteford Agricultural Schools

-2-

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 19, 2014.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the major fund budget and actual statements, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

To the Board of Education
Whiteford Agricultural Schools

-3-

We were engaged to report on the nonmajor fund budget and actual statements, the agency changes in assets and liabilities, and the federal financial assistance program schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United State of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

Cooley Hehl Wollgamuth & Carlton