

Waterford School District

Financial Statements

June 30, 2023



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Waterford School District
Members of the Board of Education and Administration
June 30, 2023

Members of the Board of Education

Michael Ristich – President

Kristen Wagner – Vice President

Julie Josselyn – Secretary

Joan Sutherland – Treasurer

Patrick Donohue – Trustee

Robert Petrusha, Jr. – Trustee

John Paul Torres – Trustee

Administration

Scott Lindberg – Superintendent

Sandra Elka – Assistant Superintendent of Business and Operations

Amy Dagenhardt – Director of Finance and Budget



Independent Auditors' Report

Management and the Board of Education
Waterford School District
Waterford, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waterford School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Waterford School District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, 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 Waterford School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Waterford School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, during the year ended June 30, 2023 Waterford School District adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Waterford School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Waterford School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Waterford School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB contributions identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waterford School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information, as identified in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2023 on our consideration of Waterford 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Waterford School District's 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 Waterford School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

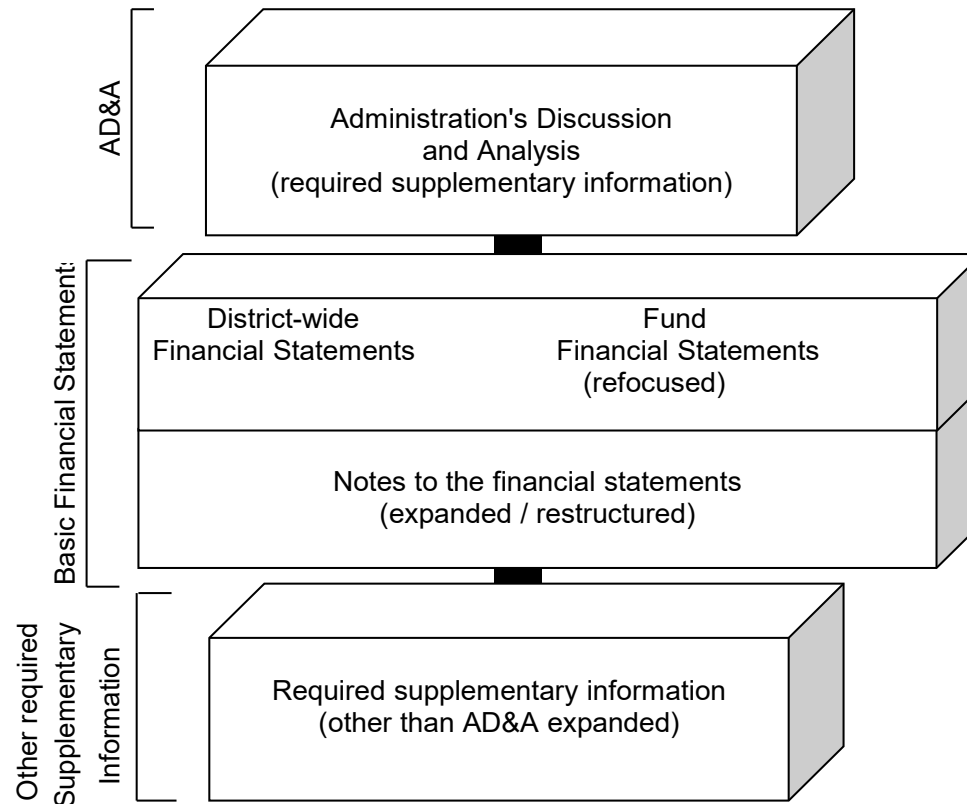
Auburn Hills, Michigan
October 23, 2023

ADMINISTRATION'S DISCUSSION AND ANALYSIS

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2023**

Waterford School District's (the District) Administration discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position and its ability to address the next and subsequent year challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Managements Discussion Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2023.

The following is an illustration on how this financial report is presented.



As indicated in the illustration, GASB 34 requires the presentation of two basic types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2023

District Wide Financial Statements

The district wide statements provide a perspective of the District as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two district wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless if they are currently available or not.

Consistent with the full accrual basis method of accounting the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various District services.

Fund Financial Statements

The fund statements are similar to financial presentations of years past, with the focus on the District's major funds rather than fund types. Consistent with previous years, the fund statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received except where they are measurable and currently available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period that goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures and Bond proceeds are recorded as other financing sources.

Fund types utilized by the District include the General Fund, Internal Service Fund, Special Revenue Funds, Debt Retirement Funds, and Capital Projects Funds. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions, grants and other intergovernmental revenues. The Internal Service Fund is to account for employee fringe benefit costs. The Special Revenue Funds are comprised of Special Education Center Programs, Child Care, Senior Citizens, Pool & Fitness Centers, Performing Arts Centers, Food Service, and Student and Senior Activity. Food Service, Child Care, Senior Citizens, and Senior and Student Activity are self-supporting programs. The Debt Funds are used to record the funding and payment of principal and interest on bonded debt. The Capital Projects Funds are used to account for financial resources to be used for the acquisition, construction or improvement of major capital facilities and equipment.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2023

Financial Analysis of the District as a Whole:

	<u>2022-2023</u>	<u>2021-2022</u>	<u>Change</u>
Assets			
Current assets	\$ 112,886,243	\$ 65,087,237	\$ 47,799,006
Capital and right to use assets	405,771,502	377,116,317	28,655,185
Less: accumulated depreciation and amortization	<u>(188,782,378)</u>	<u>(175,840,586)</u>	<u>(12,941,792)</u>
Capital assets and right to use assets, net book value	<u>216,989,124</u>	<u>201,275,731</u>	<u>15,713,393</u>
 Total assets	 <u>329,875,367</u>	 <u>266,362,968</u>	 <u>63,512,399</u>
 Deferred outflows of resources	 <u>72,579,403</u>	 <u>38,628,992</u>	 <u>33,950,411</u>
Liabilities			
Current liabilities	22,649,440	19,078,334	3,571,106
Long-term liabilities	<u>414,992,104</u>	<u>283,803,396</u>	<u>131,188,708</u>
 Total liabilities	 <u>437,641,544</u>	 <u>302,881,730</u>	 <u>134,759,814</u>
 Deferred inflows of resources	 <u>49,630,452</u>	 <u>103,738,518</u>	 <u>(54,108,066)</u>
Net Position			
Net investment in capital assets	84,480,222	78,932,260	5,547,962
Restricted	2,464,173	101,530	2,362,643
Unrestricted (deficit)	<u>(169,761,621)</u>	<u>(180,662,078)</u>	<u>10,900,457</u>
 Total net position	 <u>\$ (82,817,226)</u>	 <u>\$ (101,628,288)</u>	 <u>\$ 18,811,062</u>

As indicated by the statement above, total net position is (\$82,817,226) and (\$101,628,288) for 2022-2023 and 2021-2022, respectively. Net position can be separated into three categories: net investment in capital assets, restricted net position, and unrestricted net position.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2023

Net capital assets and right to use assets are a combination of funds available for capital assets and right to use assets, plus capital assets and right to use assets at original cost less accumulated depreciation and amortization and related debt. The original cost of capital assets and right to use assets for fiscal year 2022-2023 and 2021-2022 is \$405,771,502 and \$377,116,317, respectively, which is an accumulation of capital assets and right to use assets year after year less any disposals. The accumulated depreciation and amortization is the accumulation of depreciation and amortization expense year after year. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation and amortization expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation and amortization for fiscal year 2022-2023 and 2021-2022 is \$188,782,378 and \$175,840,586, respectively. Most capital acquisitions are financed through long-term debt. Primarily, long-term debt is repaid as the debt service comes due through property taxes approved by the voters. Total long-term debt for fiscal year 2022-2023 and 2021-2022 was \$195,641,231 and \$142,942,314, respectively.

Restricted net position for fiscal year 2022-2023 consist of Special Education center programs of \$724,435 and Food service of \$1,739,738. The remaining net position of (\$169,761,621) and (\$179,887,555) for fiscal year 2022-2023 and 2021-2022, respectively, are unrestricted. The unrestricted net position is an accumulation of prior years' operating results, and includes the GASB 68 and GASB 75 Unfunded Liability. This balance is directly affected each year by the District's operating results.

Change in the Summary of Net Position is a result of the following factors:

- Current assets increased \$47,799,006, primarily due to the sale of capital projects fund 2020 Bond Series II \$65,392,250, offset with the spend down of Series I with major renovations at Mott & Kettering High Schools and the construction of the new Stepanski Early Childhood building, combined with an increase of \$6,309,167 in the due from other governmental units including July and August State Aid and grant funds recorded as accounts receivable due to not being received within 60 days of year end.
- Net Capital and right to use assets increased \$15,713,393, as a result of \$28,655,185 in capital improvements, offset by \$12,941,792 in normally scheduled depreciation.
- Current liabilities increased by \$3,571,106 mainly due to unearned revenue from grant funds not being received within 60 days of year end and an increase in accounts payable due to timing of expenses.
- Long-term liabilities increased \$131,188,708 mainly as a result of an increase in general obligation bonds with the sale of the 2020 Bond Series II \$53,122,967, along with a increase in OPEB liabilities of \$78,479,806 offset by a slight decrease in lease and installment purchase liability.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2023

	<u>2022-2023</u>	<u>2021-2022</u>	<u>Change</u>
Program revenue			
Charges for services local and intermediate	\$ 4,516,949	\$ 3,454,795	\$ 1,062,154
Operating grants - federal and state	<u>64,515,373</u>	<u>51,732,805</u>	<u>12,782,568</u>
Total program revenue	<u>69,032,322</u>	<u>55,187,600</u>	<u>13,844,722</u>
General revenue			
Property taxes, levied for general purposes	12,511,992	12,463,808	48,184
State of Michigan aid, unrestricted	<u>53,519,942</u>	<u>50,186,850</u>	<u>3,333,092</u>
Total foundation allowance	66,031,934	62,650,658	3,381,276
Property taxes, levied for debt service	19,699,880	18,446,366	1,253,514
Interest and investment earnings	978,850	78,846	900,004
Gain on sale of capital assets	1,347	-	1,347
Other	<u>15,936</u>	<u>615,082</u>	<u>(599,146)</u>
Total general revenue	<u>86,727,947</u>	<u>81,790,952</u>	<u>4,936,995</u>
Expense			
Instruction	67,318,038	55,124,333	12,193,705
Support services	39,001,813	36,534,674	2,467,139
Food service	4,987,097	4,172,474	814,623
Pool & fitness centers	661,311	639,096	22,215
Performing arts center	204,452	149,454	54,998
Childcare	1,078,305	817,457	260,848
Senior citizens	639,855	525,647	114,208
Special education center programs	5,592,287	4,674,250	918,037
Senior and studenty activity	1,298,187	1,688,911	(390,724)
Unallocated depreciation and amortization expense	13,951,549	13,671,939	279,610
Interest on long-term debt	<u>4,216,313</u>	<u>3,344,200</u>	<u>872,113</u>
Total expenses	<u>138,949,207</u>	<u>121,342,435</u>	<u>17,606,772</u>
Change in net position	<u>\$ 16,811,062</u>	<u>\$ 15,636,117</u>	<u>\$ 1,174,945</u>

As indicated on the above, fiscal year 2022-2023 and 2021-2022, the change in net position was \$16,811,062 and \$15,636,117, respectively.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2023

The 2022-2023 increase in net position as compared to fiscal year 2021-2022 is due to the following factors:

Revenues:

- Charges for service local and intermediate increased primarily due to full programs like tuition based preschool, increase in Medicaid funds, and Food Service paid lunches.
- Operating grants increased \$12,782,568, primarily due to an increase in Federal grants due to the Elementary Secondary School Emergency Relief (ESSER) funds, State Aid categorical increases including \$5,521,593 in MPSERS One-time Deposit, and the change in Special Education funding.
- Unrestricted State Aid increased \$3,333,092 as a result of a \$450 per student increase in foundation allowance, offset by the change in the state aid membership from the previous year.
- Property taxes increased \$1,301,698 due to increased taxable property values.
- Earnings on investments increased \$900,004 due to the increase in interest rates and the sale of the 2020 Bond Series II.

Expenses:

- Instructional expenses increased \$12,193,705 primarily due to breakout of the unallocated depreciation and amortization expense, an increase in the OPEB/pension, an increase in federal grant expenses, an increase in school instructional expenses related to salary and benefits increases.
- Support services increased by \$2,467,139 due to breakout of the unallocated depreciation and amortization expense, an increase in expenses related to salary and benefit increases.
- Food Service increased \$814,623 over last year due to the required spend down of fund balance, including increase in wages, purchase of combination ovens, increase in food cost, and expenses associated with the new Stepanski building kitchen.
- Special education center programs increase \$918,037 due to student count and increase in salary & benefits.
- Interest on long term debt increased \$872,113 due to the sale of the 2020 Bond Series II bonds.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2023

Capital Assets and Debt Administration

Capital Assets

At June 30, 2023, the District had \$216,989,124 invested in a broad range of capital assets and right to use assets, including land, buildings, furniture and equipment and buses and other vehicles.

	2022-2023	2021-2022
Capital assets		
Land	\$ 1,522,282	\$ 1,522,282
Construction in progress	30,158,246	9,602,225
Buildings and additions	356,091,898	349,005,169
Furniture and equipment	9,238,304	8,711,011
Buses and other vehicles	6,799,909	6,322,014
Right to use asset - equipment	30,603	782,057
Right to use asset - buses	841,586	370,630
Right to use asset - subscription arrangements	1,088,674	800,929
Subtotal	405,771,502	377,116,317
Less: accumulated depreciation	188,782,378	175,840,586
Net capital assets	\$ 216,989,124	\$ 201,275,731

This is an increase in net capital assets of \$15,713,393 over last year. Depreciation and amortization expense for the year is \$13,951,548. During the fiscal year, the District expended \$9,332,185 of the 2020 Series II bonds and \$18,242,846 of the 2021 Series I bonds. Note that not all expenditures meet the district's \$10,000 capitalization threshold to be recorded in this schedule. Construction in progress increased over prior year by \$20,556,021 due primarily to the construction of the new Stepanski Early Childhood building along with work at Kettering High School, Mott High School, completing T1 wiring throughout the District, and the start of T2 audiovisual throughout the District. The District has \$61,124,365 of 2020 Series II bonds and \$68,279 of the 2021 Series I bonds set aside for future capital projects.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2023**

Debt

At the end of this fiscal year, the District had \$179,710,000 in General Obligation Bonds outstanding. This is an increase of \$47,015,000 compared to last year due to the 2020 Series II bond.

Governmental Fund Revenues

Sources of Revenues:

Local sources of revenues total \$39,031,253. This is an increase of \$2,127,961 as compared to prior year. Included in local revenues are General Fund, Debt Fund, Special Education Center Programs Fund, Childcare Fund, Senior Citizen Fund, Pool & Fitness Fund, Performing Arts Centers Fund, Food Service Fund, Senior and Student Activity Fund and Capital Project Fund revenues. The General Fund local revenues of \$14,175,542 decreased \$115,743. The Debt Fund local revenues of \$19,712,920 increased \$1,249,611. Special Education Center Programs revenues were \$0, which was consistent with prior year. The Childcare Fund revenues of \$793,854 increased \$125,673 from prior year. The Senior Citizen Fund local revenues of \$395,466 increased \$48,369 over prior year. The Pool & Fitness Center Fund of \$397,445 increased \$26,708. The Performing Arts Centers Fund had local revenue of \$89,565, which was a decrease of \$124,825 from prior year. The Food Service Fund local revenues of \$1,300,570 increased \$600,506 from prior year. The Senior and Student Activity Fund local revenues of \$1,312,401, decreased \$531,994. Capital Project funds of \$3,267,886 increased \$3,264,052 over prior year due to more investment income from a new bond.

State sources of revenue total \$83,386,649. This is an increase of \$9,963,710 as compared to prior year. Included in State sources of funding are General Fund, Special Education Center Programs Fund, and Food Service Fund revenues. General Fund revenues of \$82,179,688 increased \$10,002,985 from prior year. The per student foundation grant increase \$450 totaling \$3,153,798, increase in special education cost reimbursement of \$1,260,494, increase in pension funding of \$995,951, and one-time MPSERS deposit of \$5,521,593 over prior year. State sources of revenue make up 70.15% of General Fund revenues. This ties the District directly to the State's overall economy.

Federal sources of revenue total \$18,415,682, an increase of \$2,634,001 from prior year. This was mainly due to additional federal grants due to COVID-19, Elementary Secondary School Emergency Relief (ESSER) II Funds – Formula, 23(b), 98c, ARP ESSER III, Food Service Supply Chain Assistance, ARP Preschool, Head Start, and Child Care Stabilization then offset by any reduction in other federal grants.

Interdistrict sources of revenue total \$12,008,273, an increase of \$1,129,519 over prior year. The interdistrict funding is primarily for special education.

Property Taxes

A significant portion of local revenue is provided by property taxes for the General Fund and Debt Retirement Fund. Property tax revenue totaled \$32,211,872 an increase of \$1,301,698 over prior year. Total property tax revenue is obtained through a voter approved 18-mill levy on the taxable value of non-homestead properties for the District's operations and a voter approved 6.75-mill levy on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2023

Unrestricted State Aid Foundation Allowance

A significant portion of state funding to the District is through the foundation allowance. The foundation allowance is funding from the state for each student. The District's foundation allowance is \$9,150 for 2022-2023 and \$8,700 for 2021-2022 fiscal years. The number of students to be funded is normally calculated by student enrollment blended at 90% of the Fall 2022 count and 10% Supplemental Count (February 2023). Total blended student enrollment for this fiscal year is 7,008, a decrease of 206 students from prior year. The overall funding is then reduced by the District's non-homestead tax levy based on 18-mills.

Governmental Fund Expenditures

Expenditures include Instruction, Support Services, Community Services, Federal Programs, School Service Funds, Debt, and Capital Projects. Instruction expenditures of \$56,295,921 increased \$1,165,490 as result of wage increases, corresponding benefit increase and, curriculum resources, instructional technology, and added needs costs. Support Services expenditures of \$42,522,394 increased \$1,179,216. The changes in support services are a result of wage increases, addition fuel costs, inflationary increases for utilities and supplies, additional costs for repairs and maintenance of buildings. Federal Program expenditures of \$15,813,783 increased \$6,496,289 mainly due to federal grants for COVID-19 that are multi-year grants spanning multiple fiscal years. Special Revenue Fund expenses of \$15,603,646 increased \$1,552,413 over prior year due to and increase in Childcare, Pool & Fitness and Performing Arts, an increase in Food Service due to the fund balance spend down plan, decrease in Student Activity at the school buildings, and an increase in the Special Education Center Program due to additional students. The Capital Projects fund of \$29,221,162 increased \$16,031,547 due to the construction and renovation of projects in the District via the 2016 Series IV and 2020 Series I and II bond improvements. The Debt Service Fund with expenditures of \$21,598,051 decreased \$7,476,545 mainly as a result of the previous year payment to the bond refunding escrow agent.

Economic Factors and Next Year's Budgets and Rates

The Board of Education and administration consider many factors when setting the School District's 2023-2024 fiscal year budget. Major factors affecting the budget this year are the anticipated student count, State funding of the unrestricted foundation allowance, increased State categorical revenue and inflationary cost increase for staff, utilities and other district expenses. Currently, the district is continuing to spend the ESSER funding that was granted through September 2024.

The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. When the District approved the budget in June 2023, the blended count for the 2023-2024 fiscal year was based on a 90 percent and 10 percent blend of the Fall 2023 and Supplemental Count (February) 2023 student counts, respectively. The 2023-2024 budget was based on an estimate of students that will be enrolled in Fall 2023, as well as State Aid funding based on the projections at that time. The District showed a foundation allowance increase of \$458 per pupil and a blended loss of 99 students.

At the end of July, the Legislature approved a budget that would increase the foundation allowance to \$9,608 and increase of \$458 per student. The student blend is 90% of the Fall 2023 count and 10% of the Supplemental Count (February) 2023.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2023**

As a result of the funding structure, the District's funding depends heavily on the State's ability to fund local school operations. Once the final student count and related per pupil funding are validated, state law requires the District to amend the budget if actual district resources are insufficient to fund original appropriations.

As a result of minimal decline in enrollment, the District did not look at staffing reductions. This will be adjusted based on actual student count for Fall 2023.

The District extended the WEA contract until June 30, 2025, and made wage adjustment to deal with competitive salary schedules from surrounding districts. All other bargaining units expire June 30, 2024. Non-bargaining employees were also given a percentage increase and/or off schedule one-time payment. Benefit agreements are on a calendar year basis. The current letter of agreement for benefits includes employee contributions to healthcare for those who qualify and extends through December 31, 2024.

The District also included increases in this budget for the cost of negotiated wage increases and associated benefits, increase for fuel and utilities, with a decrease in the payoff of the energy bond.

Original vs. Revised Budget

The Uniform Budget Act of the State of Michigan requires the local board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, the District amends its budget once during the school year unless significant factors require further amendments. For fiscal year 2022-2023, the budget was amended in June of 2023 to reflect the changes since the Original Budget adopted in June of 2022.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2023**

General Fund Revenues:

The General Fund budget revenues for the final budget increased by 15.01% as compared to the original budget.

Total revenues final budget	\$ 127,771,612
Total revenues original budget	<u>111,092,979</u>
Increase in budget revenues	<u>\$ 16,678,633</u>

Increase in Revenue Budget:

Significant final budget adjustments for the year include:

- Increase in:
 - State Aid per pupil increase of \$15 and adjustment for approximately 60 FTE student blended count along with adjustment in the Special Education reimbursement rate totaling \$4,688,071
 - State Aid categorical allowances \$7,144,158 including the MPSERS On Time deposit of \$5,521,593 and addition of section 31aa Mental Health supports, section 97 School Safety
 - Federal grant increase of \$3,613,644 primarily due to ESSER (including 23b & 98c), Child Care Stabilization
 - Incoming transfers increased \$813,041

Actual General Fund Revenues vs. Final Budget:

The District's actual General Fund revenues were less than the final budget by \$9,806,308, a variance of 8.31%. Of the total variance, local revenues increased by \$303,138. This increase is mainly due to an increase in Medicaid funding of \$372,405 offset by a decrease of \$69,269 in other local revenues. State sources decreased by \$2,043,763 due primarily to deferred revenue. Additionally, interdistrict sources increased \$107,442 mainly as a result of increased PA-18 special education funds. Finally, a decrease in federal sources of \$8,352,149, \$3,802,396 due to timing of revenue that was not received within the 60 day rule to recognize, the district did not lose any revenue due to the timing issue. The remaining was Elementary Secondary School Emergency Relief (ESSER) grants that are multi-year grants going through September 2023 and 2024 that were budgeted with an estimated spend down. These grants can be spent and requested through the entire grant period. Once the grant is spent and funds are requested the grant budget is reduced by that amount.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2023**

General Fund Expenditures:

The District's budget for expenditures increased by 8.27% for the year ended June 30, 2023:

Total expenditures final budget	\$ 121,218,295
Total expenditures original budget	<u>111,958,459</u>
Increase in budget expenditures	<u>\$ 9,259,836</u>

Increase in Expenditure Budget:

Some of the final budget adjustments for the year include:

- Increase as follows:
 - Increase in staff wages based on additional 2 FTE, and pupil & staff support area increases of \$1,735,812
 - Increases in benefits due to the MPSERS one time deposit along with other benefits of \$6,370,047
 - Increase in utilities, transportation fuel, maintenance and athletics of \$1,207,510
 - Increase in transfers out to other funds \$395,187

Actual General Fund Expenditures vs. Final Budget:

The District's actual General Fund expenditures were less than the final budget by 3.97%. This variance of \$4,627,005 is a result of the timing of the federal grants related to the Elementary and Secondary School Emergency Relief (ESSER) grants. These grants are multi-year grants going through September 2023 and 2024 that can be spent and requested through the entire grant period. We were able to move prior year general fund expenses into the grants which has the effect of reducing the expenses in the current year general fund. In addition the expenditure budget for ESSER III was for the total amount of the grant funds available. The district plans to use the remaining available ESSER III funds in the fiscal year 2024 and 2025.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Business Services, Finance and Budget at the Waterford School District, 501 North Cass Lake Road, Waterford, Michigan, 48328 or (248) 674-7800.

BASIC FINANCIAL STATEMENTS

Waterford School District
Statement of Net Position
June 30, 2023

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 80,402,098
Accounts receivable	448,388
Leases receivable	3,711,245
Due from other governmental units	26,861,728
Inventory	32,506
Prepaid items	1,430,278
Right to use assets - net of amortization	1,226,734
Capital assets not being depreciated	31,680,528
Capital assets - net of accumulated depreciation	<u>184,081,862</u>
Total assets	<u>329,875,367</u>
Deferred outflows of resources	
Deferred amount on refunding	316,966
Deferred amount relating to net pension liability	56,917,816
Deferred amount relating to net OPEB liability	<u>15,344,621</u>
Total deferred outflows	<u>72,579,403</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Statement of Net Position
June 30, 2023

	Governmental Activities
Liabilities	
Accounts payable	\$ 8,513,503
Payroll deductions and withholdings	4,185,892
Accrued expenditures	2,165,643
Accrued salaries payable	3,916,798
Unearned revenue	3,867,604
Long-term liabilities	
Debt due within one year	13,206,498
Debt due in more than one year	182,434,733
Net pension liability	207,679,037
Net OPEB liability	11,671,836
Total liabilities	437,641,544
Deferred inflow of resources	
Deferred amount on leases receivable	3,711,245
Deferred amount relating to net pension liability	18,822,948
Deferred amount relating to net OPEB liability	27,096,259
Total deferred inflows of resources	49,630,452
Net position	
Net investment in capital assets	82,480,222
Restricted	
Special Education center programs	724,435
Food service	1,739,738
Unrestricted (deficit)	(169,761,621)
Total net position	\$ (84,817,226)

See Accompanying Notes to the Financial Statements

Waterford School District
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities					
Instruction	\$ 67,318,038	\$ 252,373	\$ 36,677,402	\$ -	\$ (30,388,263)
Supporting services	39,001,813	1,292,311	15,680,459	-	(22,029,043)
Food services	4,987,097	1,295,935	3,986,289	-	295,127
Pool and fitness centers	661,311	397,445	-	-	(263,866)
Performing arts centers	204,452	89,565	-	-	(114,887)
Child care	1,078,305	793,854	388,337	-	103,886
Senior citizens	639,855	395,466	291,610	-	47,221
Special education center program	5,592,287	-	6,178,875	-	586,588
Senior and student activity	1,298,187	-	1,312,401	-	14,214
Unallocated depreciation and amortization expense	13,951,549	-	-	-	(13,951,549)
Interest and fiscal charges on long-term debt	4,216,313	-	-	-	(4,216,313)
Total governmental activities	<u>\$ 138,949,207</u>	<u>\$ 4,516,949</u>	<u>\$ 64,515,373</u>	<u>\$ -</u>	<u>(69,916,885)</u>
General revenues					
Property taxes, levied for general purposes					12,511,992
Property taxes, levied for debt service					19,699,880
State aid - unrestricted					53,519,942
Interest and investment earnings					978,850
Gain on sale of capital assets					1,347
Other					15,936
Total general revenues					<u>86,727,947</u>
Change in net position					16,811,062
Net position - beginning, restated					<u>(101,628,288)</u>
Net position - ending					<u>\$ (84,817,226)</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Balance Sheet
June 30, 2023

	General Fund	Capital Project Funds		Nonmajor Governmental Funds	Total Governmental Funds
		2020 Series II	2020 Series I		
Assets					
Cash and cash equivalents	\$ 5,787,117	\$ 65,392,250	\$ 1	\$ 7,869,716	\$ 79,049,084
Accounts receivable	272,650	-	-	175,738	448,388
Leases receivable	3,711,245	-	-	-	3,711,245
Due from other funds	374,267	993,999	68,278	8,227	1,444,771
Due from other governmental units	26,861,728	-	-	-	26,861,728
Inventory	-	-	-	32,506	32,506
Prepaid items	1,428,791	-	-	1,487	1,430,278
Total assets	\$ 38,435,798	\$ 66,386,249	\$ 68,279	\$ 8,087,674	\$ 112,978,000
Liabilities					
Accounts payable	\$ 3,027,673	\$ 5,261,884	\$ -	\$ 223,946	\$ 8,513,503
Due to other funds	8,227	-	-	1,436,544	1,444,771
Payroll deductions and withholdings	4,185,892	-	-	-	4,185,892
Accrued expenditures	70,329	-	-	-	70,329
Accrued salaries payable	3,916,798	-	-	-	3,916,798
Unearned revenue	3,802,390	-	-	65,214	3,867,604
Total liabilities	15,011,309	5,261,884	-	1,725,704	21,998,897

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Balance Sheet
June 30, 2023

	General Fund	Capital Project Funds		Nonmajor Governmental Funds	Total Governmental Funds
		2020 Series II	2020 Series I		
Deferred inflows of resources					
Unavailable					
Operating grants	\$ 3,812,412	\$ -	\$ -	\$ -	\$ 3,812,412
Leases	3,711,245	-	-	-	3,711,245
Total deferred inflows of resources	<u>7,523,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,523,657</u>
Fund balance					
Non-spendable					
Inventory	-	-	-	32,506	32,506
Prepaid items	1,428,791	-	-	-	1,428,791
Restricted					
Debt service	-	-	-	969,647	969,647
Capital projects	-	61,124,365	68,279	-	61,192,644
Special Education center programs	-	-	-	724,435	724,435
Food service	-	-	-	1,707,232	1,707,232
Committed - senior and student activity	-	-	-	1,665,003	1,665,003
Assigned					
Capital projects	-	-	-	1,263,147	1,263,147
Unassigned	14,472,041	-	-	-	14,472,041
Total fund balances	<u>15,900,832</u>	<u>61,124,365</u>	<u>68,279</u>	<u>6,361,970</u>	<u>83,455,446</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 38,435,798</u>	<u>\$ 66,386,249</u>	<u>\$ 68,279</u>	<u>\$ 8,087,674</u>	<u>\$ 112,978,000</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2023

Total fund balances for governmental funds	\$ 83,455,446
Total net position for governmental activities in the statement of net position is different because	
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Operating grants	3,812,412
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Right to use assets - net of amortization	1,226,734
Capital assets not being depreciated	31,680,528
Capital assets - net of accumulated depreciation	184,081,862
Other long-term assets are not deferred in the governmental funds.	
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from net pension liability	(18,822,948)
Deferred outflows of resources resulting from net pension liability	56,917,816
Deferred inflows of resources resulting from net OPEB liability	(27,096,259)
Deferred outflows of resources resulting from net OPEB liability	15,344,621
Deferred outflows of resources resulting from debt refunding	316,966
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(1,170,260)
Accrued arbitrage rebate	(418,178)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	
Bonds payable	(187,591,216)
Bond premium payable	(7,548,011)
Net pension liability	(207,679,037)
Net OPEB liability	(11,671,836)
Lease liability	(461,107)
Installment purchase contract liability	(40,897)
Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position	<u>846,138</u>
Net position of governmental activities	<u>\$ (84,817,226)</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

	General Fund	Capital Project Funds		Nonmajor Governmental Funds	Total Governmental Funds
		2020 Series II	2020 Series I		
Revenues					
Local sources	\$ 14,175,542	\$ 813,631	\$ 34,139	\$ 24,007,941	\$ 39,031,253
State sources	82,179,688	-	-	1,206,961	83,386,649
Federal sources	13,896,387	-	-	4,519,295	18,415,682
Interdistrict sources	6,884,663	-	-	5,123,610	12,008,273
Total revenues	<u>117,136,280</u>	<u>813,631</u>	<u>34,139</u>	<u>34,857,807</u>	<u>152,841,857</u>
Expenditures					
Current					
Education					
Instruction	56,295,921	-	-	-	56,295,921
Supporting services	42,481,109	2,455	38,830	-	42,522,394
Federal programs	15,813,783	-	-	-	15,813,783
Food services	-	-	-	5,651,825	5,651,825
Pool and fitness centers	-	-	-	680,199	680,199
Performing arts centers	-	-	-	213,897	213,897
Child care	-	-	-	1,182,191	1,182,191
Senior citizens	-	-	-	687,076	687,076
Special education center program	-	-	-	5,890,271	5,890,271
Senior and student activity	-	-	-	1,298,187	1,298,187
Building and site	-	9,332,185	18,242,846	1,646,131	29,221,162
Debt service					
Principal	1,557,614	-	-	14,450,000	16,007,614
Interest and fiscal charges	35,777	352,588	-	5,202,072	5,590,437
Total expenditures	<u>116,184,204</u>	<u>9,687,228</u>	<u>18,281,676</u>	<u>36,901,849</u>	<u>181,054,957</u>
Excess (deficiency) of revenues over expenditures	<u>952,076</u>	<u>(8,873,597)</u>	<u>(18,247,537)</u>	<u>(2,044,042)</u>	<u>(28,213,100)</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

	General Fund	Capital Project Funds		Nonmajor Governmental Funds	Total Governmental Funds
		2020 Series II	2020 Series I		
Other financing sources (uses)					
Proceeds from sale of capital assets	\$ 13,188	\$ -	\$ -	\$ -	\$ 13,188
Proceeds from leases	470,956	-	-	-	470,956
Proceeds from subscription arrangements	22,608	-	-	-	22,608
Proceeds from issuance of bonds	-	62,105,000	-	-	62,105,000
Premium on issuance of bonds	-	7,892,962	-	-	7,892,962
Transfers in	322,272	-	-	3,731,635	4,053,907
Transfers out	(407,086)	-	-	(3,646,821)	(4,053,907)
Total other financing sources (uses)	421,938	69,997,962	-	84,814	70,504,714
Net change in fund balances	1,374,014	61,124,365	(18,247,537)	(1,959,228)	42,291,614
Fund balances - beginning, restated	14,526,818	-	18,315,816	8,321,198	41,163,832
Fund balances - ending	\$ 15,900,832	\$ 61,124,365	\$ 68,279	\$ 6,361,970	\$ 83,455,446

See Accompanying Notes to the Financial Statements

Waterford School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

Net change in fund balances - Total governmental funds	\$ 42,291,614
Total change in net position reported for governmental activities in the statement of activities is different because	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds	
Operating grants	2,917,065
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.	
Depreciation and amortization expense	(13,951,549)
Capital outlay	29,676,783
Sale of capital assets (net book value)	(11,841)
The statement of net position reports the net pension liability and deferred outflows and deferred inflows of resources related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions:	
Net change in net pension liability	(75,155,703)
Net change in the deferrals of resources related to the net pension liability	74,373,267
The statement of net position reports the net OPEB liability and deferred outflows and deferred inflows of resources related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions:	
Net change in net OPEB liability	(3,324,103)
Net change in the deferrals of resources related to the net OPEB liability	13,550,710
Expenses are recorded when incurred in the statement of activities.	
Interest	(362,991)
Arbitrage rebate	(418,178)
Bond and note proceeds and leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(70,491,526)
Repayments of long-term debt	16,007,614
Amortization of premiums	1,784,995
Amortization of deferred amount on refunding	(47,880)
Internal Service Fund revenues and expenses are included in governmental activities in the statement of activities	(27,215)
Change in net position of governmental activities	\$ 16,811,062

See Accompanying Notes to the Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Net Position
June 30, 2023

	<u>Internal Service Fund</u>
Assets	
Cash	\$ <u>1,353,014</u>
Liabilities	
Workers' compensation claims payable	187,097
Compensated absences	<u>319,779</u>
Total liabilities	<u>506,876</u>
Net position	<u>\$ <u>846,138</u></u>

See Accompanying Notes to the Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2023

	<u>Internal Service Fund</u>
Operating revenue	
Employee contributions	\$ 1,874,843
Charges for services	<u>45,523,288</u>
Total operating revenues	<u>47,398,131</u>
Operating expense	
Health, dental and vision	11,297,915
Retirement	31,448,046
Social security	4,200,974
Compensated absences	46,611
Workers compensation	<u>431,800</u>
Total operating expenses	<u>47,425,346</u>
Operating loss	(27,215)
Net position - beginning	<u>873,353</u>
Net position - ending	<u><u>\$ 846,138</u></u>

See Accompanying Notes to the Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Cash Flows
For the Year Ended June 30, 2023

	<u>Internal Service Fund</u>
Cash flows from operating activities	
Employee contributions	\$ 1,874,843
Charges for services	45,523,288
Health, dental and vision	(11,297,915)
Retirement	(31,448,046)
Social security	(4,200,974)
Compensated absences	(19,396)
Workers' compensation	<u>(549,085)</u>
Net cash used by operating activities	(117,285)
Cash and cash equivalents - beginning of year	<u>1,470,299</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,353,014</u></u>
Reconciliation of operating loss to net cash from operating activities	
Operating loss	\$ (27,215)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Changes in assets and liabilities	
Workers' compensation claims payable	(117,285)
Compensated absences	<u>27,215</u>
Net cash used by operating activities	<u><u>\$ (117,285)</u></u>

See Accompanying Notes to the Financial Statements

Waterford School District
Notes to the Financial Statements
June 30, 2023

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Waterford School District (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by

general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Waterford School District
Notes to the Financial Statements
June 30, 2023

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

2020 Series I – The 2020 Series I Capital Project Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the funds were created has been accomplished.

2020 Series II – The 2020 Series II Capital Project Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the funds were created has been accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service Fund, Special Education Center Programs, Child Care, Pool and Fitness Centers, Performing Arts Centers, Senior Citizens and Senior and Student Activity Funds. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Funds – Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The funds are kept open

until the purpose for which the funds were created has been accomplished.

Internal Service Fund – The School District's Proprietary Fund is the Internal Service Fund. The purpose of the fund is to finance services provided to other funds of the School District on a cost-reimbursement basis. The Internal Service Fund maintained by the School District accounts for employee benefits and taxes. It is funded through transfers primarily from the General Fund in amounts equal to normal estimated risk management.

Assets, Liabilities and Net Position Fund Balance

Cash – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property taxes and other receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2023, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	17.60230
Commercial personal property	5.60230
Debt Service Funds	6.75000

Waterford School District
Notes to the Financial Statements
June 30, 2023

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Oakland and remitted to the School District by May 15.

Inventories and Prepaid Items – 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. Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$10,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	7 - 50 years
Equipment and furniture	5 - 20 years
Buses and other vehicles	5 - 15 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refunding's are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net

carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences – Each teacher is allowed to carryover any unused sick days up to 130 days; however, any unused days will not be paid out upon leave. Administrators are allowed to carryover up to 20 unused vacation days into the following year; any unused days will not be paid out upon leave.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System

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(MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Deferred inflow for leases is related to leases receivable and is being amortized to recognize lease revenue in a systematic and rational manner over the term of the lease. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to

MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education. The Board of Education has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

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Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor’s IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.

Upcoming Accounting and Reporting Changes

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note

disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

The School District is evaluating the impact that the above GASB will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year-end, thereby cancel all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Waterford School District
Notes to the Financial Statements
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Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year.

Excess of Expenditures over Appropriations

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Instruction			
Employee benefits	\$ 17,115,024	\$ 19,331,698	\$ 2,216,674
Support			
Pupil	9,586,963	9,834,094	247,131
School administration	4,132,041	4,200,750	68,709
Business	13,501,825	13,540,257	38,432
Civil	58,428	72,057	13,629
Debt service	1,183,667	1,593,391	409,724
Special Education Center Programs	5,879,853	5,890,271	10,418
Childcare	1,120,063	1,182,191	62,128
Senior and Student Activity	1,686,400	1,688,911	2,511
Food Service			
Food service (includes transfers out)	5,728,760	5,974,097	245,337

Compliance Bond Proceeds

The Capital Projects 2016 Series IV, 2020 Series I and 2020 Series II includes capital project activities funded with bonds issued after June 9, 2003. For these capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code.

The following is a summary of the revenue and expenditures from the inception of the funds through the current fiscal year:

	2016 Series IV	2020 Series II	2020 Series I
Revenues	\$ 19,694,120	\$ 70,811,593	\$ 35,034,485
Expenditures	(19,694,120)	(9,687,228)	(34,966,206)
	<u>\$ -</u>	<u>\$ 61,124,365</u>	<u>\$ 68,279</u>

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements as cash and cash equivalents. The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 80,395,887
Petty cash and cash on hand	<u>6,211</u>
Total	<u>\$ 80,402,098</u>

Interest rate risk – In accordance with its investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one month.

Credit risk – 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 an office 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.

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Concentration of credit risk – The School District’s investment policy does not allow for an investment in any one issuer that is in excess of five percent of the School District’s total investments.

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 it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$79,377,411 of the School District’s bank balance of \$80,865,545 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

Note 4 - Leases Receivable

The School District has two significant agreements leasing district property for cell phone towers. The first lease commenced in July 1997 and automatically renews in 5-year terms through June 2052 unless the lessee notifies the lessor in writing of the lessee’s intention not to extend the agreement during any additional term. It is the School District’s intent to exercise all renewals. Payments increase 2.5% each year and payments range from \$2,208 to \$4,518 per month in future years with an interest rate of 2.50%.

The second cell tower lease commenced in April 2017 and automatically renews in 5-year terms through March 2042 unless the lessee notifies the lessor in writing of the lessee’s intention not to extend the agreement at least 30 days prior to the expiration of any term. It is the School District intent to exercise all renewals. Payments increase 10% each renewal term and payments range from \$1,980 to \$2,635 per month in future years with an implied interest rate of 2.05%.

Lastly, the School District leases its Lutes building to a local organization. The lease commenced in September 2015 and has two optional renewal periods of 5 years through August 2035 unless the lessee notifies the School District at least 210 days prior to the expiration of the term. It is the School District’s intent to exercise all renewals. Payments increase each 5-year term by \$1,370 per month. Payments range from \$17,812 to \$20,552 per month in future years with an implied interest rate of 2.05%.

The School District collected \$263,992 from the tenants for the year ended June 30, 2023, which includes \$182,380 in lease revenue and \$81,612 in lease interest revenue.

A lease receivable and deferred inflows have been recorded to reflect future expected payments. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2024	\$ 186,856
2025	191,446
2026	209,959
2027	218,455
2028-2032	1,215,366
2033-2037	979,451
2038-2042	281,970
2043-2047	185,596
2048-2052	<u>242,146</u>
Total	<u>\$ 3,711,245</u>

Waterford School District
Notes to the Financial Statements
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Note 5 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,522,282	\$ -	\$ -	\$ 1,522,282
Construction-in-progress	9,602,225	25,980,190	5,424,169	30,158,246
Total capital assets not being depreciated	11,124,507	25,980,190	5,424,169	31,680,528
Capital assets being depreciated				
Buildings and additions	349,005,169	7,086,729	-	356,091,898
Equipment and furniture	8,711,011	557,651	30,358	9,238,304
Buses and other vehicles	6,322,014	717,680	239,785	6,799,909
Right to use asset - equipment	782,057	-	751,454	30,603
Right to use asset - buses	370,630	470,956	-	841,586
Right to use asset - subscription arrangements	800,929	287,745	-	1,088,674
Total capital assets being depreciated	365,991,810	9,120,761	1,021,597	374,090,974
Less accumulated depreciation for				
Buildings and additions	163,677,807	12,111,589	-	175,789,396
Equipment and furniture	6,503,819	411,625	28,840	6,886,604
Buses and other vehicles	5,143,687	458,024	229,462	5,372,249
Right to use asset - equipment	391,730	366,337	751,454	6,613
Right to use asset - buses	123,543	232,214	-	355,757
Right to use asset - subscription arrangements	-	371,759	-	371,759
Total accumulated depreciation	175,840,586	13,951,548	1,009,756	188,782,378
Net capital assets being depreciated	190,151,224	(4,830,787)	11,841	185,308,596
Net capital assets	\$ 201,275,731	\$ 21,149,403	\$ 5,436,010	\$ 216,989,124
Right to use assets				
Right to use assets - net of amortization	\$ 1,438,343	\$ (211,609)	\$ -	\$ 1,226,734
Capital assets				
Capital assets not being depreciated	11,124,507	25,980,190	5,424,169	31,680,528
Capital assets - net of accumulated depreciation	188,712,881	(4,619,178)	11,841	184,081,862
Net capital assets	\$ 201,275,731	\$ 21,149,403	\$ 5,436,010	\$ 216,989,124

The School District does not allocate depreciation and amortization expense in the statement of activities.

Construction Contracts

The School District has active construction projects as of June 30, 2023. At year end, the School District's commitment with contractors is as follows:

	Remaining Construction Commitment at Year End	Total Contract
Beaumont Elementary	\$ 137,723	\$ 172,692
Cooley Elementary	132,198	174,850
Covert Center	23,745	50,495
Donelson Hills Elementary	142,983	201,559
Durant High School	20,350	231,218
Grayson Elementary	149,993	183,181
Haviland Elementary	124,136	158,606
Houghton Elementary	138,320	172,789
Kettering High School	8,365,097	17,976,829
Kingsley Montgomery School	82,973	155,085
Knudsen Elementary	117,029	136,806
Mason Middle School	1,357,238	1,692,155
Mott High School	7,309,242	8,945,197
Pierce Middle School	394,722	593,167
Riverside Elementary	141,176	162,401
Schoolcraft Elementary	14,720	177,074
Stepanski Early Childhood Center	8,024,716	27,815,525
Technology	259,742	3,421,542
Transportation	5,805	9,675
Warehouse	8,063	32,250
	\$ 26,949,971	\$ 62,463,096

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Note 6 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental funds	\$ 374,267
Nonmajor governmental funds	General	8,227
2021 Series I	Nonmajor governmental funds	68,278
2020 Series II	Nonmajor governmental funds	993,999
		<u>\$ 1,444,771</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Total
Transfers in			
General Fund	\$ -	\$ 322,272	\$ 322,272
Nonmajor governmental funds	407,086	3,324,549	3,731,635
	<u>\$ 407,086</u>	<u>\$ 3,646,821</u>	<u>\$ 4,053,907</u>

Interfund transfers were made during the year between the General Fund and Performing Arts Centers and Pool and Fitness Centers to cover the costs of the School District's programs that were in excess of revenues generated from those activities. A transfer was made to reimburse the General Fund for indirect costs incurred by the Food

Service Fund. In addition, a transfer was made between the debt funds to reallocate revenue based on the new bond.

Note 7 - Unearned Revenue

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

Prepayment of student meals	\$ 42,558
Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>3,825,046</u>
Total	<u>\$ 3,867,604</u>

Note 8 - Leases and Subscription Based Information Technology Arrangements (SBITA)

Lease agreements are summarized as follows:

Lease	Commencement Date	Termination Date	Payment Frequency	Payment Amount	Interest Rate	Total Lease Liability	Balance at June 30, 2023
Postage machines	June 2022	June 2027	Monthly	\$ 536	2.050%	\$ 30,603	\$ 24,196
Buses	July 2022	July 2025	Annual	42,316	2.184%	124,002	82,017
Buses	Aug 2022	July 2025	Annual	42,316	2.184%	124,228	81,912
Buses	Feb 2023	Jan 2026	Annual	76,389	2.656%	222,726	146,831
Buses	July 2021	June 2024	Annual	127,728	2.300%	370,630	126,151
							<u>\$ 461,107</u>

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Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 285,601	\$ 9,582	\$ 295,183
2025	163,421	4,034	167,455
2026	6,245	189	6,434
2027	5,840	58	5,898
Total	<u>\$ 461,107</u>	<u>\$ 13,863</u>	<u>\$ 474,970</u>

The School District has entered into subscription-based information technology arrangements (SBITAs) involving:

- Various desktop and server software subscriptions
- Event registration and management software
- Electronic workflows software
- Information technology security software
- Cloud backup services software
- Document management software
- Payroll and human resources services software
- Performance measurement/strategic planning/benchmarking software
- Risk management software
- A web-based job board software
- Curriculum online resources

As of June 30, 2023, the value of the SBITA liability was \$0 and the value of the right-to-use assets was \$1,088,674 and had accumulated amortization of \$371,759.

Note 9 - Long-Term Debt

The School District issues bonds, notes, leases and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, subscriptions, and leases.

Long-term obligation activity is summarized as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds					
Government obligation bonds	\$ 132,695,000	\$ 62,105,000	\$ 15,090,000	\$ 179,710,000	\$ 12,280,000
Premium on bonds	<u>9,321,260</u>	<u>7,892,962</u>	<u>1,784,995</u>	<u>15,429,227</u>	<u>-</u>
	142,016,260	69,997,962	16,874,995	195,139,227	12,880,000
Notes from direct borrowings and direct placements					
Installment purchase contract	277,770	-	236,873	40,897	40,897
Other liabilities					
Subscriptions	9,985	22,608	32,593	-	-
Leases	<u>638,299</u>	<u>470,956</u>	<u>648,148</u>	<u>461,107</u>	<u>285,601</u>
Total	<u>\$ 142,942,314</u>	<u>\$ 70,491,526</u>	<u>\$ 17,792,609</u>	<u>\$ 195,641,231</u>	<u>\$ 13,206,498</u>

Waterford School District
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General obligation bonds payable at year end, consist of the following:

\$7,820,000 serial bond due in annual installments ranging from \$800,000 to \$1,140,000 through 2030, interest at 4.00%	\$ 7,020,000
\$20,000,000 serial bond due in annual installments ranging from \$815,000 to \$1,360,000 through 2036, interest ranging from 2.00% to 3.00%	14,420,000
\$50,000,000 serial bond due in annual installments ranging from \$1,500,000 to \$3,325,000 through 2037, interest ranging from 2.00% to 3.00%	38,825,000
\$10,000,000 serial bond due in annual installments ranging from \$300,000 to \$860,000 through 2032, interest ranging from 3.00% to 3.125%	6,940,000
\$17,875,000 serial bond due in annual installments ranging from \$355,000 to \$1,655,000 through 2032, interest ranging from 4.00% to 5.00%	13,920,000
\$62,105,000 serial bond due in annual installments ranging from \$2,015,000 to \$4,395,000 through 2042, interest at 5.00%	59,295,000
\$8,475,000 serial bond due in annual installments ranging from \$905,000 to \$1,380,000 through 2027, interest at 4.00% to 5.00%	4,565,000
\$38,330,000 serial bond due in annual installments ranging from \$1,370,000 to \$2,595,000 through 2041, interest at 4.00%	<u>34,725,000</u>
Total general obligation bonded debt	<u>\$ 179,710,000</u>

Future principal and interest requirements for bonded debt and noted from direct borrowings and direct placements are as follows:

Year Ending June 30,	Bonds		Notes from direct borrowings and direct placements	
	Principal	Interest	Principal	Interest
2024	\$ 12,880,000	\$ 7,167,244	\$ 40,897	\$ 312
2025	13,025,000	6,666,044	-	-
2026	11,515,000	6,133,894	-	-
2027	11,975,000	5,681,744	-	-
2028	11,450,000	5,224,394	-	-
2029-2033	54,230,000	19,737,494	-	-
2034-2038	42,175,000	10,168,300	-	-
2039-2042	22,460,000	2,589,500	-	-
Total	<u>\$ 179,710,000</u>	<u>\$ 63,368,613</u>	<u>\$ 40,897</u>	<u>\$ 312</u>

The general obligation bonds are payable from the Debt Service Funds, except for the Energy bond which is paid from the general fund. As of year-end, the debt funds had a balance of \$969,647 to pay this debt. Future debt and interest will be payable from future tax levies.

Deferred Amount on Refunding

The 2020, 2021, and 2022 advance refunding's resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$181,720, \$54,772, \$173,400, and \$138,285, respectively. The amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2023 for the 2013 refunding, through fiscal year 2027 for the 2020 refunding, through fiscal year 2041 for the 2021 refunding and through fiscal year 2030 for the 2022 refunding. The activity and resulting balance of this deferred amount is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred amount on refunding	\$ 364,846	\$ -	\$ 47,880	\$ 316,966

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Notes to the Financial Statements
June 30, 2023

Note 10 - Risk Management

The School District participates in a Municipal Risk Retention Pool Program through the Middle Cities Risk Management Trust. This program provides substantially all the insurance needs of the School District, including property, general liability, automobile and umbrella. The contributions made by the School District fund the program at rates predicated on expected losses, excess insurance premium contribution and administration costs, including appropriate state assessment. The possibility of additional claims exists but the amount of liability to the School District would be immaterial by the time the aggregate stop-loss coverage is triggered. There also is a possibility of a refund due the School District. Therefore, neither contingent liabilities nor assets have been recognized on the School District's financial statements.

The School District is self-insured under the Michigan Worker's Disability Compensation Act. Workers' compensation excess insurance has been retained for the aggregate claims exceeding \$2,325,975 for a two year policy period, to a maximum of \$5,000,000. This excess insurance also applies to individual occurrences exceeding \$400,000, with a statutory maximum for those individual occurrences. For governmental activities, the liability for workers' compensation benefits is primarily liquidated by the General Fund.

Change in estimated liabilities for claims for workers' compensation for the year is as follows:

	2023	2022
Estimated liability at the beginning of the year	\$ 304,382	\$ 151,666
Estimated claims incurred including changes in estimates	24,856	347,167
Claim payments	(142,141)	(194,451)
Estimated liability end of year	\$ 187,097	\$ 304,382

The School District is subject to Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District.

Note 11 - Pension Plans

Plan Description

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

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Waterford School District
Notes to the Financial Statements
June 30, 2023

Benefits Provided

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2022.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	20.14%
Member Investment Plan	3.0 - 7.0%	20.14%
Pension Plus	3.0 - 6.4%	17.22%
Pension Plus 2	6.2%	19.93%
Defined Contribution	0.0%	13.73%

Required contributions to the pension plan from the School District were \$18,794,939 for the year ending September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$207,679,037 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the School District's proportion was 0.5522 percent, which was a decrease of 0.0075 percent from its proportion measured as of September 30, 2021.

For the plan year ending September 30, 2022, the School District recognized pension expense of \$20,110,233 for the measurement period. For the reporting period ending June 30, 2023, the School District recognized total pension contribution expense of \$20,218,536.

Waterford School District
Notes to the Financial Statements
June 30, 2023

Section 147c of the State School Aid Act (MCL 388.1747c) was amended to include a one-time distribution to districts, intermediate districts, and other participating entities of MPSERS, which is referred to as Section 147c(2). Section 147c(2) is required to be forwarded to the state's ORS as additional assets being contributed to the retirement system. This funding is a one-time, state payment toward the MPSERS unfunded liability and not part of the actuarially determined contributions and therefore not included in the above pension expense, pension contributions or related deferred inflows/outflows of resources. For the period ending June 30, 2023, the School District recognized in their financial statements an additional amount related to Section 147c(2) of \$5,521,593 in total pension expense and offset in state revenues.

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 2,077,515	\$ (464,348)	\$ 1,613,167
Changes of assumptions	35,686,700	-	35,686,700
Net difference between projected and actual earnings on pension plan investments	487,007	-	487,007
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>5,301</u>	<u>(8,877,647)</u>	<u>(8,872,346)</u>
Total to be recognized in future	38,256,523	(9,341,995)	28,914,528
School District contributions subsequent to the measurement date	<u>18,661,293</u>	<u>(9,480,953)</u>	<u>9,180,340</u>
Total	<u>\$ 56,917,816</u>	<u>\$ (18,822,948)</u>	<u>\$ 38,094,868</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. The District will offset the contribution expense in the year ended June 30, 2024 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows resources.

Waterford School District
Notes to the Financial Statements
June 30, 2023

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2023	\$ 6,544,545
2024	5,051,184
2025	5,591,836
2026	11,726,963
	\$ 28,914,528

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2021
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%

- Investment Rate of Return:
 - MIP and Basic Plans: 6.00% net of investment expenses
 - Pension Plus Plan: 6.00% net of investment expenses
 - Pension Plus 2 Plan: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.3922 years.

The recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Waterford School District
Notes to the Financial Statements
June 30, 2023

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.1%
Private Equity Pools	16.0	8.7
International Equity	15.0	6.7
Fixed Income Pools	13.0	(0.2)
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	9.0	2.7
Real Return/Opportunistic Pools	10.0	5.8
Short Term Investment Pools	2.0	(0.5)
	<u>100.0%</u>	

*Long-term rates of return are net of administrative expenses and 2.2% inflation.

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was (4.18)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease*	Current Single Discount Rate Assumption*	1% Increase*
5.00%	6.00%	7.00%
<u>\$ 274,059,176</u>	<u>\$ 207,679,037</u>	<u>\$ 152,978,813</u>

*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2

Waterford School District
Notes to the Financial Statements
June 30, 2023

**Michigan Public School Employees' Retirement System (MPSERS)
Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 12 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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

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

Waterford School District
Notes to the Financial Statements
June 30, 2023

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for the fiscal year ending September 30, 2022.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.0%	7.23%

Required contributions to the OPEB plan from the School District were \$4,197,623 for the year ended September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$11,671,836 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the School District's proportion was 0.5511 percent, which is an increase of 0.0042 percent from its proportion measured as of September 30, 2021.

For the plan year ending September 30, 2022, the School District recognized OPEB expense of (\$5,828,586) for the measurement period. For the reporting period ending June 30, 2023, the School District recognized total OPEB contribution expense of \$4,406,317.

Waterford School District
Notes to the Financial Statements
June 30, 2023

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (22,860,655)	\$ (22,860,655)
Changes of assumptions	10,403,482	(847,111)	9,556,371
Net difference between projected and actual earnings on OPEB plan investments	912,246	-	912,246
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>266,120</u>	<u>(3,388,493)</u>	<u>(3,122,373)</u>
Total to be recognized in future	11,581,848	(27,096,259)	(15,514,411)
School District contributions subsequent to the measurement date	<u>3,762,773</u>	-	<u>3,762,773</u>
Total	<u>\$ 15,344,621</u>	<u>\$ (27,096,259)</u>	<u>\$ (11,751,638)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows during the following plan years:

<u>Deferred (Inflow) and Deferred Outflow of Resources by Year</u> <u>(To Be Recognized in Future OPEB Expenses)</u>	
2023	\$ (5,597,235)
2024	(4,857,515)
2025	(4,181,679)
2026	(659,276)
2027	(229,355)
Thereafter	<u>10,649</u>
	<u>\$ (15,514,411)</u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2021

Waterford School District
Notes to the Financial Statements
June 30, 2023

- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Healthcare Cost Trend Rate: Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

- Opt Out Assumption: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years is 6.2250.

The recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.1 %
Private Equity Pools	16.0	8.7
International Equity	15.0	6.7
Fixed Income Pools	13.0	(0.2)
Real Estate and Infrastructure Pool:	10.0	5.3
Absolute Return Pools	9.0	2.7
Real Return/Opportunistic Pools	10.0	5.8
Short Term Investment Pools	2.0	(0.5)
	<u>100.0%</u>	

**Long-term rates of return are net of administrative expenses and 2.2% inflation.*

Waterford School District
Notes to the Financial Statements
June 30, 2023

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was (4.99)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.00%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
\$ 19,578,382	\$ 11,671,836	\$ 5,013,543

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 4,887,607	\$ 11,671,836	\$ 19,287,268

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2022 MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 13 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year ended June 30, 2023.

Waterford School District
Notes to the Financial Statements
June 30, 2023

The School District is a defendant in legal matters. Although the outcome of these matters is not presently determinable, in the opinion of the School District's attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.

Note 14 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the cities and townships within the County. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2023, the School District's property tax revenues were reduced by \$537,670 under these programs.

There are no significant abatements made by the School District.

Note 15 - Change in Accounting Principle

As indicated in Note 1, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. The statement establishes a definition for SBITAs and provides uniform guidance for accounting and financial reporting for transactions that meet that definition. The statement enhances the relevance and reliability of a government's financial statements by requiring a government to report a subscription right to use asset and subscription liability for a SBITA and to disclose essential information about the arrangement.

Net position and fund balance as of the beginning of the fiscal year has been restated as follows:

	General Fund	Governmental Activities
Net position/fund balance at June 30, 2022	\$ 15,301,341	\$ (101,644,709)
Adjustments		
Prepaid expense	(774,523)	(774,523)
Increase subscription right to use asset	-	800,929
Increase subscription liability	-	(9,985)
Restated net position/fund balance at June 30, 2022	\$ 14,526,818	\$ (101,628,288)

REQUIRED SUPPLEMENTARY INFORMATION

Waterford School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenues				
Local sources	\$ 13,852,685	\$ 13,872,404	\$ 14,175,542	\$ 303,138
State sources	72,391,222	84,223,451	82,179,688	(2,043,763)
Federal sources	18,634,892	22,248,536	13,896,387	(8,352,149)
Interdistrict sources	5,964,180	6,777,221	6,884,663	107,442
Total revenues	<u>110,842,979</u>	<u>127,121,612</u>	<u>117,136,280</u>	<u>(9,985,332)</u>
Expenditures				
Current				
Instruction				
Basic programs	23,503,855	23,339,822	21,953,223	(1,386,599)
Added needs	15,469,976	15,728,263	15,011,000	(717,263)
Employee benefits	12,948,880	17,115,024	19,331,698	2,216,674
Supporting services				
Pupil	8,161,479	9,586,963	9,834,094	247,131
Instructional staff	1,949,196	2,234,519	1,913,319	(321,200)
General administration	1,331,187	1,261,938	1,008,912	(253,026)
School administration	4,132,041	4,132,041	4,200,750	68,709
Business	12,498,715	13,501,825	13,540,257	38,432
Central	3,390,314	3,312,219	2,940,065	(372,154)
Athletics	1,497,974	1,702,374	1,677,850	(24,524)
Civic	58,428	58,428	72,057	13,629
Employee benefits	7,092,723	9,374,721	7,293,805	(2,080,916)
Teacher retirement savings	(300,000)	-	-	-
Federal programs	19,027,971	17,751,584	15,813,783	(1,937,801)
Debt service				
Principal	600,000	1,127,667	1,557,614	429,947
Interest and fiscal charges	56,000	56,000	35,777	(20,223)
Total expenditures	<u>111,418,739</u>	<u>120,283,388</u>	<u>116,184,204</u>	<u>(4,099,184)</u>
Excess (deficiency) of revenues over expenditures	<u>(575,760)</u>	<u>6,838,224</u>	<u>952,076</u>	<u>(5,886,148)</u>

Waterford School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Other financing sources (uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ 13,188	\$ 13,188
Proceeds from leases	-	-	470,956	470,956
Proceeds from subscription arrangements	-	400,000	22,608	(377,392)
Transfers in	250,000	250,000	322,272	72,272
Transfers out	(539,720)	(934,907)	(407,086)	527,821
Total other financing sources (uses)	(289,720)	(284,907)	421,938	706,845
Net change in fund balance	(865,480)	6,553,317	1,374,014	(5,179,303)
Fund balance - beginning, restated	14,526,818	14,526,818	14,526,818	-
Fund balance - ending	\$ 13,661,338	\$ 21,080,135	\$ 15,900,832	\$ (5,179,303)

Waterford School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. School District's proportion of net pension liability (%)	0.5522%	0.5598%	0.5862%	0.6089%	0.6292%	0.6373%	0.6550%	0.6847%	0.7286%	
B. School District's proportionate share of net pension liability	\$ 207,679,037	\$ 132,523,334	\$ 201,377,581	\$ 201,662,094	\$ 189,149,810	\$ 165,146,402	\$ 163,414,471	\$ 167,238,058	\$ 160,486,652	
C. School District's covered-employee payroll	\$ 53,672,732	\$ 49,521,497	\$ 51,431,272	\$ 52,511,862	\$ 53,277,705	\$ 53,070,379	\$ 53,274,188	\$ 57,421,142	\$ 61,986,820	
D. School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	386.94%	267.61%	391.55%	384.03%	355.03%	311.18%	306.74%	291.25%	258.90%	
E. Plan fiduciary net position as a percentage of total pension liability	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%	

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2022.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2022.

Waterford School District
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	\$ 20,218,536	\$ 18,678,648	\$ 16,566,506	\$ 16,090,831	\$ 16,139,266	\$ 14,947,605	\$ 9,792,111	\$ 8,926,955	\$ 11,660,435	
B. Contributions in relation to statutorily required contributions	<u>20,218,536</u>	<u>18,678,648</u>	<u>16,566,506</u>	<u>16,090,831</u>	<u>16,139,266</u>	<u>14,947,605</u>	<u>9,792,111</u>	<u>8,926,955</u>	<u>11,660,435</u>	
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
D. School District's covered- employee payroll	\$ 57,652,331	\$ 53,045,555	\$ 48,562,626	\$ 52,397,008	\$ 52,727,396	\$ 53,278,044	\$ 52,042,873	\$ 53,717,246	\$ 58,630,710	
E. Contributions as a percentage of covered-employee payroll	35.07%	35.21%	34.11%	30.71%	30.61%	28.06%	18.82%	16.62%	19.89%	

Waterford School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. School District's proportion of net OPEB liability (%)	0.5511%	0.5469%	0.5792%	0.6000%	0.6255%	0.6373%				
B. School District's proportionate share of net OPEB liability	\$ 11,671,836	\$ 8,347,733	\$ 31,028,180	\$ 43,067,643	\$ 49,721,940	\$ 56,436,215				
C. School District's covered-employee payroll	\$ 53,672,732	\$ 49,521,497	\$ 51,431,272	\$ 52,511,862	\$ 53,277,705	\$ 53,070,379				
D. School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	21.75%	16.86%	60.33%	82.02%	93.33%	106.34%				
E. Plan fiduciary net position as a percentage of total OPEB liability	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%				

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2022.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2022.

Waterford School District
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	\$ 4,406,317	\$ 4,177,682	\$ 3,935,402	\$ 4,235,368	\$ 4,199,646	\$ 4,961,674				
B. Contributions in relation to statutorily required contributions	<u>4,406,317</u>	<u>4,177,682</u>	<u>3,935,402</u>	<u>4,235,368</u>	<u>4,199,646</u>	<u>4,961,674</u>				
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
D. School District's covered- employee payroll	\$ 57,652,331	\$ 53,045,555	\$ 48,562,626	\$ 52,397,008	\$ 52,727,396	\$ 53,278,044				
E. Contributions as a percentage of covered-employee payroll	7.64%	7.88%	8.10%	8.08%	7.96%	9.31%				

OTHER SUPPLEMENTARY INFORMATION

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023

	Special Revenue Funds							Total Special Revenue Funds
	Special Education Center Programs	Child Care	Senior Citizens	Pool and Fitness Centers	Performing Arts Centers	Food Service	Senior and Student Activity	
Assets								
Cash and cash equivalents	\$ 732,851	-	\$ -	\$ -	\$ -	\$ 2,090,326	\$ 1,656,776	\$ 4,479,953
Accounts receivable	2,721	107,710	-	-	-	65,307	-	175,738
Due from other funds	-	-	-	-	-	-	8,227	8,227
Prepays	-	1,487	-	-	-	-	-	1,487
Inventory	-	-	-	-	-	32,506	-	32,506
Total assets	\$ 735,572	\$ 109,197	\$ -	\$ -	\$ -	\$ 2,188,139	\$ 1,665,003	\$ 4,697,911
Liabilities and fund balance								
Liabilities								
Accounts payable	\$ 11,137	\$ 86,541	\$ -	\$ -	\$ -	\$ 126,268	\$ -	\$ 223,946
Due to other funds	-	-	-	-	-	279,575	-	279,575
Unearned revenue	-	22,656	-	-	-	42,558	-	65,214
Total liabilities	11,137	109,197	-	-	-	448,401	-	568,735
Fund balance								
Non-spendable								
Inventory	-	-	-	-	-	32,506	-	32,506
Restricted								
Debt service	-	-	-	-	-	-	-	-
Special Education center programs	724,435	-	-	-	-	-	-	724,435
Food service	-	-	-	-	-	1,707,232	-	1,707,232
Committed - senior and student activity	-	-	-	-	-	-	1,665,003	1,665,003
Assigned								
Capital projects	-	-	-	-	-	-	-	-
Total fund balances	724,435	-	-	-	-	1,739,738	1,665,003	4,129,176
Total liabilities and fund balances	\$ 735,572	\$ 109,197	\$ -	\$ -	\$ -	\$ 2,188,139	\$ 1,665,003	\$ 4,697,911

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023

Debt Service Funds

	2013	2014	2016	2016	2016	2016	2020	2021	2022	2020	Total
	Refunding	Refunding	Series I	Series II	Series III	Series IV	Refunding	Refunding	Refunding	Series II	Debt Service
											Funds
Assets											
Cash and cash equivalents	\$ 33,935	\$ 48,067	\$ 93,923	\$ 208,713	\$ 65,196	\$ 132,748	\$ 126,871	\$ 256,149	\$ 4,045	\$ -	\$ 969,647
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Prepays	-	-	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 33,935	\$ 48,067	\$ 93,923	\$ 208,713	\$ 65,196	\$ 132,748	\$ 126,871	\$ 256,149	\$ 4,045	\$ -	\$ 969,647
Liabilities and fund balance											
Liabilities											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	-	-	-
Fund balance											
Non-spendable											
Inventory	-	-	-	-	-	-	-	-	-	-	-
Restricted											
Debt service	33,935	48,067	93,923	208,713	65,196	132,748	126,871	256,149	4,045	-	969,647
Special Education center programs	-	-	-	-	-	-	-	-	-	-	-
Food service	-	-	-	-	-	-	-	-	-	-	-
Committed - senior and student activity	-	-	-	-	-	-	-	-	-	-	-
Assigned											
Capital projects	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	33,935	48,067	93,923	208,713	65,196	132,748	126,871	256,149	4,045	-	969,647
Total liabilities and fund balances	\$ 33,935	\$ 48,067	\$ 93,923	\$ 208,713	\$ 65,196	\$ 132,748	\$ 126,871	\$ 256,149	\$ 4,045	\$ -	\$ 969,647

**Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023**

	Capital Projects			Total Nonmajor Governmental Funds
	Building Maintenance	2016 Series IV	Total Capital Projects	
Assets				
Cash and cash equivalents	\$ 1,263,147	\$ 1,156,969	\$ 2,420,116	\$ 7,869,716
Accounts receivable	-	-	-	175,738
Due from other funds	-	-	-	8,227
Prepays	-	-	-	1,487
Inventory	-	-	-	32,506
Total assets	<u>\$ 1,263,147</u>	<u>\$ 1,156,969</u>	<u>\$ 2,420,116</u>	<u>\$ 8,087,674</u>
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 223,946
Due to other funds	-	1,156,969	1,156,969	1,436,544
Unearned revenue	-	-	-	65,214
Total liabilities	<u>-</u>	<u>1,156,969</u>	<u>1,156,969</u>	<u>1,725,704</u>
Fund balance				
Non-spendable				
Inventory	-	-	-	32,506
Restricted				
Debt service	-	-	-	969,647
Special Education center programs	-	-	-	724,435
Food service	-	-	-	1,707,232
Committed - senior and student activity	-	-	-	1,665,003
Assigned				
Capital projects	<u>1,263,147</u>	<u>-</u>	<u>1,263,147</u>	<u>1,263,147</u>
Total fund balances	<u>1,263,147</u>	<u>-</u>	<u>1,263,147</u>	<u>6,361,970</u>
Total liabilities and fund balances	<u>\$ 1,263,147</u>	<u>\$ 1,156,969</u>	<u>\$ 2,420,116</u>	<u>\$ 8,087,674</u>

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2023

	Special Revenue Funds/School Service Funds							
	Special Education Center Programs	Child Care	Senior Citizens	Pool and Fitness Centers	Performing Arts Centers	Food Service	Senior and Student Activity	Total Special Revenue Funds
Revenues								
Local sources	\$ -	\$ 793,854	\$ 395,466	\$ 397,445	\$ 89,565	\$ 1,300,570	\$ 1,312,401	\$ 4,289,301
State sources	1,060,020	-	-	-	-	146,941	-	1,206,961
Federal sources	-	388,337	291,610	-	-	3,839,348	-	4,519,295
Interdistrict sources	5,118,855	-	-	-	-	4,755	-	5,123,610
Total revenues	<u>6,178,875</u>	<u>1,182,191</u>	<u>687,076</u>	<u>397,445</u>	<u>89,565</u>	<u>5,291,614</u>	<u>1,312,401</u>	<u>15,139,167</u>
Expenditures								
Current								
Instruction	2,153,314	-	-	-	-	-	-	2,153,314
Supporting services	3,736,957	1,182,191	395,466	680,199	213,897	1,812,477	1,298,187	9,319,374
Federal programs	-	-	291,610	-	-	3,839,348	-	4,130,958
Building and site	-	-	-	-	-	-	-	-
Debt service								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	<u>5,890,271</u>	<u>1,182,191</u>	<u>687,076</u>	<u>680,199</u>	<u>213,897</u>	<u>5,651,825</u>	<u>1,298,187</u>	<u>15,603,646</u>
Excess (deficiency) of revenues over expenditures	<u>288,604</u>	<u>-</u>	<u>-</u>	<u>(282,754)</u>	<u>(124,332)</u>	<u>(360,211)</u>	<u>14,214</u>	<u>(464,479)</u>
Other financing sources (uses)								
Transfers in	-	-	-	282,754	124,332	-	-	407,086
Transfers out	-	-	-	-	-	(322,272)	-	(322,272)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>282,754</u>	<u>124,332</u>	<u>(322,272)</u>	<u>-</u>	<u>84,814</u>
Net change in fund balances	<u>288,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(682,483)</u>	<u>14,214</u>	<u>(379,665)</u>
Fund balances - beginning	435,831	-	-	-	-	2,422,221	1,650,789	4,508,841
Fund balances - ending	<u>\$ 724,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,739,738</u>	<u>\$ 1,665,003</u>	<u>\$ 4,129,176</u>

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2023

	Debt Service Funds										
	2013	2014	2016	2016	2016	2016	2020	2021	2022	2020	Total
	Refunding	Refunding	Series I	Series II	Series III	Series IV	Refunding	Refunding	Refunding	Series II	Debt Service
Revenues											
Local sources	\$ 3,984,967	\$ -	\$ 1,542,142	\$ 3,474,402	\$ 1,098,995	\$ 2,076,953	\$ 1,940,540	\$ 4,211,271	\$ 1,383,650	\$ -	\$ 19,712,920
State sources	-	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-	-
Interdistrict sources	-	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>3,984,967</u>	<u>-</u>	<u>1,542,142</u>	<u>3,474,402</u>	<u>1,098,995</u>	<u>2,076,953</u>	<u>1,940,540</u>	<u>4,211,271</u>	<u>1,383,650</u>	<u>-</u>	<u>19,712,920</u>
Expenditures											
Current											
Instruction	-	-	-	-	-	-	-	-	-	-	-
Supporting services	-	-	-	-	-	-	-	-	-	-	-
Federal programs	-	-	-	-	-	-	-	-	-	-	-
Building and site	-	-	-	-	-	-	-	-	-	-	-
Debt service											
Principal	3,145,000	-	880,000	1,700,000	680,000	1,075,000	1,340,000	2,020,000	800,000	2,810,000	14,450,000
Interest and other	154,660	-	397,969	1,177,439	230,476	645,311	267,409	1,468,004	346,255	514,549	5,202,072
Total expenditures	<u>3,299,660</u>	<u>-</u>	<u>1,277,969</u>	<u>2,877,439</u>	<u>910,476</u>	<u>1,720,311</u>	<u>1,607,409</u>	<u>3,488,004</u>	<u>1,146,255</u>	<u>3,324,549</u>	<u>19,652,072</u>
Excess (deficiency) of revenues over expenditures	<u>685,307</u>	<u>-</u>	<u>264,173</u>	<u>596,963</u>	<u>188,519</u>	<u>356,642</u>	<u>333,131</u>	<u>723,267</u>	<u>237,395</u>	<u>(3,324,549)</u>	<u>60,848</u>
Other financing sources (uses)											
Transfers in	-	-	-	-	-	-	-	-	-	3,324,549	3,324,549
Transfers out	(672,057)	-	(260,079)	(585,952)	(185,344)	(350,274)	(327,269)	(710,224)	(233,350)	-	(3,324,549)
Total other financing sources (uses)	<u>(672,057)</u>	<u>-</u>	<u>(260,079)</u>	<u>(585,952)</u>	<u>(185,344)</u>	<u>(350,274)</u>	<u>(327,269)</u>	<u>(710,224)</u>	<u>(233,350)</u>	<u>3,324,549</u>	<u>-</u>
Net change in fund balances	13,250	-	4,094	11,011	3,175	6,368	5,862	13,043	4,045	-	60,848
Fund balances - beginning	20,685	48,067	89,829	197,702	62,021	126,380	121,009	243,106	-	-	908,799
Fund balances - ending	<u>\$ 33,935</u>	<u>\$ 48,067</u>	<u>\$ 93,923</u>	<u>\$ 208,713</u>	<u>\$ 65,196</u>	<u>\$ 132,748</u>	<u>\$ 126,871</u>	<u>\$ 256,149</u>	<u>\$ 4,045</u>	<u>\$ -</u>	<u>\$ 969,647</u>

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2023

	Capital Projects			Total Nonmajor Governmental Funds
	Building Maintenance	2016 Series IV	Total Capital Projects	
Revenues				
Local sources	\$ -	\$ 5,720	\$ 5,720	\$ 24,007,941
State sources	-	-	-	1,206,961
Federal sources	-	-	-	4,519,295
Interdistrict sources	-	-	-	5,123,610
Total revenues	-	5,720	5,720	34,857,807
Expenditures				
Current				
Instruction	-	-	-	2,153,314
Supporting services	-	-	-	9,319,374
Federal programs	-	-	-	4,130,958
Building and site	-	1,646,131	1,646,131	1,646,131
Debt service				
Principal	-	-	-	14,450,000
Interest	-	-	-	5,202,072
Total expenditures	-	1,646,131	1,646,131	36,901,849
Excess (deficiency) of revenues over expenditures	-	(1,640,411)	(1,640,411)	(2,044,042)
Other financing sources (uses)				
Transfers in	-	-	-	3,731,635
Transfers out	-	-	-	(3,646,821)
Total other financing sources (uses)	-	-	-	84,814
Net change in fund balances	-	(1,640,411)	(1,640,411)	(1,959,228)
Fund balances - beginning	1,263,147	1,640,411	2,903,558	8,321,198
Fund balances - ending	\$ 1,263,147	\$ -	\$ 1,263,147	\$ 6,361,970

Waterford School District
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2023

Year Ending June 30,	2016 Series I	2016 Series II	2016 Series III	2016 Series IV	2020 Refunding	2021 Refunding and 2020 Series I	2022 Refunding	2020 Series II	Total
2024	\$ 905,000	\$ 1,950,000	\$ 690,000	\$ 1,130,000	\$ 1,360,000	\$ 2,115,000	\$ 3,855,000	\$ 875,000	\$ 12,880,000
2025	935,000	2,300,000	700,000	1,190,000	1,380,000	2,220,000	3,385,000	915,000	13,025,000
2026	960,000	2,400,000	720,000	1,245,000	905,000	2,315,000	2,015,000	955,000	11,515,000
2027	995,000	2,500,000	740,000	1,315,000	920,000	2,390,000	2,115,000	1,000,000	11,975,000
2028	1,025,000	2,550,000	760,000	1,360,000	-	2,490,000	2,220,000	1,045,000	11,450,000
2029	1,055,000	2,625,000	800,000	1,415,000	-	2,595,000	2,330,000	1,090,000	11,910,000
2030	1,095,000	2,700,000	830,000	1,475,000	-	1,370,000	2,450,000	1,140,000	11,060,000
2031	1,130,000	2,800,000	840,000	1,535,000	-	1,425,000	2,570,000	-	10,300,000
2032	1,170,000	2,900,000	860,000	1,600,000	-	1,485,000	2,700,000	-	10,715,000
2033	1,210,000	3,000,000	-	1,655,000	-	1,545,000	2,835,000	-	10,245,000
2034	1,265,000	3,100,000	-	-	-	1,605,000	2,975,000	-	8,945,000
2035	1,315,000	3,200,000	-	-	-	1,670,000	3,125,000	-	9,310,000
2036	1,360,000	3,325,000	-	-	-	1,735,000	3,280,000	-	9,700,000
2037	-	3,475,000	-	-	-	1,805,000	3,445,000	-	8,725,000
2038	-	-	-	-	-	1,875,000	3,620,000	-	5,495,000
2039	-	-	-	-	-	1,950,000	3,800,000	-	5,750,000
2040	-	-	-	-	-	2,030,000	3,990,000	-	6,020,000
2041	-	-	-	-	-	2,105,000	4,190,000	-	6,295,000
2042	-	-	-	-	-	-	4,395,000	-	4,395,000
Total	<u>\$ 14,420,000</u>	<u>\$ 38,825,000</u>	<u>\$ 6,940,000</u>	<u>\$ 13,920,000</u>	<u>\$ 4,565,000</u>	<u>\$ 34,725,000</u>	<u>\$ 59,295,000</u>	<u>\$ 7,020,000</u>	<u>\$ 179,710,000</u>

Principal payments
due the first day of

May May May May May May May May

Interest payments
due the first day of

May and May and May and May and May and May and May and May and
November November November November November November November

Interest rate

2.00% - 3.00% 2.00% - 3.00% 2.00% - 3.00% 4.00% - 5.00% 4.00% - 5.00% 4.00% 4.00% 5.00%

Original issue

\$ 20,000,000 \$ 50,000,000 \$ 10,000,000 \$ 17,875,000 \$ 8,475,000 \$ 38,330,000 \$ 7,820,000 \$ 62,105,000

Waterford School District

Single Audit Report

June 30, 2023



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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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*

Independent Auditors' Report

Management and the Board of Education
Waterford School District
Waterford, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waterford School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Waterford School District's basic financial statements, and have issued our report thereon dated October 23, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Waterford School District's internal control over financial reporting (internal control) as a basis for designing 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 Waterford School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Waterford 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterford 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 financial statements. 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.

Yeo & Yeo, P.C.

Auburn Hills, Michigan
October 23, 2023

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

Independent Auditors' Report

Management and the Board of Education
Waterford School District
Waterford, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Waterford School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Waterford School District's major federal programs for the year ended June 30, 2023. Waterford School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Waterford School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Waterford School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Waterford School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to Waterford School District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Waterford School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Waterford School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Waterford School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Waterford School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Waterford School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waterford School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Waterford School District's basic financial statements. We issued our report thereon dated October 23, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Auburn Hills, Michigan
October 23, 2023

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor Pass-Through Grantor Program Title	Assistance Listing Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2022	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Unearned) Revenue June 30, 2023
U.S. Department of Agriculture									
Passed through Michigan Department of Education									
Child Nutrition Cluster									
Non-cash assistance (commodities)									
Entitlement Commodities	10.555	22-23	\$ 327,238	\$ -	\$ -	\$ 327,238	\$ 327,238	\$ -	\$ -
Bonus	10.555	22-23	17,317	-	-	17,317	17,317	-	-
				-	-	344,555	344,555	-	-
Cash assistance									
National School Breakfast Program	10.553	221970	166,635	37,801	37,801	166,635	128,834	-	-
National School Breakfast Program	10.553	231970	940,275	-	-	940,275	940,275	-	-
				37,801	37,801	1,106,910	1,069,109	-	-
National School Lunch Program	10.555	221960	329,619	70,548	70,548	329,619	259,071	-	-
Supply Chain Assistance	10.555	220910	285,211	-	141,304	143,907	143,907	-	-
Seamless Summer Option Lunch	10.555	231960	1,885,647	-	-	1,885,647	1,885,647	-	-
Supply Chain Assistance	10.555	230910	66,626	-	-	66,626	66,626	-	-
				70,548	211,852	2,425,799	2,355,251	-	-
SFSP Operating	10.559	220900	50,847	-	-	50,847	50,847	-	-
SFSP Operating	10.559	220904	21,936	21,639	21,639	21,639	-	-	-
SFSP Operating	10.559	230900	16,451	-	-	-	16,451	-	16,451
				21,639	21,639	72,486	67,298	-	16,451
Total Child Nutrition Cluster				129,988	271,292	3,949,750	3,836,213	-	16,451
COVID-19 Pandemic EBT Local Level Costs	10.649	220980	3,135	-	-	3,135	3,135	-	-
Total U.S. Department of Agriculture				129,988	271,292	3,952,885	3,839,348	-	16,451
U.S. Department of Treasury									
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	22238	350,000	-	-	350,000	175,000	-	(175,000)

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor Pass-Through Grantor Program Title	Assistance Listing Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2022	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Unearned) Revenue June 30, 2023
U.S. Department of Education									
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	211530	\$ 1,307,309	\$ (1,364)	\$ 1,165,732	\$ -	\$ 1,364	\$ -	\$ -
Title I Grants to Local Educational Agencies	84.010	221530	1,414,803	1,215,565	1,215,565	1,243,324	27,759	-	-
Title I Grants to Local Educational Agencies	84.010	231530	1,490,331	-	-	-	1,301,578	-	1,301,578
Title I Grants to Local Educational Agencies	84.010	231580	20,000	-	-	-	6,715	-	6,715
				<u>1,214,201</u>	<u>2,381,297</u>	<u>1,243,324</u>	<u>1,337,416</u>	<u>-</u>	<u>1,308,293</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	221700	624,887	417,552	417,552	417,552	-	-	-
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	231700		-	-	-	520,146	-	520,146
				<u>417,552</u>	<u>417,552</u>	<u>417,552</u>	<u>520,146</u>	<u>-</u>	<u>520,146</u>
Special Education Cluster									
Passed through Oakland Schools									
Special Education Grants to States	84.027A	210450	2,553,775	360,205	2,549,222	364,759	4,554	-	-
Special Education Grants to States	84.027A	220450	2,358,825	2,299,183	2,299,183	2,299,183	59,642	-	59,642
Special Education Grants to States	84.027A	230450	2,393,993	-	-	-	2,011,507	-	2,011,507
COVID-19 ARP Special Education Grants to States	84.027X	221280	542,901	542,901	542,901	542,901	-	-	-
Passed through Marquette-Alger Regional Educational Service Academy									
COVID-19 ARP Special Education Grants to States	84.027X	11-0-93440	40,328	-	-	40,328	40,328	-	-
				<u>3,202,289</u>	<u>5,391,306</u>	<u>3,247,171</u>	<u>2,116,031</u>	<u>-</u>	<u>2,071,149</u>
Passed through Oakland Schools									
Special Education - Preschool	84.173A	220460	69,019	52,544	52,544	52,544	16,475	-	16,475
Special Education - Preschool	84.173A	230460	81,893	-	-	-	80,848	-	80,848
COVID-19 ARP Special Education - Preschool	84.173X	221285	40,699	25,690	25,690	25,690	15,009	-	15,009
				<u>78,234</u>	<u>78,234</u>	<u>78,234</u>	<u>112,332</u>	<u>-</u>	<u>112,332</u>
Total Special Education Cluster				<u>3,280,523</u>	<u>5,469,540</u>	<u>3,325,405</u>	<u>2,228,363</u>	<u>-</u>	<u>2,183,481</u>
Passed through Michigan Department of Education									
English Language Acquisition State Grants	84.365	220580	133,660	42,050	42,050	42,806	756	-	-
English Language Acquisition State Grants	84.365	230580	129,312	-	-	-	69,000	-	69,000
				<u>42,050</u>	<u>42,050</u>	<u>42,806</u>	<u>69,756</u>	<u>-</u>	<u>69,000</u>
Passed through Michigan Department of Education									
Supporting Effective Instruction State Grants	84.367	220520	427,091	344,497	344,497	344,497	-	-	-
Supporting Effective Instruction State Grants	84.367	230520	345,302	-	-	-	345,302	-	345,302
				<u>344,497</u>	<u>344,497</u>	<u>344,497</u>	<u>345,302</u>	<u>-</u>	<u>345,302</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor Pass-Through Grantor Program Title	Assistance Listing Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2022	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Unearned) Revenue June 30, 2023
Passed through Michigan Department of Education									
Student Support and Academic Enrichment	84.424A	220750	\$ 191,627	\$ 139,525	\$ 139,525	\$ 139,525	\$ -	\$ -	\$ -
Student Support and Academic Enrichment	84.424A	230750	146,661	-	-	-	146,661	-	146,661
				<u>139,525</u>	<u>139,525</u>	<u>139,525</u>	<u>146,661</u>	<u>-</u>	<u>146,661</u>
Passed through Michigan Department of Education									
COVID-19 ESSER II Funds - Formula	84.425D	213712	4,456,846	-	-	3,673,825	4,360,112	-	686,287
COVID-19 ESSER II Discretionary - Section 23b(2a) Summer School	84.425D	213722	256,300	-	-	-	256,300	-	256,300
COVID-19 ESSER II Discretionary - Section 23b(2b) Credit Recovery	84.425D	213742	1,078,550	-	-	-	1,078,550	-	1,078,550
COVID-19 ESSER II Discretionary - Section 23b(2c) Before & After School	84.425D	213752	25,000	-	-	-	21,839	-	21,839
COVID-19 ESSER II - 98c Per Pupil Learning Loss	84.425D	213782	373,028	-	-	-	108,843	-	108,843
COVID-19 American Rescue Plan - ESSER III	84.425U	213713	8,449,984	892,452	892,452	1,079,900	3,664,777	-	3,477,329
				<u>892,452</u>	<u>892,452</u>	<u>4,753,725</u>	<u>9,490,421</u>	<u>-</u>	<u>5,629,148</u>
Total U.S. Department of Education				<u>6,330,800</u>	<u>9,686,913</u>	<u>10,266,834</u>	<u>14,138,065</u>	<u>-</u>	<u>10,202,031</u>
U.S. Department of Health and Human Services									
Passed through Regional Area of Aging									
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	22-9052-03	270,825	21,917	204,216	21,917	-	-	-
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	23-9052-03	291,614	-	-	259,985	291,614	-	31,629
				<u>21,917</u>	<u>204,216</u>	<u>281,902</u>	<u>291,614</u>	<u>-</u>	<u>31,629</u>
Passed through Oakland Livingston Human Services Agency (OLHSA)									
Head Start Cluster									
Head Start	93.600	05CH010367-22	782,817	464,951	464,951	782,817	338,092	(20,226)	-
Head Start	93.600	05CH010368 ARP	119,000	-	-	119,000	119,000	-	-
Head Start	93.600	05CH011937-23	873,612	-	-	-	496,481	-	496,481
				<u>464,951</u>	<u>464,951</u>	<u>901,817</u>	<u>953,573</u>	<u>(20,226)</u>	<u>496,481</u>
Passed through Oakland Schools									
Medicaid Cluster									
Medical Assistance Program	93.778	22-23	42,060	-	-	42,060	42,060	-	-
Total U.S. Department of Health and Human Services				<u>486,868</u>	<u>669,167</u>	<u>1,225,779</u>	<u>1,287,247</u>	<u>(20,226)</u>	<u>528,110</u>
Total Federal Awards				<u>\$ 6,947,656</u>	<u>\$ 10,627,372</u>	<u>\$ 15,795,498</u>	<u>\$ 19,439,660</u>	<u>\$ (20,226)</u>	<u>\$ 10,571,592</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Waterford School District
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Waterford School District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Waterford School District, it is not intended to and does not present the financial position, changes in financial positions, and where applicable, cash flows of Waterford School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

Waterford School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

The federal revenues per the financial statements are in agreement with the schedule of expenditures of federal awards as follows:

Expenditures per the schedule of expenditures of federal awards	\$ 19,439,660
Child Care Relief Fund grants received as a beneficiary	2,105,363
Adjustment	(20,226)
Funds not received within 60 days of June 30, 2022	693,276
Funds not received within 60 days of June 30, 2023	<u>(3,802,391)</u>
Federal revenues per the financial statements	<u><u>\$ 18,415,682</u></u>

An adjustment to the schedule of expenditures of federal awards of \$20,226 was made for grant 05CH010367 Head Start (AL #93.600) for expenditures and receipts from the prior year that were incorrectly reported on the schedule of expenditures of federal awards.

Note 4 - Subrecipients

No amounts were provided to subrecipients.

Note 5 - Michigan Department of Education Disclosure

The federal amounts reported on the grant auditor report are in agreement with the schedule of expenditures of federal awards.

The amounts reported on the recipient entitlement balance report agree with the schedule of expenditures of federal awards for U.S.D.A. donated food commodities.

Waterford School District
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2023

Note 6 - Prior Year Expenditures

Certain grants that were awarded as a result of COVID-19, allowed recipients to reimburse eligible costs incurred during the prior years ended June 30, 2021 and 2022. Expenditures included in the June 30, 2023, Schedule of Expenditures of Federal Awards incurred in prior periods are as follows:

Grant name	Assistance Listing Number	2021 expenditures charged to 2023 SEFA	2022 expenditures charged to 2023 SEFA
COVID-19 ESSER II Funds - Formula	84.425D	\$ 1,778,151	\$ 2,553,005
COVID-19 ESSER II Discretionary - Section 23b(2a) Summer School	84.425D	256,300	-
COVID-19 ESSER II Discretionary - Section 23b(2b) Credit Recovery	84.425D	-	554,725
COVID-19 ESSER II Discretionary - Section 23b(2c) Before & After School	84.425D	-	21,839
COVID-19 American Rescue Plan - ESSER III	84.425U	410,210	376,078
		<u>\$ 2,444,661</u>	<u>\$ 3,505,647</u>

Waterford School District
Schedule of Findings and Questioned Costs
June 30, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant Deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant Deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516(a)? _____ yes X no

Identification of major programs:

<i>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.010	Title I Grants to Local Educational Agencies
84.027A, 84.027X, 84.173A, 84.173X	Special Education Cluster
84.425D, 84.425U	Education Stabilization Fund
93.600	Head Start Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

Waterford School District
Schedule of Findings and Questioned Costs
June 30, 2023

SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS

There were no *Government Auditing Standards* findings for the year ended June 30, 2023.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2023.

Waterford School District
Summary Schedule of Prior Audit Findings
June 30, 2023

SECTION IV- PRIOR AUDIT FINDINGS

Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2022.

Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2022.