

Waterford School District

Financial Statements

June 30, 2022



Table of Contents

| Section | Page | |
|---------|---|--------|
| 1 | Members of the Board of Education and Administration | 1 – 1 |
| 2 | Independent Auditors' Report | 2 – 1 |
| 3 | Administration's Discussion and Analysis | 3 – 1 |
| 4 | Basic Financial Statements | |
| | District-wide Financial Statements | |
| | Statement of Net Position | 4 – 1 |
| | Statement of Activities | 4 – 3 |
| | Fund Financial Statements | |
| | Governmental Funds | |
| | Balance Sheet | 4 – 4 |
| | Reconciliation of the Balance Sheet of | |
| | Governmental Funds to the Statement of Net Position | 4 – 6 |
| | Statement of Revenues, Expenditures and Changes in Fund Balances | 4 – 7 |
| | Reconciliation of the Statement of Revenues, Expenditures and | |
| | Changes in Fund Balances of Governmental Funds to the Statement of Activities | 4 – 9 |
| | Proprietary Fund | |
| | Internal Service Fund | |
| | Statement of Net Position | 4 – 10 |
| | Statement of Revenues, Expenses and Changes in Fund Net Position | 4 – 11 |
| | Statement of Cash Flows | 4 – 12 |
| | Notes to the Financial Statements | 4 – 13 |

| Section | | Page |
|----------------|--|-------------|
| 5 | Required Supplementary Information | |
| | Budgetary Comparison Schedule – General Fund | 5 – 1 |
| | Schedule of School District’s Proportionate Share of the Net Pension Liability | 5 – 3 |
| | Schedule of School District’s Pension Contributions | 5 – 4 |
| | Schedule of School District’s Proportionate Share of the Net OPEB Liability | 5 – 5 |
| | Schedule of School District’s OPEB Contributions | 5 – 6 |
| 6 | Other Supplementary Information | |
| | Nonmajor Governmental Funds | |
| | Combining Balance Sheet | 6 – 1 |
| | Combining Statement of Revenues, Expenditures and Changes in Fund Balance | 6 – 4 |
| | Schedule of Outstanding Bonded Indebtedness | 6 – 7 |

Waterford School District
Members of the Board of Education and Administration
June 30, 2022

Members of the Board of Education

Michael Ristich – President

John Himmelspach – Vice President

Julie Josselyn – Secretary

Joan Sutherland – Treasurer

Robert Petrusha, Jr. – Trustee

Bob Piggott – Trustee

Kristen Wagner – Trustee

Administration

Scott Lindberg – Superintendent

Sandra Elka – Assistant Superintendent of Business and Operations

Amy Dagenhardt – Director of Finance and Budget



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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, 2022, 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, 2022, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 the school district adopted new accounting guidance, GASBS No. 87, *Leases*. 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 25, 2022 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.

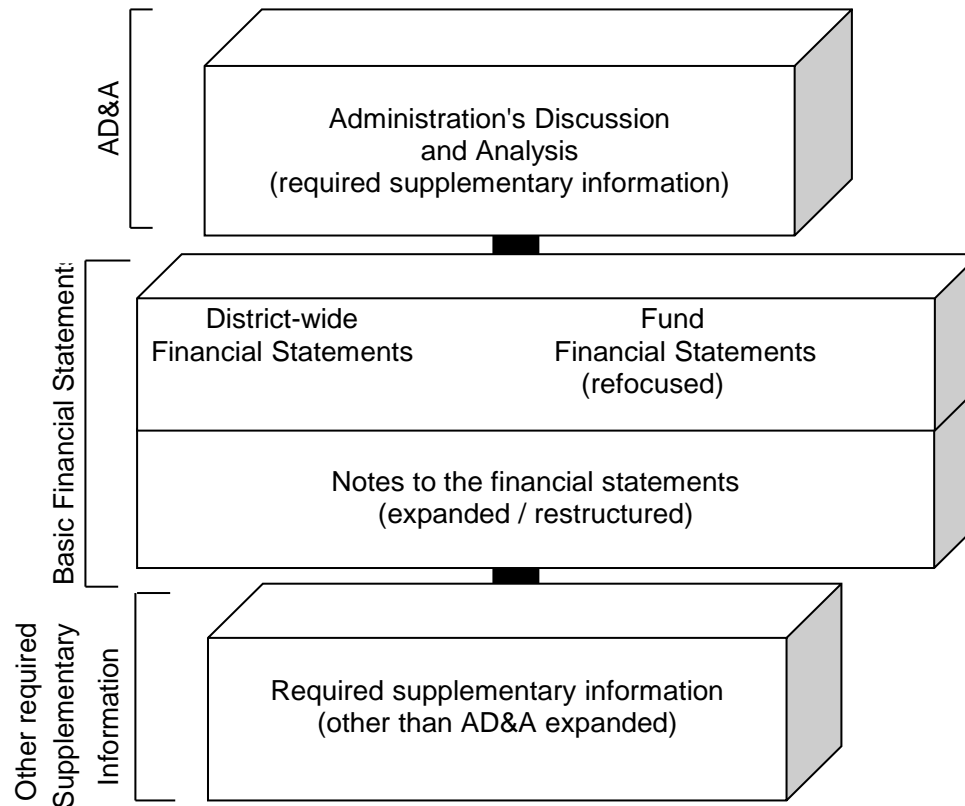
Auburn Hills, Michigan
October 25, 2022

ADMINISTRATION'S DISCUSSION AND ANALYSIS

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2022**

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, 2022.

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, 2022

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, 2022

Financial Analysis of the District as a Whole:

| | <u>2021-2022</u> | <u>2020-2021</u> | <u>Change</u> |
|--|-------------------------|-------------------------|----------------------|
| Assets | | | |
| Current assets | \$ 65,861,760 | \$ 87,890,486 | \$ (22,028,726) |
| Capital and right to use assets | 376,315,388 | 370,706,285 | 5,609,103 |
| Less: accumulated depreciation and amortization | <u>(175,840,586)</u> | <u>(166,806,790)</u> | <u>(9,033,796)</u> |
| Capital assets and right to use assets, net book value | <u>200,474,802</u> | <u>203,899,495</u> | <u>(3,424,693)</u> |
| | | | |
| Total assets | <u>266,336,562</u> | <u>291,789,981</u> | <u>(25,453,419)</u> |
| | | | |
| Deferred outflows of resources | <u>38,628,992</u> | <u>55,879,821</u> | <u>(17,250,829)</u> |
| | | | |
| Liabilities | | | |
| Current liabilities | 19,068,349 | 29,342,120 | (10,273,771) |
| Long-term liabilities | <u>283,803,396</u> | <u>390,510,160</u> | <u>(106,706,764)</u> |
| | | | |
| Total liabilities | <u>302,871,745</u> | <u>419,852,280</u> | <u>(116,980,535)</u> |
| | | | |
| Deferred inflows of resources | <u>103,738,518</u> | <u>45,081,927</u> | <u>58,656,591</u> |
| | | | |
| Net Position | | | |
| Net investment in capital assets | 78,141,316 | 78,233,677 | (92,361) |
| Restricted | 101,530 | 226,972 | (125,442) |
| Unrestricted (deficit) | <u>(179,887,555)</u> | <u>(195,725,054)</u> | <u>15,837,499</u> |
| | | | |
| Total net position | <u>\$ (101,644,709)</u> | <u>\$ (117,264,405)</u> | <u>\$ 15,619,696</u> |

As indicated by the statement above, total net position is (\$101,644,709) and (\$117,264,405) for 2021-2022 and 2020-2021, 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, 2022

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 2021-2022 and 2020-2021 is \$376,315,388 and \$370,706,285, 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 2022-2021 and 2020-2021 is \$175,840,586 and \$166,806,790, 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 2021-2022 and 2020-2021 was \$142,932,329 and \$159,073,597, respectively.

Restricted net position for fiscal year 2021-2022 consist of Debt Service of \$101,530. The remaining net position of (\$179,887,555) and (\$195,725,054) for fiscal year 2021-2022 and 2020-2021, 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 decreased \$22,028,726, primarily due to the spend down of the capital projects funds with major renovations at Mott & Kettering High Schools and the construction of the new Stepanski Early Childhood building, offset by the addition of Leases Receivable of \$3,893,625.
- Net Capital and right to use assets decreased \$3,424,693, as a result of \$5,609,103 in capital improvements, offset by \$9,033,796 in normally scheduled depreciation.
- Current liabilities decreased by \$10,273,771 mainly due to no short-term borrowing and decrease in accounts payable due to timing of expenses.
- Long-term liabilities decreased \$106,706,764 mainly as a result of a decrease in debt due in more than more than one year of \$14,296,610 due to scheduled principal payments, along with a reduction in OPEB liabilities of \$91,534,694.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2022

| | <u>2021-2022</u> | <u>2020-2021</u> | <u>Change</u> |
|---|----------------------|---------------------|---------------------|
| Program revenue | | | |
| Charges for services local and intermediate | \$ 3,454,795 | \$ 2,047,327 | \$ 1,407,468 |
| Operating grants - federal and state | <u>51,732,805</u> | <u>49,592,477</u> | <u>2,140,328</u> |
| Total program revenue | <u>55,187,600</u> | <u>51,639,804</u> | <u>3,547,796</u> |
| General revenue | | | |
| Property taxes, levied for general purposes | 12,463,808 | 12,389,276 | 74,532 |
| State of Michigan aid, unrestricted | <u>50,186,850</u> | <u>53,411,246</u> | <u>(3,224,396)</u> |
| Total foundation allowance | 62,650,658 | 65,800,522 | (3,149,864) |
| Property taxes, levied for debt service | 18,446,366 | 17,740,079 | 706,287 |
| Interest and investment earnings | 78,846 | 68,264 | 10,582 |
| Other | <u>615,082</u> | <u>60,014</u> | <u>555,068</u> |
| Total general revenue | <u>81,790,952</u> | <u>83,668,879</u> | <u>(1,877,927)</u> |
| Expense | | | |
| Instruction | 55,124,333 | 61,012,724 | (5,888,391) |
| Support services | 36,551,095 | 37,428,987 | (877,892) |
| Food service | 4,172,474 | 3,692,391 | 480,083 |
| Pool & fitness centers | 639,096 | 512,472 | 126,624 |
| Performing arts center | 149,454 | 176,433 | (26,979) |
| Childcare | 817,457 | 848,220 | (30,763) |
| Senior citizens | 525,647 | 624,631 | (98,984) |
| Special education center programs | 4,674,250 | 6,063,973 | (1,389,723) |
| Senior and studenty activity | 1,688,911 | 1,142,233 | 546,678 |
| Unallocated depreciation and amortization expense | 13,671,939 | 11,991,150 | 1,680,789 |
| Interest on long-term debt | <u>3,344,200</u> | <u>3,364,601</u> | <u>(20,401)</u> |
| Total expenses | <u>121,358,856</u> | <u>126,857,815</u> | <u>(5,498,959)</u> |
| Change in net postiiion | <u>\$ 15,619,696</u> | <u>\$ 8,450,868</u> | <u>\$ 7,168,828</u> |

As indicated on the above, fiscal year 2021-2022 and 2020-2021, the change in net position was \$15,619,696 and \$8,450,868, respectively.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2022

The 2021-2022 increase in net position as compared to fiscal year 2020-2021 is due to the following factors:

Revenues:

- Charges for service local and intermediate increased primarily due to all schools and programs being open after the closure from COVID-19.
- Operating grants increased \$2,140,328, primarily due to an increase in Federal grants of \$700,000 in Elementary Secondary School Emergency Relief (ESSER), along with the addition of \$1,400,595 Child Care Stabilization Grant.
- Unrestricted State Aid decreased \$3,224,396 as a result of a \$566 per student increase in foundation allowance, offset by the change in the state aid membership from the previous year "super blend" of 25% of the 2020-2021 student blend and 75% of the 2019-2020 student blend for COVID-19 back to the 90% 2021-2022 and 10% 2020-21 effectively realizing the full decline in enrollment.
- Property taxes increased \$74,532, due to increased taxable property values.
- Earnings on investments increased \$10,582 due to the increase in interest rates.

Expenses:

- Instructional expenses decreased \$5,888,391 primarily due to breakout of the unallocated depreciation and amortization expense, a decrease in the OPEB/pension, a decrease in federal grant expenses and offset by an increase in school instructional expenses related to the opening of school after the COVID-19 closures.
- Support services decreased by \$877,892 due to breakout of the unallocated depreciation and amortization expense, offset by an increase in expenses related to the opening of school after the COVID-19 closures
- Food Service increased \$480,083 over last year due to the free lunch and breakfast program for all students increasing participation
- Senior and Student Activity increased \$546,678 due to a full year of school activities.
- Interest on long term debt decreased \$20,401 due to the refunding of debt funds and the normally scheduled principal payments.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2022

Capital Assets and Debt Administration

Capital Assets

At June 30, 2022, the District had \$200,474,802 invested in a broad range of capital assets and right to use assets, including land, buildings, furniture and equipment and buses and other vehicles.

| | <u>2021-2022</u> | <u>2020-2021</u> |
|--------------------------------|-----------------------|-----------------------|
| Capital assets | | |
| Land | \$ 1,522,282 | \$ 1,096,155 |
| Construction in progress | 9,602,225 | 6,234,990 |
| Buildings and additions | 349,005,169 | 345,472,236 |
| Furniture and equipment | 8,711,011 | 8,699,116 |
| Buses and other vehicles | 6,322,014 | 8,234,590 |
| Right to use asset - equipment | 782,057 | 757,444 |
| Right to use asset - buses | <u>370,630</u> | <u>211,754</u> |
| Subtotal | 376,315,388 | 370,706,285 |
| Less: accumulated depreciation | <u>175,840,586</u> | <u>166,806,790</u> |
| Net capital assets | <u>\$ 200,474,802</u> | <u>\$ 203,899,495</u> |

This is a decrease in net capital assets of \$3,424,693 over last year. Depreciation expense for the year is \$13,671,939. During the fiscal year, the District expended \$1,785,598 of the 2016 Series IV bonds and \$12,400,183 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 \$3,367,235 due primarily to the construction of the new Stepanski Early Childhood building along with work at Kettering, Mott and T1 wiring throughout the District. The District has \$1,640,411 of Series IV bonds and \$18,315,816 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, 2022**

Debt

At the end of this fiscal year, the District had \$132,695,000 in General Obligation Bonds outstanding. This is a decrease of \$14,930,000 compared to last year due to the refunding of the 2003 Series V debt and the scheduled principal payments.

Governmental Fund Revenues

Sources of Revenues:

Local sources of revenues total \$36,903,292. This is an increase of \$3,470,166 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 \$14,291,285 increased \$933,308. The Debt Fund local revenues of \$18,463,309 increased \$719,862. Special Education Center Programs revenues were \$0, which was consistent with prior year. The Childcare Fund revenues of \$668,181 increased \$425,012 from prior year. The Senior Citizen Fund local revenues of \$347,097 increased \$26,313 over prior year. The Pool & Fitness Center Fund of \$370,737 increased \$205,449. The Performing Arts Centers Fund had local revenue of \$214,390, which was a decrease of \$214,390 from prior year. The Food Service Fund local revenues of \$700,064 increased \$293,862 from prior year. The Senior and Student Activity Fund local revenues of \$1,844,395, increased \$716,229. Capital Project funds of \$3,844 decreased \$131,880 over prior year due to less investment income as bond funds are spent.

State sources of revenue total \$73,422,939. This is a decrease of \$2,238,571 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 \$72,176,703 decreased \$2,063,261 from prior year. This decrease is due the change in the state aid membership "super blend" from 2020-2021, back to the normal membership blend effectively realizing the declining enrollment net with an increase in the per student foundation grant of \$566 totaling \$2,562,660, decrease in special education cost reimbursement of \$300,223, decrease in At Risk funding \$428,224, increase in pension funding of \$1,189,529, and one-time innovative summer program of \$187,546 over prior year. State sources of revenue make up 69.95% of General Fund revenues. This ties the District directly to the State's overall economy.

Federal sources of revenue total \$15,781,681, an increase of \$251,084 from prior year. This was mainly due to additional federal grants due to COVID-19, Elementary Secondary School Emergency Relief (ESSER), Food Service COVID-19 Seamless Summer Breakfast and Lunch, ARP IDEA and Preschool, and Child Care Stabilization then offset by a reduction in other grants.

Interdistrict sources of revenue total \$10,878,754, a decrease of \$107,363 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 \$30,910,174 an increase of \$780,819 over prior year. Total property tax revenue is obtained through a voter approved 18-mill levy on the taxable

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2022

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.

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 \$8,700 for 2021-2022 and \$8,134 for 2020-2021 fiscal years. The number of students to be funded is normally calculated by student enrollment blended at 90% of the Fall 2021 count and 10% Supplemental Count (February 2021). Total blended student enrollment for this fiscal year is 7,214, a decrease of 801 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 \$55,130,431 increased \$8,077,153 as result of a full year of in person school, wage increases, corresponding benefit increase and additional expenditures due to ESSER funds including summer school, curriculum resources, COVID-19 supplies, instructional technology, additional permanent building guest teachers and incentive pay. Support Services expenditures of \$41,343,178 increased \$4,648,156. The changes in support services are mainly due to a full year of in person school, including wage increases, addition fuel costs, inflationary increases for utilities and supplies, additional programs and staff for mental health supports, training for DEI and PBL, and continuity of services. Federal Program expenditures of \$9,317,494 decreased \$2,733,354 mainly due carryover and timing of the new federal grants for COVID-19 that are multi-year grants spanning multiple fiscal years. Special Revenue Fund expenses of \$14,051,233 increased \$1,139,704 over prior year mainly due to a full year of programs running for Childcare, Pool & Fitness and Performing Arts, an increase in Food Service due to increased participation and food costs, increase in Student Activity at the school buildings, and a decrease in the Special Education Center Program due to reduced specialized classrooms. The Capital Projects fund of \$13,189,615 increased \$667,336 due to the construction and renovation of projects in the District via the 2016 Series IV and 2021 bond improvements. The Debt Service Fund with expenditures of \$19,106,311 increased \$3,021,455 mainly as a result of a debt refunding and structured principal payments. In addition, costs of \$9,968,285 were incurred in relation to the refunding the 2003 Series V Bond.

Economic Factors and Next Year's Budgets and Rates

The Board of Education and administration consider many factors when setting the School District's 2022-2023 fiscal year budget. This year's four major factors affecting the budget are the anticipated student count, State funding of the unrestricted foundation allowance, staffing projections and cost containment. 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 2022, the blended count for the 2022-2023 fiscal year was based on a 90 percent and 10 percent blend of the Fall 2022 and Supplemental Count (February) 2022 student counts, respectively. The 2022-2023 budget was based on an estimate of students that will be

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2022

enrolled in Fall 2022, as well as State Aid funding based on the projections at that time. The District showed a foundation allowance increase of \$435 per pupil and a blended loss of 247 students.

At the end of September, the Legislature approved a budget that would increase the foundation allowance to \$9,150 and increase of \$450 per student. The student blend is 90% of the Fall 2021 count and 10% of the Supplemental Count (February) 2021.

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 declining enrollment, the District also looked at staffing reductions. The 2022-23 budget included a decrease of 10 teaching FTE. This was calculated based on the previous year student decrease and the projected 2022-23 student decrease. This will be adjusted based on actual student count for Fall 2022.

The District extended current contracts for all 4 bargaining units until June 30, 2024. Employee groups were given increases, steps and off schedule one-time payments. Non-bargaining employees were also given a percentage increase and 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, 2023.

The District also included cost containment measures in this budget totaling approximately \$460,000. These measures include staffing reductions in Transportation and Child Care departments, reductions in transportation parts and reductions for vacant positions.

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 2021-2022, the budget was amended in March and June of 2022 to reflect the changes since the Original Budget adopted in June of 2021.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2022**

General Fund Revenues:

The General Fund budget revenues for the final budget increased by 12.54% as compared to the original budget.

| | |
|--------------------------------|----------------------|
| Total revenues final budget | \$ 116,454,381 |
| Total revenues original budget | <u>103,473,873</u> |
| Increase in budget revenues | <u>\$ 12,980,508</u> |

Increase in Revenue Budget:

Significant final budget adjustments for the year include:

- Increase in:
 - State Aid per pupil increase of \$566 and adjustment for student blended count along with adjustment in categorical allowances \$4,463,928
 - Increase in local revenue for Medicaid and e-rate funding \$594,852
 - Federal grant increase of \$6,865,510 primarily due to ESSER (including 23b), ARP IDEA & Preschool and Child Care Stabilization Incoming transfers increased \$673,034

Actual General Fund Revenues vs. Final Budget:

The District's actual General Fund revenues were less than the final budget by \$11,963,757, a variance of 10.39%. Of the total variance, local revenues increased by \$74,367. This increase is mainly due to an increase in Medicaid funding of \$114,626 offset by a decrease of \$40,259 in other local revenues. State sources increased by \$342,869 due primarily deferred revenue. Additionally, interdistrict sources increased \$953,241 mainly as a result of increased PA-18 special education and vocational education funds. Finally, a decrease in federal sources of \$13,334,234 that are mostly Elementary Secondary School Emergency Relief (ESSER) grants that are multi-year grants going through September 2023 and 2024 that were budgeted with the full grant award. 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. The District is taking a conservative approach to these federal grant funds as there are many requirements and other funding sources coming through the State of Michigan that expenditures can be applied to.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2022**

General Fund Expenditures:

The District's budget for expenditures increased by 7.94% for the year ended June 30, 2022:

| | |
|------------------------------------|---------------------|
| Total expenditures final budget | \$ 115,173,146 |
| Total expenditures original budget | <u>106,704,569</u> |
| Increase in budget expenditures | <u>\$ 8,468,577</u> |

Increase in Expenditure Budget:

Some of the final budget adjustments for the year include:

- Increase as follows:
 - Increase in Federal grant expenditures of \$6,865,510 due to Elementary and Secondary School Emergency Relief (ESSER) grants
 - Increases in wages and benefits due to negotiations and being in person school for the entire year.
 - Increase in utilities, transportation fuel and maintenance of \$1,050,3625

Actual General Fund Expenditures vs. Final Budget:

The District's actual General Fund expenditures were less than the final budget by 6.27%. This variance of \$7,208,118 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.

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, 2022

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 40,180,880 |
| Accounts receivable | 271,446 |
| Leases receivable | 3,893,625 |
| Due from other governmental units | 20,682,549 |
| Inventory | 23,719 |
| Prepaid items | 809,541 |
| Right to use assets - net of amortization | 637,414 |
| Capital assets not being depreciated | 11,124,507 |
| Capital assets - net of accumulated depreciation | <u>188,712,881</u> |
| Total assets | <u>266,336,562</u> |
| Deferred outflows of resources | |
| Deferred amount on refunding | 364,846 |
| Deferred amount relating to net pension liability | 27,667,021 |
| Deferred amount relating to net OPEB liability | <u>10,597,125</u> |
| Total deferred outflows | <u>38,628,992</u> |

See Accompanying Notes to the Financial Statements

Waterford School District
Statement of Net Position
June 30, 2022

| | Governmental Activities |
|---|----------------------------|
| Liabilities | |
| Accounts payable | \$ 7,096,870 |
| Payroll deductions and withholdings | 3,442,447 |
| Accrued expenditures | 1,474,544 |
| Accrued salaries payable | 5,265,479 |
| Unearned revenue | 1,789,009 |
| Long-term liabilities | |
| Debt due within one year | 13,004,540 |
| Debt due in more than one year | 129,927,789 |
| Net pension liability | 132,523,334 |
| Net OPEB liability | 8,347,733 |
| Total liabilities | 302,871,745 |
| Deferred inflow of resources | |
| Deferred amount on leases receivable | 3,893,625 |
| Deferred amount relating to net pension liability | 63,945,420 |
| Deferred amount relating to net OPEB liability | 35,899,473 |
| Total deferred inflows of resources | 103,738,518 |
| Net position | |
| Net investment in capital assets | 78,141,316 |
| Restricted | |
| Debt service | 101,530 |
| Unrestricted (deficit) | (179,887,555) |
| Total net position | \$ (101,644,709) |

See Accompanying Notes to the Financial Statements

Waterford School District
Statement of Activities
For the Year Ended June 30, 2022

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|---|-----------------------|-------------------------|--|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | | Capital Grants and Contributions |
| Functions/Programs | | | | | |
| Governmental activities | | | | | |
| Instruction | \$ 55,124,333 | \$ 110,867 | \$ 27,243,750 | \$ - | \$ (27,769,716) |
| Supporting services | 36,551,095 | 1,043,459 | 11,454,407 | - | (24,053,229) |
| Food services | 4,172,474 | 700,064 | 5,295,542 | - | 1,823,132 |
| Pool and fitness centers | 639,096 | 370,737 | - | - | (268,359) |
| Performing arts centers | 149,454 | 214,390 | - | - | 64,936 |
| Child care | 817,457 | 668,181 | 352,254 | - | 202,978 |
| Senior citizens | 525,647 | 347,097 | 270,813 | - | 92,263 |
| Special education center program | 4,674,250 | - | 5,271,644 | - | 597,394 |
| Senior and student activity | 1,688,911 | - | 1,844,395 | - | 155,484 |
| Unallocated depreciation and amortization expense | 13,671,939 | - | - | - | (13,671,939) |
| Interest and fiscal charges on long-term debt | 3,344,200 | - | - | - | (3,344,200) |
| Total governmental activities | \$ 121,358,856 | \$ 3,454,795 | \$ 51,732,805 | \$ - | (66,171,256) |
| General revenues | | | | | |
| Property taxes, levied for general purposes | | | | | 12,463,808 |
| Property taxes, levied for debt service | | | | | 18,446,366 |
| State aid - unrestricted | | | | | 50,186,850 |
| Interest and investment earnings | | | | | 78,846 |
| Other | | | | | 615,082 |
| Total general revenues | | | | | <u>81,790,952</u> |
| Change in net position | | | | | 15,619,696 |
| Net position - beginning | | | | | <u>(117,264,405)</u> |
| Net position - ending | | | | | <u>\$ (101,644,709)</u> |

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Balance Sheet
June 30, 2022

| | <u>General Fund</u> | <u>Capital Project 2021 Series I</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-------------------------------------|-------------------------|--|--|---|
| Assets | | | | |
| Cash and cash equivalents | \$ 7,048,308 | \$ 23,461,433 | \$ 8,200,840 | \$ 38,710,581 |
| Accounts receivable | 208,777 | - | 62,669 | 271,446 |
| Leases receivable | 3,893,625 | - | - | 3,893,625 |
| Due from other funds | 256,818 | - | 374,456 | 631,274 |
| Due from other governmental units | 20,552,561 | - | 129,988 | 20,682,549 |
| Inventory | - | - | 23,719 | 23,719 |
| Prepaid items | 808,054 | - | 1,487 | 809,541 |
| | <u>808,054</u> | <u>-</u> | <u>1,487</u> | <u>809,541</u> |
| Total assets | <u>\$ 32,768,143</u> | <u>\$ 23,461,433</u> | <u>\$ 8,793,159</u> | <u>\$ 65,022,735</u> |
| Liabilities | | | | |
| Accounts payable | \$ 2,128,266 | \$ 4,753,042 | \$ 215,562 | \$ 7,096,870 |
| Due to other funds | 1,647 | 392,575 | 237,052 | 631,274 |
| Payroll deductions and withholdings | 3,442,447 | - | - | 3,442,447 |
| Accrued expenditures | 70,329 | - | - | 70,329 |
| Accrued salaries payable | 5,265,479 | - | - | 5,265,479 |
| Unearned revenue | 1,769,662 | - | 19,347 | 1,789,009 |
| | <u>1,769,662</u> | <u>-</u> | <u>19,347</u> | <u>1,789,009</u> |
| Total liabilities | <u>12,677,830</u> | <u>5,145,617</u> | <u>471,961</u> | <u>18,295,408</u> |

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Balance Sheet
June 30, 2022

| | <u>General Fund</u> | <u>Capital Project 2021 Series I</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|--|--|---|
| Deferred inflows of resources | | | | |
| Unavailable | | | | |
| Operating grants | \$ 895,347 | \$ - | \$ - | \$ 895,347 |
| Leases | <u>3,893,625</u> | <u>-</u> | <u>-</u> | <u>3,893,625</u> |
| Total deferred inflows of resources | <u>4,788,972</u> | <u>-</u> | <u>-</u> | <u>4,788,972</u> |
| Fund balance | | | | |
| Non-spendable | | | | |
| Inventory | \$ - | \$ - | \$ 23,719 | \$ 23,719 |
| Prepaid items | 808,054 | - | - | 808,054 |
| Restricted | | | | |
| Debt service | - | - | 908,799 | 908,799 |
| Capital projects | - | 18,315,816 | 1,640,411 | 19,956,227 |
| Special Education center programs | - | - | 435,831 | 435,831 |
| Food service | - | - | 2,398,502 | 2,398,502 |
| Committed - senior and student activity | - | - | 1,650,789 | 1,650,789 |
| Assigned | | | | |
| Subsequent year's expenditures | 865,480 | - | - | 865,480 |
| Capital projects | - | - | 1,263,147 | 1,263,147 |
| Unassigned | <u>13,627,807</u> | <u>-</u> | <u>-</u> | <u>13,627,807</u> |
| Total fund balances | <u>15,301,341</u> | <u>18,315,816</u> | <u>8,321,198</u> | <u>41,938,355</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 32,768,143</u> | <u>\$ 23,461,433</u> | <u>\$ 8,793,159</u> | <u>\$ 65,022,735</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, 2022

| | |
|---|--------------------------------|
| Total fund balances for governmental funds | \$ 41,938,355 |
| 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 | 895,347 |
| 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 | 637,414 |
| Capital assets not being depreciated | 11,124,507 |
| Capital assets - net of accumulated depreciation | 188,712,881 |
| 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 | (63,945,420) |
| Deferred outflows of resources resulting from net pension liability | 27,667,021 |
| Deferred inflows of resources resulting from net OPEB liability | (35,899,473) |
| Deferred outflows of resources resulting from net OPEB liability | 10,597,125 |
| Deferred outflows of resources resulting from debt refunding | 364,846 |
| Certain liabilities are not due and payable in the current period and are not reported in the funds. | |
| Accrued interest | (807,269) |
| Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. | |
| Bonds payable | (132,695,000) |
| Bond premium payable | (9,321,260) |
| Net pension liability | (132,523,334) |
| Net OPEB liability | (8,347,733) |
| Lease liability | (638,299) |
| Installment purchase contract liability | (277,770) |
| Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position | <u>873,353</u> |
| Net position of governmental activities | <u>\$ (101,644,709)</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, 2022

| | General Fund | Capital Project 2021 Series I | Nonmajor Governmental Funds | Total Governmental Funds |
|--|--------------------|--|-----------------------------------|--------------------------------|
| Revenues | | | | |
| Local sources | \$ 14,291,285 | \$ 4,788 | \$ 22,607,219 | \$ 36,903,292 |
| State sources | 72,176,703 | - | 1,246,236 | 73,422,939 |
| Federal sources | 10,055,272 | - | 5,726,409 | 15,781,681 |
| Interdistrict sources | 6,661,146 | - | 4,217,608 | 10,878,754 |
| Total revenues | <u>103,184,406</u> | <u>4,788</u> | <u>33,797,472</u> | <u>136,986,666</u> |
| Expenditures | | | | |
| Current | | | | |
| Education | | | | |
| Instruction | 55,130,431 | - | - | 55,130,431 |
| Supporting services | 41,343,178 | - | - | 41,343,178 |
| Federal programs | 9,317,494 | - | - | 9,317,494 |
| Food services | - | - | 4,541,526 | 4,541,526 |
| Pool and fitness centers | - | - | 676,001 | 676,001 |
| Performing arts centers | - | - | 167,906 | 167,906 |
| Child care | - | - | 1,020,435 | 1,020,435 |
| Senior citizens | - | - | 617,910 | 617,910 |
| Special education center program | - | - | 5,338,544 | 5,338,544 |
| Senior and student activity | - | - | 1,688,911 | 1,688,911 |
| Building and site | - | 12,404,971 | 784,644 | 13,189,615 |
| Debt service | | | | |
| Principal | 1,800,044 | - | 12,075,000 | 13,875,044 |
| Interest and fiscal charges | 97,663 | - | 5,133,604 | 5,231,267 |
| Payment to bond refunding escrow agent | - | - | 9,968,285 | 9,968,285 |
| Total expenditures | <u>107,688,810</u> | <u>12,404,971</u> | <u>42,012,766</u> | <u>162,106,547</u> |
| Excess (deficiency) of revenues over expenditures | <u>(4,504,404)</u> | <u>(12,400,183)</u> | <u>(8,215,294)</u> | <u>(25,119,881)</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, 2022

| | <u>General Fund</u> | <u>Capital Project 2021 Series I</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------------------|-------------------------|--|--|---|
| Other financing sources (uses) | | | | |
| Proceeds from refunding bonds | \$ - | \$ - | \$ 7,820,000 | \$ 7,820,000 |
| Proceeds from leases | 401,233 | - | - | 401,233 |
| Premium on issuance of bonds | - | - | 763,669 | 763,669 |
| Transfers in | 294,776 | - | 612,486 | 907,262 |
| Transfers out | <u>(305,264)</u> | <u>-</u> | <u>(601,998)</u> | <u>(907,262)</u> |
| Total other financing sources (uses) | <u>390,745</u> | <u>-</u> | <u>8,594,157</u> | <u>8,984,902</u> |
| Net change in fund balances | (4,113,659) | (12,400,183) | 378,863 | (16,134,979) |
| Fund balances - beginning | <u>19,415,000</u> | <u>30,715,999</u> | <u>7,942,335</u> | <u>58,073,334</u> |
| Fund balances - ending | <u>\$ 15,301,341</u> | <u>\$ 18,315,816</u> | <u>\$ 8,321,198</u> | <u>\$ 41,938,355</u> |

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, 2022

| | |
|--|------------------------|
| Net change in fund balances - Total governmental funds | \$ (16,134,979) |
| 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 | (8,114) |
| 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 | (13,671,939) |
| Capital outlay | 11,740,710 |
| Loss on impairment | (310,000) |
| Sale of capital assets (net book value) | (1,183,464) |
| 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 | 68,854,247 |
| Net change in the deferrals of resources related to the net pension liability | (60,572,023) |
| 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 | 22,680,447 |
| Net change in the deferrals of resources related to the net OPEB liability | (12,510,045) |
| Expenses are recorded when incurred in the statement of activities. | |
| Interest | 4,469 |
| 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 | (8,583,669) |
| Lease liabilities issued | (401,233) |
| Repayments of long-term debt | 13,142,912 |
| Repayments of leases | 732,132 |
| Payment to bond refunding escrow agent | 9,968,285 |
| Amortization of premiums | 1,921,808 |
| Amortization of deferred amount on refunding | (39,210) |
| Internal Service Fund revenues and expenses are included in governmental activities in the statement of activities | (10,638) |
| Change in net position of governmental activities | \$ 15,619,696 |

See Accompanying Notes to the Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Net Position
June 30, 2022

| | <u>Internal Service Fund</u> |
|--------------------------------------|--------------------------------------|
| Assets | |
| Cash | \$ <u>1,470,299</u> |
| Liabilities | |
| Workers' compensation claims payable | 304,382 |
| Compensated absences | <u>292,564</u> |
| Total liabilities | <u>596,946</u> |
| Net position | <u>\$ <u>873,353</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, 2022

| | <u>Internal Service Fund</u> |
|------------------------------|--------------------------------------|
| Operating revenue | |
| Employee contributions | \$ 1,343,609 |
| Charges for services | <u>36,294,603</u> |
| Total operating revenues | <u>37,638,212</u> |
| Operating expense | |
| Health, dental and vision | 9,941,366 |
| Retirement | 23,591,324 |
| Social security | 3,836,930 |
| Compensated absences | 46,578 |
| Workers compensation | <u>232,652</u> |
| Total operating expenses | <u>37,648,850</u> |
| Operating loss | (10,638) |
| Net position - beginning | <u>883,991</u> |
| Net position - ending | <u><u>\$ 873,353</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, 2022

| | <u>Internal Service Fund</u> |
|---|--------------------------------------|
| Cash flows from operating activities | |
| Employee contributions | \$ 1,343,609 |
| Charges for services | 36,294,603 |
| Health, dental and vision | (9,941,366) |
| Retirement | (23,591,324) |
| Social security | (3,836,930) |
| Compensated absences | (35,940) |
| Workers' compensation | <u>(79,936)</u> |
| Net cash provided by operating activities | 152,716 |
| Cash and cash equivalents - beginning of year | <u>1,317,583</u> |
| Cash and cash equivalents - end of year | <u><u>\$ 1,470,299</u></u> |
| Reconciliation of operating loss to net cash from operating activities | |
| Change in net position | \$ (10,638) |
| Adjustments to reconcile operating loss to net cash provided by operating activities | |
| Changes in assets and liabilities | |
| Workers' compensation claims payable | 152,716 |
| Compensated absences | <u>10,638</u> |
| Net cash provided by operating activities | <u><u>\$ 152,716</u></u> |

See Accompanying Notes to the Financial Statements

Waterford School District
Notes to the Financial Statements
June 30, 2022

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, 2022

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.

2021 Series I – The 2021 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.

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 Equity

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, 2022, the rates are as follows per \$1,000 of assessed value.

| | |
|-----------------------------------|----------|
| General Fund | |
| Non-principal residence exemption | 17.73180 |
| Commercial personal property | 5.73180 |
| Debt Service Funds | 6.75000 |

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

Waterford School District
Notes to the Financial Statements
June 30, 2022

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

Waterford School District
Notes to the Financial Statements
June 30, 2022

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.

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.

Waterford School District
Notes to the Financial Statements
June 30, 2022

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. 87, *Leases* increases the usefulness of the District’s financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District’s leasing activities.

Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Upcoming Accounting and Reporting Changes

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. This statement is effective for the year ending June 30, 2023.

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 GASBs 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

Waterford School District
Notes to the Financial Statements
June 30, 2022

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.

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 | | | |
| Basic programs | \$ 24,024,854 | \$ 25,659,525 | \$ 1,634,671 |
| Employee benefits | 13,078,100 | 14,528,867 | 1,450,767 |
| Support | | | |
| Pupil | 8,077,915 | 8,596,384 | 518,469 |
| Civil | 58,428 | 89,211 | 30,783 |
| Employee benefits | 7,163,503 | 7,427,304 | 263,801 |
| Debt service | 898,125 | 1,897,707 | 999,582 |
| Transfers out | 276,218 | 305,264 | 29,046 |
| Senior and Student Activity | 1,686,400 | 1,688,911 | 2,511 |

Compliance Bond Proceeds

The Capital Projects 2016 Series IV and 2021 Series I 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 | 2021 Series I |
|--------------|---------------------|----------------------|
| Revenues | \$ 19,688,400 | \$ 35,000,346 |
| Expenditures | (18,047,989) | (16,684,530) |
| | <u>\$ 1,640,411</u> | <u>\$ 18,315,816</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) | \$ 40,156,819 |
| Petty cash and cash on hand | <u>24,061</u> |
| Total | <u>\$ 40,180,880</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.

Waterford School District
Notes to the Financial Statements
June 30, 2022

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, \$39,252,336 of the School District’s bank balance of \$40,589,627 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 \$2,154 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 \$243,105 from the tenants for the year ended June 30, 2022, which includes \$176,408 in lease revenue and \$66,697 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> | |
|-----------------------------|---------------------|
| 2023 | \$ 182,380 |
| 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>\$ 3,893,625</u> |

Waterford School District
Notes to the Financial Statements
June 30, 2022

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 | \$ 1,096,155 | \$ 736,127 | \$ 310,000 | \$ 1,522,282 |
| Construction-in-progress | <u>6,234,990</u> | <u>9,602,226</u> | <u>6,234,991</u> | <u>9,602,225</u> |
| Total capital assets not being depreciated | <u>7,331,145</u> | <u>10,338,353</u> | <u>6,544,991</u> | <u>11,124,507</u> |
| Capital assets being depreciated | | | | |
| Buildings and additions | 345,472,236 | 7,102,948 | 3,570,015 | 349,005,169 |
| Equipment and furniture | 8,699,116 | 16,313 | 4,418 | 8,711,011 |
| Buses and other vehicles | 8,234,590 | 116,854 | 2,029,430 | 6,322,014 |
| Right to use asset - equipment | 757,444 | 30,603 | 5,990 | 782,057 |
| Right to use asset - buses | <u>211,754</u> | <u>370,630</u> | <u>211,754</u> | <u>370,630</u> |
| Total capital assets being depreciated | <u>363,375,140</u> | <u>7,637,348</u> | <u>5,821,607</u> | <u>365,190,881</u> |
| Less accumulated depreciation for | | | | |
| Buildings and additions | 153,996,808 | 12,171,739 | 2,490,740 | 163,677,807 |
| Equipment and furniture | 6,133,472 | 372,041 | 1,694 | 6,503,819 |
| Buses and other vehicles | 6,676,510 | 395,142 | 1,927,965 | 5,143,687 |
| Right to use asset - equipment | - | 397,720 | 5,990 | 391,730 |
| Right to use asset - buses | <u>-</u> | <u>335,297</u> | <u>211,754</u> | <u>123,543</u> |
| Total accumulated depreciation | <u>166,806,790</u> | <u>13,671,939</u> | <u>4,638,143</u> | <u>175,840,586</u> |
| Net capital assets being depreciated | <u>196,568,350</u> | <u>(6,034,591)</u> | <u>1,183,464</u> | <u>189,350,295</u> |
| Net capital assets | <u>\$ 203,899,495</u> | <u>\$ 4,303,762</u> | <u>\$ 7,728,455</u> | <u>\$ 200,474,802</u> |

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

During the fiscal year, Waterford Village Elementary was demolished, resulting in an impairment loss on the land of \$310,000 to adjust it to the appraised value.

Construction Contracts

The School District has active construction projects as of June 30, 2022. At year end, the School District's commitment with contractors is as follows:

| | Remaining Construction Commitment at Year End | Total Contract |
|----------------------------------|--|----------------------|
| Beaumont Elementary | \$ 55,158 | \$ 5,963,555 |
| Cooley Elementary | 54,723 | 7,381,083 |
| Donelson Hills Elementary | 44,697 | 44,697 |
| Stepanski Food Service | 272,831 | 272,831 |
| Grayson Elementary | 59,465 | 7,262,820 |
| Haviland Elementary | 44,697 | 44,697 |
| Houghton Elementary | 44,697 | 44,697 |
| Kettering High School | 2,057,832 | 6,328,433 |
| Kingsley Montgomery School | 67,741 | 67,741 |
| Kurzman Administration Services | 5,000 | 168,223 |
| Schoolcraft Elementary | 197,943 | 7,115,787 |
| Stepanski Early Childhood Center | 18,105,838 | 22,193,668 |
| Technology | 2,331,491 | 3,406,988 |
| Mott High School | 193,500 | 258,000 |
| Crary Middle School | <u>15,635</u> | <u>312,710</u> |
| | <u>\$ 23,551,249</u> | <u>\$ 60,865,932</u> |

Waterford School District
Notes to the Financial Statements
June 30, 2022

Note 6 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-----------------------------|-----------------------------|-------------------|
| General | Nonmajor governmental funds | \$ 237,052 |
| General | 2021 Series I | 19,766 |
| Nonmajor governmental funds | General | 1,647 |
| Nonmajor governmental funds | 2021 Series I | <u>372,809</u> |
| | | <u>\$ 631,274</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:

| | <u>Transfers Out</u> | | |
|-----------------------------|----------------------|------------------------------------|-------------------|
| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | |
| Transfers in | | | |
| General Fund | \$ - | \$ 294,776 | \$ 294,776 |
| Nonmajor governmental funds | <u>305,264</u> | <u>307,222</u> | <u>612,486</u> |
| | <u>\$ 305,264</u> | <u>\$ 601,998</u> | <u>\$ 907,262</u> |

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

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 2013 and 2014 Refunding Debt Funds to the 2022 Refunding Debt Funds to reallocate revenue based on the new refunded 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 | \$ 19,347 |
| Grant and categorical aid payments received prior to meeting all eligibility requirements | <u>1,769,662</u> |
| Total | <u>\$ 1,789,009</u> |

Note 8 - Lease Liability

Lease agreements are summarized as follows:

| <u>Lease</u> | <u>Commencement Date</u> | <u>Termination Date</u> | <u>Payment Frequency</u> | <u>Payment Amount</u> | <u>Interest Rate</u> | <u>Total Lease Liability</u> | <u>Balance at June 30, 2022</u> |
|------------------|--------------------------|-------------------------|--------------------------|-----------------------|----------------------|------------------------------|---------------------------------|
| Postage machines | June 2017 | June 2022 | Monthly | \$ 549 | 2.050% | \$ 5,990 | \$ - |
| Postage machines | June 2022 | June 2027 | Monthly | 536 | 2.050% | 30,603 | 30,117 |
| Computers | July 2018 | June 2023 | Monthly | 23,061 | 2.182% | 542,062 | 273,985 |
| Copiers | March 2018 | March 2023 | Monthly | 10,584 | 1.250% | 209,392 | 84,283 |
| Buses | Sept 2019 | June 2022 | Annual | 202,103 | 2.300% | 211,754 | - |
| Buses | July 2021 | June 2024 | Annual | 127,728 | 2.300% | 370,630 | <u>249,914</u> |
| | | | | | | | <u>\$ 638,299</u> |

Waterford School District
Notes to the Financial Statements
June 30, 2022

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

| Year Ending June 30, | Principal | Interest | Total |
|----------------------|-------------------|------------------|-------------------|
| 2023 | \$ 487,667 | \$ 7,896 | \$ 495,563 |
| 2024 | 132,396 | 1,766 | 134,162 |
| 2025 | 6,128 | 306 | 6,434 |
| 2026 | 6,255 | 179 | 6,434 |
| 2027 | 5,853 | 51 | 5,904 |
| Total | \$ 638,299 | \$ 10,198 | \$ 648,497 |

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, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amount Due Within One Year |
|---|-----------------------|---------------------|----------------------|-----------------------|----------------------------------|
| Bonds | | | | | |
| Government obligation bonds | \$ 147,625,000 | \$ 7,820,000 | \$ 22,750,000 | \$ 132,695,000 | \$ 12,280,000 |
| Premium on bonds | 10,479,399 | 763,669 | 1,921,808 | 9,321,260 | - |
| | 158,104,399 | 8,583,669 | 24,671,808 | 142,016,260 | 12,280,000 |
| Notes from direct borrowings and direct placements | | | | | |
| Installment purchase contract | - | 500,682 | 222,912 | 277,770 | 236,873 |
| Other liabilities | | | | | |
| Leases | 969,198 | 401,233 | 732,132 | 638,299 | 487,667 |
| Total | \$ 159,073,597 | \$ 9,485,584 | \$ 25,626,852 | \$ 142,932,329 | \$ 13,004,540 |

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

| | |
|--|-----------------------|
| \$26,150,000 serial bond due in annual installments ranging from \$2,575,000 to \$4,560,000 through 2023, interest at 5.00% | \$ 3,145,000 |
| \$7,820,000 serial bond due in annual installments ranging from \$800,000 to \$1,140,000 through 2030, interest at 4.00% | 7,820,000 |
| \$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% | 15,300,000 |
| \$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% | 40,525,000 |
| \$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% | 7,620,000 |
| \$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% | 14,995,000 |
| \$6,755,000 Energy bond due in annual installments ranging from \$640,000 to \$915,000 through 2023, interest at 5.00% | 640,000 |
| \$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% | 5,905,000 |
| \$38,330,000 serial bond due in annual installments ranging from \$1,370,000 to \$2,595,000 through 2041, interest at 4.00% | 36,745,000 |
| Total general obligation bonded debt | \$ 132,695,000 |

Waterford School District
Notes to the Financial Statements
June 30, 2022

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 |
| 2023 | \$ 12,280,000 | \$ 4,701,931 | \$ 236,873 | \$ 10,377 |
| 2024 | 9,025,000 | 4,202,494 | 40,897 | 312 |
| 2025 | 9,640,000 | 3,894,044 | - | - |
| 2026 | 9,500,000 | 3,531,144 | - | - |
| 2027 | 9,860,000 | 3,179,744 | - | - |
| 2028-2032 | 43,165,000 | 11,008,388 | - | - |
| 2033-2037 | 31,265,000 | 4,565,400 | - | - |
| 2038-2041 | 7,960,000 | 811,400 | - | - |
| Total | \$ 132,695,000 | \$ 35,894,545 | \$ 277,770 | \$ 10,689 |

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 \$908,799 to pay this debt. Future debt and interest will be payable from future tax levies.

Current Refunding

In March 2022, the School District issued general obligation bonds of \$7,820,000 (par value) with an interest rate of 4.00% to refinance the 2015 Series Bond Funds with an interest rate of 2.00% and a par value of \$15,000,000. The net proceeds from the issuance of the general obligation bonds were deposited with an escrow agent to provide debt service payments.

As a result of the current refunding, the School District reduced its total debt service requirements by \$777,713, which resulted in an economic gain of \$710,856.

Deferred Amount on Refunding

The 2013, 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 | \$ 265,771 | \$ 138,285 | \$ 39,210 | \$ 364,846 |

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 \$2,418,981 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

Waterford School District
Notes to the Financial Statements
June 30, 2022

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:

| | 2022 | 2021 |
|--|------------|------------|
| Estimated liability at the beginning of the year | \$ 151,666 | \$ 267,360 |
| Estimated claims incurred including changes in estimates | 347,167 | 166,147 |
| Claim payments | (194,451) | (281,841) |
| Estimated liability end of year | \$ 304,382 | \$ 151,666 |

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 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 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.

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.

Waterford School District
Notes to the Financial Statements
June 30, 2022

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, 2020 valuation will be amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2021.

| Pension Contribution Rates | | |
|----------------------------|------------|----------|
| Benefit Structure | Member | Employer |
| Basic | 0.0 - 4.0% | 19.78% |
| Member Investment Plan | 3.0 - 7.0% | 19.78% |
| Pension Plus | 3.0 - 6.4% | 16.82% |
| Pension Plus 2 | 6.2% | 19.59% |
| Defined Contribution | 0.0% | 13.39% |

Required contributions to the pension plan from the School District were \$16,807,204 for the year ending September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$132,523,334 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the School District's proportion was 0.5598 percent, which was a decrease of 0.0265 percent from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the School District recognized pension expense of \$9,279,286 for the measurement period. For the reporting period ending June 30, 2022, the School District recognized total pension contribution expense of \$18,678,648.

Waterford School District
Notes to the Financial Statements
June 30, 2022

At June 30, 2022, 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 | \$ 2,052,843 | \$ (780,405) | \$ 1,272,438 |
| Changes of assumptions | 8,353,797 | - | 8,353,797 |
| Net difference between projected and actual earnings on pension plan investments | - | (42,605,826) | (42,605,826) |
| Changes in proportion and differences between the School District contributions and proportionate share of contributions | <u>-</u> | <u>(11,921,978)</u> | <u>(11,921,978)</u> |
| Total to be recognized in future | 10,406,640 | (55,308,209) | (44,901,569) |
| School District contributions subsequent to the measurement date | <u>17,260,381</u> | <u>(8,637,211)</u> | <u>8,623,170</u> |
| Total | <u>\$ 27,667,021</u> | <u>\$ (63,945,420)</u> | <u>\$ (36,278,399)</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, 2023. The District will offset the contribution expense in the year ended June 30, 2023 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows resources.

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:

| <u>Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)</u> | |
|--|------------------------|
| 2022 | \$ (8,479,260) |
| 2023 | (11,294,245) |
| 2024 | (12,826,335) |
| 2025 | <u>(12,301,729)</u> |
| | <u>\$ (44,901,569)</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, 2020
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%

Waterford School District
Notes to the Financial Statements
June 30, 2022

- Investment Rate of Return:
 - MIP and Basic Plans: 6.80% net of investment expenses
 - Pension Plus Plan: 6.80% 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, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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 4.4367 years.

The recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2021 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 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, 2021, are summarized in the following table:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return* |
|--------------------------------------|-------------------|---|
| Domestic Equity Pools | 25.0 % | 5.4 % |
| Private Equity Pools | 16.0 | 9.1 |
| International Equity | 15.0 | 7.5 |
| Fixed Income Pools | 10.5 | (0.7) |
| Real Estate and Infrastructure Pools | 10.0 | 5.4 |
| Absolute Return Pools | 9.0 | 2.6 |
| Real Return/Opportunistic Pools | 12.5 | 6.1 |
| Short Term Investment Pools | 2.0 | (1.3) |
| | 100.0% | |

*Long-term rates of return are net of administrative expenses and 2.0% inflation.

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Waterford School District
Notes to the Financial Statements
June 30, 2022

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% 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 7.80% (6.80% for the Pension Plus plan, 6.0% 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 6.80% (6.80% for the Pension Plus plan, 6.0% 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* |
|-----------------------|--|-----------------------|
| 5.80% / 5.80% / 5.00% | 6.80% / 6.80% / 6.00% | 7.80% / 7.80% / 7.00% |
| \$ 189,472,428 | \$ 132,523,334 | \$ 85,308,801 |

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

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

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

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

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 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 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.

Waterford School District
Notes to the Financial Statements
June 30, 2022

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.

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, 2020 valuation will be amortized over a 19-year period beginning October 1, 2020 and ending September 30, 2038.

Waterford School District
Notes to the Financial Statements
June 30, 2022

The schedule below summarizes OPEB contribution rates in effect for the fiscal year ending September 30, 2021.

| OPEB Contribution Rates | | |
|--------------------------------|--------|----------|
| Benefit Structure | Member | Employer |
| Premium Subsidy | 3.0% | 8.43% |
| Personal Healthcare Fund (PHF) | 0.0% | 7.57% |

Required contributions to the OPEB plan from the School District were \$4,059,869 for the year ended September 30, 2021.

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

At June 30, 2022, the School District reported a liability of \$8,347,733 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the School District's proportion was 0.5469 percent, which is a decrease of 0.0323 percent from its proportion measured as of September 30, 2020.

For the plan year ending September 30, 2021, the School District recognized OPEB expense of (\$5,992,259) for the measurement period. For the reporting period ending June 30, 2022, the School District recognized total OPEB contribution expense of \$4,177,682.

At June 30, 2022, 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 | \$ - | \$ (23,828,008) | \$ (23,828,008) |
| Changes of assumptions | 6,978,290 | (1,044,213) | 5,934,077 |
| Net difference between projected and actual earnings on OPEB plan investments | - | (6,291,836) | (6,291,836) |
| Changes in proportion and differences between the School District contributions and proportionate share of contributions | <u>67,530</u> | <u>(4,735,416)</u> | <u>(4,667,886)</u> |
| Total to be recognized in future | 7,045,820 | (35,899,473) | (28,853,653) |
| School District contributions subsequent to the measurement date | <u>3,551,305</u> | <u>-</u> | <u>3,551,305</u> |
| Total | <u>\$ 10,597,125</u> | <u>\$ (35,899,473)</u> | <u>\$ (25,302,348)</u> |

Waterford School District
Notes to the Financial Statements
June 30, 2022

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:

| Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses) | |
|---|-----------------|
| 2022 | \$ (7,619,355) |
| 2023 | (7,002,921) |
| 2024 | (6,266,821) |
| 2025 | (5,593,733) |
| 2026 | (2,095,850) |
| Thereafter | (274,973) |
| | \$ (28,853,653) |

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, 2020
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%

- Investment Rate of Return: 6.95% 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, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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 6.1312 years.

Waterford School District
Notes to the Financial Statements
June 30, 2022

The recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2020 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, 2021, are summarized in the following table:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return* |
|--------------------------------------|-------------------|---|
| Domestic Equity Pools | 25.0 % | 5.4 % |
| Private Equity Pools | 16.0 | 9.1 |
| International Equity | 15.0 | 7.5 |
| Fixed Income Pools | 10.5 | (0.7) |
| Real Estate and Infrastructure Pool: | 10.0 | 5.4 |
| Absolute Return Pools | 9.0 | 2.6 |
| Real Return/Opportunistic Pools | 12.5 | 6.1 |
| Short Term Investment Pools | 2.0 | (1.3) |
| | <u>100.0%</u> | |

*Long-term rates of return are net of administrative expenses and 2.0% inflation.

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14%. 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 6.95% 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 6.95%. 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 6.95%, 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 | Current Discount Rate | 1% Increase |
|----------------------|-----------------------|---------------------|
| 6.15% | 7.15% | 8.15% |
| <u>\$ 15,511,594</u> | <u>\$ 8,347,733</u> | <u>\$ 2,268,173</u> |

Waterford School District
Notes to the Financial Statements
June 30, 2022

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 |
|--------------|---------------------------------------|---------------|
| \$ 2,031,772 | \$ 8,347,733 | \$ 15,453,949 |

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2021 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, 2022.

The School District is a defendant in a lawsuit. Although the outcome of the lawsuit 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, 2022, the School District’s property tax revenues were reduced by \$477,451 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. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the School District’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. The 2021 financial statements include a prior period adjustment for the lease receivable and lease liability. This adjustment had no effect on the beginning fund balance of the General Fund or beginning net position of the governmental activities.

Waterford School District
Notes to the Financial Statements
June 30, 2022

The implementation had the following effect on fund balance and net position as reported June 30, 2021:

| | General Fund | Governmental Activities |
|---|----------------------|----------------------------|
| Net position/fund balance at June 30, 2021 | \$ 19,415,000 | \$ (117,264,405) |
| Adjustments | | |
| Net book value - leased assets | - | 969,198 |
| Lease liability | - | (969,198) |
| Deferred inflows - leases | (3,658,820) | (3,658,820) |
| Leases receivable | <u>3,658,820</u> | <u>3,658,820</u> |
| Restated net position/fund balance at June 30, 2021 | <u>\$ 19,415,000</u> | <u>\$ (117,264,405)</u> |

REQUIRED SUPPLEMENTARY INFORMATION

Waterford School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

| | Budgeted Amounts | | Actual | Over (Under) Budget |
|---|--------------------|--------------------|--------------------|---------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Local sources | \$ 13,622,066 | \$ 14,216,918 | \$ 14,291,285 | \$ 74,367 |
| State sources | 67,369,906 | 71,833,834 | 72,176,703 | 342,869 |
| Federal sources | 16,523,996 | 23,389,506 | 10,055,272 | (13,334,234) |
| Interdistrict sources | 5,707,905 | 5,707,905 | 6,661,146 | 953,241 |
| Total revenues | <u>103,223,873</u> | <u>115,148,163</u> | <u>103,184,406</u> | <u>(11,963,757)</u> |
| Expenditures | | | | |
| Current | | | | |
| Instruction | | | | |
| Basic programs | 22,638,580 | 24,024,854 | 25,659,525 | 1,634,671 |
| Added needs | 15,443,360 | 15,286,986 | 14,942,039 | (344,947) |
| Employee benefits | 12,196,804 | 13,078,100 | 14,528,867 | 1,450,767 |
| Supporting services | | | | |
| Pupil | 7,716,641 | 8,077,915 | 8,596,384 | 518,469 |
| Instructional staff | 1,970,626 | 2,376,130 | 2,359,875 | (16,255) |
| General administration | 1,324,187 | 1,329,067 | 957,472 | (371,595) |
| School administration | 4,067,089 | 4,072,954 | 3,976,229 | (96,725) |
| Business | 11,988,974 | 13,653,865 | 13,373,064 | (280,801) |
| Central | 3,344,482 | 3,596,369 | 3,048,212 | (548,157) |
| Athletics | 1,339,798 | 1,520,822 | 1,515,427 | (5,395) |
| Civic | 56,928 | 58,428 | 89,211 | 30,783 |
| Employee benefits | 6,680,775 | 7,163,503 | 7,427,304 | 263,801 |
| Teacher retirement savings | (300,000) | - | - | - |
| Federal programs | 16,917,075 | 19,759,810 | 9,317,494 | (10,442,316) |
| Debt service | | | | |
| Principal | 845,000 | 845,000 | 1,800,044 | 955,044 |
| Interest and fiscal charges | 53,125 | 53,125 | 97,663 | 44,538 |
| Total expenditures | <u>106,283,444</u> | <u>114,896,928</u> | <u>107,688,810</u> | <u>(7,208,118)</u> |
| Excess (deficiency) of revenues over expenditures | <u>(3,059,571)</u> | <u>251,235</u> | <u>(4,504,404)</u> | <u>(4,755,639)</u> |

Waterford School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

| | Budgeted Amounts | | Actual | Over (Under) Budget |
|---------------------------------------|----------------------|----------------------|----------------------|---------------------------|
| | Original | Final | | |
| Other financing sources (uses) | | | | |
| Proceeds from leases | \$ - | \$ 383,184 | \$ 401,233 | \$ 18,049 |
| Transfers in | 250,000 | 923,034 | 294,776 | (628,258) |
| Transfers out | (421,125) | (276,218) | (305,264) | (29,046) |
| Total other financing sources (uses) | (171,125) | 1,030,000 | 390,745 | (639,255) |
| Net change in fund balance | (3,230,696) | 1,281,235 | (4,113,659) | (5,394,894) |
| Fund balance - beginning | 19,415,000 | 19,415,000 | 19,415,000 | - |
| Fund balance - ending | \$ 16,184,304 | \$ 20,696,235 | \$ 15,301,341 | \$ (5,394,894) |

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)

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------|------|
| A. School District's proportion of net pension liability (%) | 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 | \$ 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 | \$ 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 | 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 | 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 2021.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2021.

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, | | | | | | | | | |
|---|------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|-------------------|------|------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| A. Statutorily required contributions | \$ 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>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) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | | |
| D. School District's covered- employee payroll | \$ 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 | 35.21% | 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)

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------------|---------------|---------------|---------------|---------------|------|------|------|------|------|
| A. School District's proportion of net OPEB liability (%) | 0.5469% | 0.5792% | 0.6000% | 0.6255% | 0.6373% | | | | | |
| B. School District's proportionate share of net OPEB liability | \$ 8,347,733 | \$ 31,028,180 | \$ 43,067,643 | \$ 49,721,940 | \$ 56,436,215 | | | | | |
| C. School District's covered-employee payroll | \$ 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 | 16.86% | 60.33% | 82.02% | 93.33% | 106.34% | | | | | |
| E. Plan fiduciary net position as a percentage of total OPEB liability | 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 2021.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2021.

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, | | | | | | | | | |
|---|------------------------------|------------------|------------------|------------------|------------------|------|------|------|------|------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| A. Statutorily required contributions | \$ 4,177,682 | \$ 3,935,402 | \$ 4,235,368 | \$ 4,199,646 | \$ 4,961,674 | | | | | |
| B. Contributions in relation to statutorily required contributions | <u>4,177,682</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> | | | | | |
| D. School District's covered- employee payroll | \$ 53,045,555 | \$ 48,562,626 | \$ 52,397,008 | \$ 52,727,396 | \$ 53,278,044 | | | | | |
| E. Contributions as a percentage of covered-employee payroll | 7.88% | 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, 2022

| | 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 | \$ 447,856 | - | \$ - | \$ - | \$ - | \$ 2,576,702 | \$ 1,649,142 | \$ 4,673,700 |
| Accounts receivable | - | 62,443 | - | - | - | 226 | - | 62,669 |
| Due from other governmental units | - | - | - | - | - | 129,988 | - | 129,988 |
| Due from other funds | - | - | - | - | - | - | 1,647 | 1,647 |
| Prepays | - | 1,487 | - | - | - | - | - | 1,487 |
| Inventory | - | - | - | - | - | 23,719 | - | 23,719 |
| Total assets | \$ 447,856 | \$ 63,930 | \$ - | \$ - | \$ - | \$ 2,730,635 | \$ 1,650,789 | \$ 4,893,210 |
| Liabilities and fund balance | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts payable | \$ 12,025 | \$ 63,930 | \$ - | \$ - | \$ - | \$ 59,612 | \$ - | \$ 135,567 |
| Due to other funds | - | - | - | - | - | 229,455 | - | 229,455 |
| Unearned revenue | - | - | - | - | - | 19,347 | - | 19,347 |
| Total liabilities | 12,025 | 63,930 | - | - | - | 308,414 | - | 384,369 |
| Fund balance | | | | | | | | |
| Non-spendable | | | | | | | | |
| Inventory | - | - | - | - | - | 23,719 | - | 23,719 |
| Restricted | | | | | | | | |
| Debt service | - | - | - | - | - | - | - | - |
| Capital projects | - | - | - | - | - | - | - | - |
| Special Education center programs | 435,831 | - | - | - | - | - | - | 435,831 |
| Food service | - | - | - | - | - | 2,398,502 | - | 2,398,502 |
| Committed - senior and student activity | - | - | - | - | - | - | 1,650,789 | 1,650,789 |
| Assigned | | | | | | | | |
| Capital projects | - | - | - | - | - | - | - | - |
| Total fund balances | 435,831 | - | - | - | - | 2,422,221 | 1,650,789 | 4,508,841 |
| Total liabilities and fund balances | \$ 447,856 | \$ 63,930 | \$ - | \$ - | \$ - | \$ 2,730,635 | \$ 1,650,789 | \$ 4,893,210 |

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

| | Debt Service Funds | | | | | | | | | | |
|--|--------------------|-------------------|------------------|------------------|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|--------------------------------|
| | 2013 Refunding | 2014 Refunding | 2003 Series V | 2016 Series I | 2016 Series II | 2016 Series III | 2016 Series IV | 2020 Refunding | 2021 Refunding | 2022 Refunding | Total Debt Service Funds |
| Assets | | | | | | | | | | | |
| Cash and cash equivalents | \$ 20,685 | \$ 48,067 | \$ - | \$ 89,829 | \$ 197,702 | \$ 62,021 | \$ 126,380 | \$ 121,009 | \$ 243,106 | \$ - | \$ 908,799 |
| Accounts receivable | - | - | - | - | - | - | - | - | - | - | - |
| Due from other governmental units | - | - | - | - | - | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | - | - | - | - | - | - | - |
| Prepays | - | - | - | - | - | - | - | - | - | - | - |
| Inventory | - | - | - | - | - | - | - | - | - | - | - |
| Total assets | \$ 20,685 | \$ 48,067 | \$ - | \$ 89,829 | \$ 197,702 | \$ 62,021 | \$ 126,380 | \$ 121,009 | \$ 243,106 | \$ - | \$ 908,799 |
| Liabilities and fund balance | | | | | | | | | | | |
| Liabilities | | | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | - | - | - | - | - | - | - | - | - | - |
| Unearned revenue | - | - | - | - | - | - | - | - | - | - | - |
| Total liabilities | - | - | - | - | - | - | - | - | - | - | - |
| Fund balance | | | | | | | | | | | |
| Non-spendable | | | | | | | | | | | |
| Inventory | - | - | - | - | - | - | - | - | - | - | - |
| Restricted | | | | | | | | | | | |
| Debt service | 20,685 | 48,067 | - | 89,829 | 197,702 | 62,021 | 126,380 | 121,009 | 243,106 | - | 908,799 |
| Capital projects | - | - | - | - | - | - | - | - | - | - | - |
| Special Education center programs | - | - | - | - | - | - | - | - | - | - | - |
| Food service | - | - | - | - | - | - | - | - | - | - | - |
| Committed - senior and student activity | - | - | - | - | - | - | - | - | - | - | - |
| Assigned | | | | | | | | | | | |
| Capital projects | - | - | - | - | - | - | - | - | - | - | - |
| Total fund balances | 20,685 | 48,067 | - | 89,829 | 197,702 | 62,021 | 126,380 | 121,009 | 243,106 | - | 908,799 |
| Total liabilities and fund balances | \$ 20,685 | \$ 48,067 | \$ - | \$ 89,829 | \$ 197,702 | \$ 62,021 | \$ 126,380 | \$ 121,009 | \$ 243,106 | \$ - | \$ 908,799 |

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

| | Capital Projects | | | Total Nonmajor Governmental Funds |
|--|-------------------------|---------------------|---------------------------|--|
| | Building Maintenance | 2016 Series IV | Total Capital Projects | |
| Assets | | | | |
| Cash and cash equivalents | \$ 1,263,147 | \$ 1,355,194 | \$ 2,618,341 | \$ 8,200,840 |
| Accounts receivable | - | - | - | 62,669 |
| Due from other governmental units | - | - | - | 129,988 |
| Due from other funds | - | 372,809 | 372,809 | 374,456 |
| Prepays | - | - | - | 1,487 |
| Inventory | - | - | - | 23,719 |
| Total assets | \$ 1,263,147 | \$ 1,728,003 | \$ 2,991,150 | \$ 8,793,159 |
| Liabilities and fund balance | | | | |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ 79,995 | \$ 79,995 | \$ 215,562 |
| Due to other funds | - | 7,597 | 7,597 | 237,052 |
| Unearned revenue | - | - | - | 19,347 |
| Total liabilities | - | 87,592 | 87,592 | 471,961 |
| Fund balance | | | | |
| Non-spendable | | | | |
| Inventory | - | - | - | 23,719 |
| Restricted | | | | |
| Debt service | - | - | - | 908,799 |
| Capital projects | - | 1,640,411 | 1,640,411 | 1,640,411 |
| Special Education center programs | - | - | - | 435,831 |
| Food service | - | - | - | 2,398,502 |
| Committed - senior and student activity | - | - | - | 1,650,789 |
| Assigned | | | | |
| Capital projects | 1,263,147 | - | 1,263,147 | 1,263,147 |
| Total fund balances | 1,263,147 | 1,640,411 | 2,903,558 | 8,321,198 |
| Total liabilities and fund balances | \$ 1,263,147 | \$ 1,728,003 | \$ 2,991,150 | \$ 8,793,159 |

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, 2022

| | Special Revenue Funds/School Service 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 | |
| Revenues | | | | | | | | |
| Local sources | \$ - | \$ 668,181 | \$ 347,097 | \$ 370,737 | \$ 214,390 | \$ 700,064 | \$ 1,844,395 | \$ 4,144,864 |
| State sources | 1,054,036 | - | - | - | - | 192,200 | - | 1,246,236 |
| Federal sources | - | 352,254 | 270,813 | - | - | 5,103,342 | - | 5,726,409 |
| Interdistrict sources | 4,217,608 | - | - | - | - | - | - | 4,217,608 |
| Total revenues | 5,271,644 | 1,020,435 | 617,910 | 370,737 | 214,390 | 5,995,606 | 1,844,395 | 15,335,117 |
| Expenditures | | | | | | | | |
| Current | | | | | | | | |
| Instruction | 2,123,504 | - | - | - | - | - | - | 2,123,504 |
| Supporting services | 3,215,040 | 1,020,435 | 347,097 | 676,001 | 167,906 | 675,868 | 1,688,911 | 7,791,258 |
| Federal programs | - | - | 270,813 | - | - | 3,865,658 | - | 4,136,471 |
| Building and site | - | - | - | - | - | - | - | - |
| Debt service | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - |
| Payment to bond refunding escrow agent | - | - | - | - | - | - | - | - |
| Total expenditures | 5,338,544 | 1,020,435 | 617,910 | 676,001 | 167,906 | 4,541,526 | 1,688,911 | 14,051,233 |
| Excess (deficiency) of revenues over expenditures | (66,900) | - | - | (305,264) | 46,484 | 1,454,080 | 155,484 | 1,283,884 |
| Other financing sources (uses) | | | | | | | | |
| Proceeds from refunding bonds | - | - | - | - | - | - | - | - |
| Premium on issuance of bonds | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | 305,264 | - | - | - | 305,264 |
| Transfers out | - | - | - | - | (46,484) | (248,292) | - | (294,776) |
| Total other financing sources (uses) | - | - | - | 305,264 | (46,484) | (248,292) | - | 10,488 |
| Net change in fund balances | (66,900) | - | - | - | - | 1,205,788 | 155,484 | 1,294,372 |
| Fund balances - beginning | 502,731 | - | - | - | - | 1,216,433 | 1,495,305 | 3,214,469 |
| Fund balances - ending | \$ 435,831 | \$ - | \$ - | \$ - | \$ - | \$ 2,422,221 | \$ 1,650,789 | \$ 4,508,841 |

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, 2022

| | Debt Service Funds | | | | | | | | | | |
|---|--------------------|------------------|-----------------|------------------|-------------------|------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| | 2013 | 2014 | 2003 | 2016 | 2016 | 2016 | 2016 | 2020 | 2021 | 2022 | Total |
| | Refunding | Refunding | Series V | Series I | Series II | Series III | Series IV | Refunding | Refunding | Refunding | Debt Service |
| Revenues | | | | | | | | | | | |
| Local sources | \$ 2,915,577 | \$ 2,551,695 | \$ 68,230 | \$ 1,286,753 | \$ 2,900,141 | \$ 926,130 | \$ 1,742,152 | \$ 1,667,178 | \$ 3,217,152 | \$ 1,188,301 | \$ 18,463,309 |
| State sources | - | - | - | - | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - | - | - | - |
| Interdistrict sources | - | - | - | - | - | - | - | - | - | - | - |
| Total revenues | <u>2,915,577</u> | <u>2,551,695</u> | <u>68,230</u> | <u>1,286,753</u> | <u>2,900,141</u> | <u>926,130</u> | <u>1,742,152</u> | <u>1,667,178</u> | <u>3,217,152</u> | <u>1,188,301</u> | <u>18,463,309</u> |
| Expenditures | | | | | | | | | | | |
| Current | | | | | | | | | | | |
| Instruction | - | - | - | - | - | - | - | - | - | - | - |
| Supporting services | - | - | - | - | - | - | - | - | - | - | - |
| Federal programs | - | - | - | - | - | - | - | - | - | - | - |
| Building and site | - | - | - | - | - | - | - | - | - | - | - |
| Debt service | | | | | | | | | | | |
| Principal | 2,575,000 | 2,395,000 | - | 855,000 | 1,650,000 | 670,000 | 1,025,000 | 1,320,000 | 1,585,000 | - | 12,075,000 |
| Interest and other | 286,137 | 119,780 | 139,003 | 415,069 | 1,212,747 | 251,324 | 697,948 | 321,549 | 1,579,140 | 110,907 | 5,133,604 |
| Payment to bond refunding escrow agent | - | - | - | - | - | - | - | - | - | 9,968,285 | 9,968,285 |
| Total expenditures | <u>2,861,137</u> | <u>2,514,780</u> | <u>139,003</u> | <u>1,270,069</u> | <u>2,862,747</u> | <u>921,324</u> | <u>1,722,948</u> | <u>1,641,549</u> | <u>3,164,140</u> | <u>10,079,192</u> | <u>27,176,889</u> |
| Excess (deficiency) of revenues over expenditures | <u>54,440</u> | <u>36,915</u> | <u>(70,773)</u> | <u>16,684</u> | <u>37,394</u> | <u>4,806</u> | <u>19,204</u> | <u>25,629</u> | <u>53,012</u> | <u>(8,890,891)</u> | <u>(8,713,580)</u> |
| Other financing sources (uses) | | | | | | | | | | | |
| Proceeds from refunding bonds | - | - | - | - | - | - | - | - | - | 7,820,000 | 7,820,000 |
| Premium on issuance of bonds | - | - | - | - | - | - | - | - | - | 763,669 | 763,669 |
| Transfers in | - | - | - | - | - | - | - | - | - | 307,222 | 307,222 |
| Transfers out | (202,950) | (104,272) | - | - | - | - | - | - | - | - | (307,222) |
| Total other financing sources (uses) | <u>(202,950)</u> | <u>(104,272)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,890,891</u> | <u>8,583,669</u> |
| Net change in fund balances | <u>(148,510)</u> | <u>(67,357)</u> | <u>(70,773)</u> | <u>16,684</u> | <u>37,394</u> | <u>4,806</u> | <u>19,204</u> | <u>25,629</u> | <u>53,012</u> | <u>-</u> | <u>(129,911)</u> |
| Fund balances - beginning | <u>169,195</u> | <u>115,424</u> | <u>70,773</u> | <u>73,145</u> | <u>160,308</u> | <u>57,215</u> | <u>107,176</u> | <u>95,380</u> | <u>190,094</u> | <u>-</u> | <u>1,038,710</u> |
| Fund balances - ending | <u>\$ 20,685</u> | <u>\$ 48,067</u> | <u>\$ -</u> | <u>\$ 89,829</u> | <u>\$ 197,702</u> | <u>\$ 62,021</u> | <u>\$ 126,380</u> | <u>\$ 121,009</u> | <u>\$ 243,106</u> | <u>\$ -</u> | <u>\$ 908,799</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, 2022

| | Capital Projects | | | Total Nonmajor Governmental Funds |
|--|-------------------------|-------------------|---------------------------|--|
| | Building Maintenance | 2016 Series IV | Total Capital Projects | |
| Revenues | | | | |
| Local sources | \$ - | \$ (954) | \$ (954) | \$ 22,607,219 |
| State sources | - | - | - | 1,246,236 |
| Federal sources | - | - | - | 5,726,409 |
| Interdistrict sources | - | - | - | 4,217,608 |
| Total revenues | - | (954) | (954) | 33,797,472 |
| Expenditures | | | | |
| Current | | | | |
| Instruction | - | - | - | 2,123,504 |
| Supporting services | - | - | - | 7,791,258 |
| Federal programs | - | - | - | 4,136,471 |
| Building and site | - | 784,644 | 784,644 | 784,644 |
| Debt service | | | | |
| Principal | - | - | - | 12,075,000 |
| Interest | - | - | - | 5,133,604 |
| Payment to bond refunding escrow agent | - | - | - | 9,968,285 |
| Total expenditures | - | 784,644 | 784,644 | 42,012,766 |
| Excess (deficiency) of revenues over expenditures | - | (785,598) | (785,598) | (8,215,294) |
| Other financing sources (uses) | | | | |
| Proceeds from refunding bonds | - | - | - | 7,820,000 |
| Premium on issuance of bonds | - | - | - | 763,669 |
| Transfers in | - | - | - | 612,486 |
| Transfers out | - | - | - | (601,998) |
| Total other financing sources (uses) | - | - | - | 8,594,157 |
| Net change in fund balances | - | (785,598) | (785,598) | 378,863 |
| Fund balances - beginning | 1,263,147 | 2,426,009 | 3,689,156 | 7,942,335 |
| Fund balances - ending | \$ 1,263,147 | \$ 1,640,411 | \$ 2,903,558 | \$ 8,321,198 |

Waterford School District
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2022

| Year Ending June 30, | 2013 Refunding | 2016 Series I | 2016 Series II | 2016 Series III | 2016 Series IV | Energy Refunding Bonds | 2020 Refunding | 2021 Refunding and Series I | 2022 Refunding | Total |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|------------------------------|---------------------|-----------------------------------|---------------------|-----------------------|
| 2023 | \$ 3,145,000 | \$ 880,000 | \$ 1,700,000 | \$ 680,000 | \$ 1,075,000 | \$ 640,000 | \$ 1,340,000 | \$ 2,020,000 | \$ 800,000 | \$ 12,280,000 |
| 2024 | - | 905,000 | 1,950,000 | 690,000 | 1,130,000 | - | 1,360,000 | 2,115,000 | 875,000 | 9,025,000 |
| 2025 | - | 935,000 | 2,300,000 | 700,000 | 1,190,000 | - | 1,380,000 | 2,220,000 | 915,000 | 9,640,000 |
| 2026 | - | 960,000 | 2,400,000 | 720,000 | 1,245,000 | - | 905,000 | 2,315,000 | 955,000 | 9,500,000 |
| 2027 | - | 995,000 | 2,500,000 | 740,000 | 1,315,000 | - | 920,000 | 2,390,000 | 1,000,000 | 9,860,000 |
| 2028 | - | 1,025,000 | 2,550,000 | 760,000 | 1,360,000 | - | - | 2,490,000 | 1,045,000 | 9,230,000 |
| 2029 | - | 1,055,000 | 2,625,000 | 800,000 | 1,415,000 | - | - | 2,595,000 | 1,090,000 | 9,580,000 |
| 2030 | - | 1,095,000 | 2,700,000 | 830,000 | 1,475,000 | - | - | 1,370,000 | 1,140,000 | 8,610,000 |
| 2031 | - | 1,130,000 | 2,800,000 | 840,000 | 1,535,000 | - | - | 1,425,000 | - | 7,730,000 |
| 2032 | - | 1,170,000 | 2,900,000 | 860,000 | 1,600,000 | - | - | 1,485,000 | - | 8,015,000 |
| 2033 | - | 1,210,000 | 3,000,000 | - | 1,655,000 | - | - | 1,545,000 | - | 7,410,000 |
| 2034 | - | 1,265,000 | 3,100,000 | - | - | - | - | 1,605,000 | - | 5,970,000 |
| 2035 | - | 1,315,000 | 3,200,000 | - | - | - | - | 1,670,000 | - | 6,185,000 |
| 2036 | - | 1,360,000 | 3,325,000 | - | - | - | - | 1,735,000 | - | 6,420,000 |
| 2037 | - | - | 3,475,000 | - | - | - | - | 1,805,000 | - | 5,280,000 |
| 2038 | - | - | - | - | - | - | - | 1,875,000 | - | 1,875,000 |
| 2039 | - | - | - | - | - | - | - | 1,950,000 | - | 1,950,000 |
| 2040 | - | - | - | - | - | - | - | 2,030,000 | - | 2,030,000 |
| 2041 | - | - | - | - | - | - | - | 2,105,000 | - | 2,105,000 |
| Total | <u>\$ 3,145,000</u> | <u>\$ 15,300,000</u> | <u>\$ 40,525,000</u> | <u>\$ 7,620,000</u> | <u>\$ 14,995,000</u> | <u>\$ 640,000</u> | <u>\$ 5,905,000</u> | <u>\$ 36,745,000</u> | <u>\$ 7,820,000</u> | <u>\$ 132,695,000</u> |
| Principal payments due the first day of | May | May | May | May | May | August | May | May | May | |
| Interest payments due the first day of | May and November | May and November | May and November | May and November | May and November | August and February | May and November | May and November | May and November | |
| Interest rate | 2.00% - 5.00% | 2.00% - 3.00% | 2.00% - 3.00% | 2.00% - 3.00% | 4.00% - 5.00% | 2.00 - 5.00% | 4.00% - 5.00% | 4.00% | 4.00% | |
| Original issue | <u>\$ 26,150,000</u> | <u>\$ 20,000,000</u> | <u>\$ 50,000,000</u> | <u>\$ 10,000,000</u> | <u>\$ 17,875,000</u> | <u>\$ 6,755,000</u> | <u>\$ 8,475,000</u> | <u>\$ 38,330,000</u> | <u>\$ 7,820,000</u> | |

Waterford School District

Single Audit Report

June 30, 2022



Table of Contents

| | Page |
|---|-------------|
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 1 |
| 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 | 3 |
| Schedule of Expenditures of Federal Awards | 6 |
| Notes to the Schedule of Expenditures of Federal Awards | 9 |
| Schedule of Findings and Questioned Costs | 10 |
| Summary Schedule of Prior Audit Findings | 12 |



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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, 2022, 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 25, 2022.

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 25, 2022



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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, 2022. 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, 2022.

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, 2022, 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 25, 2022, 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 25, 2022

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

| Federal Grantor Pass-Through Grantor Program Title | Assistance Listing Number | Grant Number | Award Amount | Accrued (Unearned) Revenue July 1, 2021 | (Memo Only) Prior Year Expenditures | Current Year Receipts | Current Year Expenditures | Adjustments | Accrued (Unearned) Revenue June 30, 2022 |
|--|---------------------------------|-----------------|-----------------|---|---|-----------------------------|---------------------------------|-------------|--|
| U.S. Department of Agriculture | | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | | |
| Child Nutrition Cluster | | | | | | | | | |
| Non-cash assistance (commodities) | | | | | | | | | |
| Entitlement Commodities | 10.555 | 63300 | \$ 321,933 | \$ - | \$ - | \$ 321,933 | \$ 321,933 | \$ - | \$ - |
| Bonus | | 63300 | 22,741 | - | - | 22,741 | 22,741 | - | - |
| | | | | <u>-</u> | <u>-</u> | <u>344,674</u> | <u>344,674</u> | <u>-</u> | <u>-</u> |
| Cash assistance | | | | | | | | | |
| COVID-19 Seamless Summer Option (SSO) - Breakfast | 10.553 | 211971 | 165,335 | - | - | 165,335 | 165,335 | - | - |
| School Breakfast Program | | 221970 | 37,801 | - | - | - | 37,801 | - | 37,801 |
| COVID-19 Seamless Summer Option (SSO) - Breakfast | | 221971 | 1,101,374 | - | - | 1,101,374 | 1,101,374 | - | - |
| | | | | <u>-</u> | <u>-</u> | <u>1,266,709</u> | <u>1,304,510</u> | <u>-</u> | <u>37,801</u> |
| COVID-19 Seamless Summer Option (SSO) - Lunch | 10.555 | 211961 | 428,603 | - | - | 428,603 | 428,603 | - | - |
| National School Lunch Program | | 221960 | 70,548 | - | - | - | 70,548 | - | 70,548 |
| COVID-19 Seamless Summer Option (SSO) - Lunch | | 221961 | 2,672,505 | - | - | 2,672,505 | 2,672,505 | - | - |
| Supply Chain Assistance | | 220910 | 141,304 | - | - | 141,304 | 141,304 | - | - |
| | | | | <u>-</u> | <u>-</u> | <u>3,242,412</u> | <u>3,312,960</u> | <u>-</u> | <u>70,548</u> |
| SFSP Operating | 10.559 | 210904 | 2,762,814 | 199,268 | 2,646,318 | 315,764 | 116,496 | - | - |
| SFSP Operating | | 220904 | 21,936 | - | - | - | 21,639 | - | 21,639 |
| | | | | <u>199,268</u> | <u>2,646,318</u> | <u>315,764</u> | <u>138,135</u> | <u>-</u> | <u>21,639</u> |
| Total Child Nutrition Cluster | | | | <u>199,268</u> | <u>2,646,318</u> | <u>5,169,559</u> | <u>5,100,279</u> | <u>-</u> | <u>129,988</u> |
| COVID-19 Pandemic EBT Local Level Costs | 10.649 | 210980 | 3,063 | - | - | 3,063 | 3,063 | - | - |
| Total U.S. Department of Agriculture | | | | <u>199,268</u> | <u>2,646,318</u> | <u>5,172,622</u> | <u>5,103,342</u> | <u>-</u> | <u>129,988</u> |
| Federal Communications Commission | | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | | |
| Emergency Connectivity Fund Program | 32.009 | ECF202100826 | 1,544,922 | - | - | 1,544,922 | 1,544,922 | - | - |

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

| Federal Grantor Pass-Through Grantor Program Title | Assistance Listing Number | Grant Number | Award Amount | Accrued (Unearned) Revenue July 1, 2021 | (Memo Only) Prior Year Expenditures | Current Year Receipts | Current Year Expenditures | Adjustments | Accrued (Unearned) Revenue June 30, 2022 |
|--|---------------------------------|-----------------|-----------------|---|---|-----------------------------|---------------------------------|-------------|--|
| U.S. Department of Education | | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 211530 | \$ 1,307,309 | \$ 1,156,107 | \$ 1,156,107 | \$ 1,167,096 | \$ 9,625 | \$ - | \$ (1,364) |
| Title I Grants to Local Educational Agencies | | 221530 | 1,414,803 | - | - | - | 1,215,565 | - | 1,215,565 |
| | | | | <u>1,156,107</u> | <u>1,156,107</u> | <u>1,167,096</u> | <u>1,225,190</u> | <u>-</u> | <u>1,214,201</u> |
| | | | | | | | | | |
| Title I State Agency Program for Neglected and Delinquent Children and Youth | 84.013 | 211700 | 600,115 | 518,460 | 518,460 | 518,460 | - | - | - |
| Title I State Agency Program for Neglected and Delinquent Children and Youth | | 221700 | 624,887 | - | - | - | 417,552 | - | 417,552 |
| | | | | <u>518,460</u> | <u>518,460</u> | <u>518,460</u> | <u>417,552</u> | <u>-</u> | <u>417,552</u> |
| Passed through Oakland Schools | | | | | | | | | |
| Special Education Cluster | | | | | | | | | |
| Special Education Grants to States | 84.027A | 200450 | 2,606,420 | 101,729 | 2,592,232 | 101,729 | - | - | - |
| Special Education Grants to States | | 210450 | 2,549,221 | 2,189,017 | 2,189,017 | 2,189,017 | 360,205 | - | 360,205 |
| Special Education Grants to States | | 220450 | 2,358,825 | - | - | - | 2,299,183 | - | 2,299,183 |
| ARP - Special Education Grants to States | 84.027X | 221280 | 542,901 | - | - | - | 542,901 | - | 542,901 |
| | | | | <u>2,290,746</u> | <u>4,781,249</u> | <u>2,290,746</u> | <u>3,202,289</u> | <u>-</u> | <u>3,202,289</u> |
| | | | | | | | | | |
| Special Education - Preschool | 84.173A | 200460 | 80,794 | 6,870 | 80,794 | 6,870 | - | - | - |
| Special Education - Preschool | | 210460 | 71,520 | 71,520 | 71,520 | 71,520 | - | - | - |
| Special Education - Preschool | | 220460 | 69,019 | - | - | - | 52,544 | - | 52,544 |
| ARP - Special Education - Preschool | 84.173X | 221285 | 40,699 | - | - | - | 25,690 | - | 25,690 |
| | | | | <u>78,390</u> | <u>152,314</u> | <u>78,390</u> | <u>78,234</u> | <u>-</u> | <u>78,234</u> |
| Total Special Education Cluster | | | | <u>2,369,136</u> | <u>4,933,563</u> | <u>2,369,136</u> | <u>3,280,523</u> | <u>-</u> | <u>3,280,523</u> |
| Passed through Michigan Department of Education | | | | | | | | | |
| English Language Acquisition State Grants | 84.365 | 210580 | 116,119 | 36,628 | 36,628 | 40,378 | 3,750 | - | - |
| English Language Acquisition State Grants | | 210570 | 2,404 | - | - | 2,040 | 2,040 | - | - |
| English Language Acquisition State Grants | | 220580 | 133,660 | - | - | - | 42,050 | - | 42,050 |
| | | | | <u>36,628</u> | <u>36,628</u> | <u>42,418</u> | <u>47,840</u> | <u>-</u> | <u>42,050</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, 2022

| Federal Grantor Pass-Through Grantor Program Title | Assistance Listing Number | Grant Number | Award Amount | Accrued (Unearned) Revenue July 1, 2021 | (Memo Only) Prior Year Expenditures | Current Year Receipts | Current Year Expenditures | Adjustments | Accrued (Unearned) Revenue June 30, 2022 |
|---|---------------------------------|-----------------|-----------------|---|---|-----------------------------|---------------------------------|--------------------|--|
| Passed through Michigan Department of Education | | | | | | | | | |
| Supporting Effective Instruction State Grants | 84.367 | 210520 | \$ 499,760 | \$ 360,622 | \$ 360,622 | \$ 363,453 | \$ 2,831 | \$ - | \$ - |
| Supporting Effective Instruction State Grants | | 220520 | 427,091 | - | - | - | 344,497 | - | 344,497 |
| | | | | <u>360,622</u> | <u>360,622</u> | <u>363,453</u> | <u>347,328</u> | <u>-</u> | <u>344,497</u> |
| Passed through Michigan Department of Education | | | | | | | | | |
| Student Support and Academic Enrichment | 84.424A | 200750 | 192,632 | (267) | 162,143 | (267) | - | - | - |
| Student Support and Academic Enrichment | | 210750 | 128,065 | 28,369 | 28,369 | 28,369 | - | - | - |
| Student Support and Academic Enrichment | | 220750 | 191,627 | - | - | - | 139,525 | - | 139,525 |
| | | | | <u>28,102</u> | <u>190,512</u> | <u>28,102</u> | <u>139,525</u> | <u>-</u> | <u>139,525</u> |
| Passed through Michigan Department of Education | | | | | | | | | |
| COVID-19 Governor's Emergency Education Relief (GEER) | 84.425C | 201200 | 596,275 | 596,275 | 596,275 | 596,275 | - | - | - |
| COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula | 84.425D | 203710 | 1,105,156 | 1,105,156 | 1,105,156 | 1,105,156 | - | - | - |
| COVID-19 ESSER Education Equity | 84.425D | 203720 | 165,773 | 165,773 | 165,773 | 165,773 | - | - | - |
| COVID-19 Elementary and Secondary School Emergency Relief (ESSER III) Formula | 84.425U | 213713 | 1,079,900 | - | - | - | 892,452 | - | 892,452 |
| | | | | <u>1,867,204</u> | <u>1,867,204</u> | <u>1,867,204</u> | <u>892,452</u> | <u>-</u> | <u>892,452</u> |
| Total U.S. Department of Education | | | | <u>6,336,259</u> | <u>9,063,096</u> | <u>6,355,869</u> | <u>6,350,410</u> | <u>-</u> | <u>6,330,800</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 | 21-9052-03 | 206,099 | 20,665 | 206,099 | 87,274 | 66,609 | - | - |
| Special Programs for the Aging Title III, Part C Nutrition Services | | 22-9052-03 | 270,825 | - | - | 182,299 | 204,216 | - | 21,917 |
| | | | | <u>20,665</u> | <u>206,099</u> | <u>269,573</u> | <u>270,825</u> | <u>-</u> | <u>21,917</u> |
| Passed through Oakland Livingston Human Services Agency (OLHSA) | | | | | | | | | |
| Head Start Cluster | | | | | | | | | |
| Head Start | 93.600 | 05CH010367 | 751,955 | 444,237 | 444,237 | 444,237 | - | - | - |
| Head Start | | 05CH010367 | 826,330 | 39,109 | 762,447 | - | - | (39,109) | - |
| Head Start | | 05CH010367 | 782,817 | - | - | 307,718 | 772,669 | - | 464,951 |
| | | | | <u>483,346</u> | <u>1,206,684</u> | <u>751,955</u> | <u>772,669</u> | <u>(39,109)</u> | <u>464,951</u> |
| Passed through Oakland Schools | | | | | | | | | |
| Medicaid Cluster | | | | | | | | | |
| Medical Assistance Program | 93.778 | N/A | 40,702 | - | - | 40,702 | 40,702 | - | - |
| Total U.S. Department of Health and Human Services | | | | <u>504,011</u> | <u>1,412,783</u> | <u>1,062,230</u> | <u>1,084,196</u> | <u>(39,109)</u> | <u>486,868</u> |
| Total Federal Awards | | | | <u>\$ 7,039,538</u> | <u>\$ 13,122,197</u> | <u>\$ 14,135,643</u> | <u>\$ 14,082,870</u> | <u>\$ (39,109)</u> | <u>\$ 6,947,656</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, 2022

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, 2022. 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 | \$ 14,082,870 |
| Child Care Relief Fund grants received as a beneficiary | 1,752,840 |
| Adjustment | (39,109) |
| Funds not received within 60 days of June 30, 2021 | 678,356 |
| Funds not received within 60 days of June 30, 2022 | <u>(693,276)</u> |
| Federal revenues per the financial statements | <u><u>\$ 15,781,681</u></u> |

An adjustment to the schedule of expenditures of federal awards of \$39,109 was made for grant 05CH010367 Head Start (AL #93.600) for expenditures and accounts receivable from the prior year that were not requested before the required deadline and therefore deemed unallowable.

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
Schedule of Findings and Questioned Costs
June 30, 2022

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant Deficiency(ies) identified that are not considered to be material weakness(es)? yes 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 no

Identification of major programs:

| <i>Assistance Listing Number(s)</i> | <i>Name of Federal Program or Cluster</i> |
|-------------------------------------|---|
| 10.553, 10.555, 10.559 | Child Nutrition Cluster |
| 32.009 | Emergency Connectivity Fund Program |
| 84.425C, 84.425D, 84.425U | Education Stabilization Fund |

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

Auditee qualified as low-risk auditee? yes no

Waterford School District
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

Waterford School District
Summary Schedule of Prior Audit Findings
June 30, 2022

SECTION IV- PRIOR AUDIT FINDINGS

Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2021.

Federal Award Findings

2021-001 – Significant Deficiency and Noncompliance – Special Tests

Program information: COVID-19 Governor’s Emergency Education Relief (GEER), U.S. Department of Education, passed through Michigan Department of Education, AL #84.425C; COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula, U.S. Department of Education, passed through Michigan Department of Education, AL #84.425D; COVID-19 ESSER Education Equity, U.S. Department of Education, passed through Michigan Department of Education, AL #84.425D.

Criteria: The School District has a responsibility to contact all private schools within the district that might have students eligible to participate Education Stabilization Fund (ESF) programs. In addition, the School District is required to contact private schools outside of the district if the School District has reason to believe students who reside the public-school attendance area attend those schools.

Condition: The School District did not contact private schools in the district to offer Education Stabilization Funds.

Questioned costs: None

Cause and effect: The School District did not have controls in place to ensure that Education Stabilization Funds were properly offered to private schools within the School District.

Recommendation: The School District should implement controls to verify ESF funding is offered to private schools in the School District. The School District will need to verify they have an accurate list of the private schools and retain documentation that those schools were contacted, as well as their response. We recommend that certified mail receipts be retained for all letters sent to the private schools. Therefore, if a private school doesn’t respond to the letter this can be used as support that the letter was received, and services were assumed denied in order to maintain compliance with federal requirements.

Status: Recommendation has been implemented.