

Waterford School District

Financial Statements

June 30, 2018



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Waterford School District
Members of the Board of Education and Administration
June 30, 2018

Members of the Board of Education

John Himmelspach	President
John Paul Torres	Vice President
Bob Piggott	Secretary
Joan Sutherland	Treasurer
Mary Barghahn	Trustee
Heather Halls	Trustee
Robert Petrusha, Jr.	Trustee

Administration

Dr. Keith Wunderlich	Superintendent
William D. Holbrook, CPA	Assistant Superintendent of Business and Operations
Danielle Corbeil	Director, Finance and Budget



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Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Waterford School District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 1 of the financial statements, during the year ended June 30, 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter

Other Matters:

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the administration's discussion and analysis, schedule of school district's proportionate share of the net pension liability, schedule of school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, schedule of the school district's OPEB contributions, and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waterford School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other than the prior year information, 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.

Prior Year Supplementary Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Waterford School District's basic financial statements as of and for the year ended June 30, 2017, which are not presented with the accompanying financial statements. In our report dated October 16, 2017, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Waterford School District's financial statements as a whole. The 2017 information in the comparative supplementary schedules is presented for purposes 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 2017 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2017 information in the comparative supplementary schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2018 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterford School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

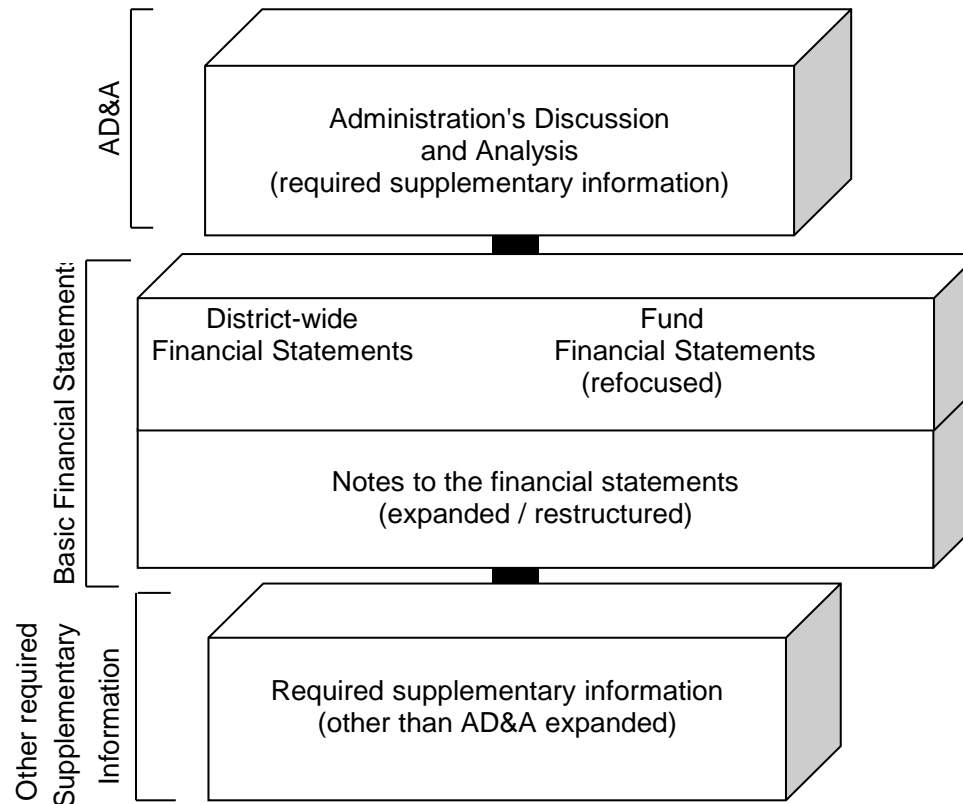
Saginaw, Michigan
October 10, 2018

ADMINISTRATION'S DISCUSSION AND ANALYSIS

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2018**

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, 2018.

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, 2018**

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, School Service Fund, Debt Retirement Fund, Capital Projects Funds, and Fiduciary Fund. 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 School Service Fund is comprised of Special Education Center Programs, Child Care, Senior Citizens, Pool & Fitness Centers, Performing Arts Centers, and Food Service. Food Service, Child Care and Senior Citizens are self-supporting programs. The Debt Fund is 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. The Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent for various student groups and related activities.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2018

Financial Analysis of the District as a Whole:

Assets	<u>2017-2018</u>	<u>Restated 2016-2017</u>	<u>Change</u>
Current assets	\$ 93,579,486	\$ 52,178,924	\$ 41,400,562
Capital assets	294,818,512	273,746,273	21,072,239
Less: accumulated depreciation	<u>(132,330,620)</u>	<u>(123,037,309)</u>	<u>(9,293,311)</u>
Capital assets, net book value	<u>162,487,892</u>	<u>150,708,964</u>	<u>11,778,928</u>
Total assets	<u>256,067,378</u>	<u>202,887,888</u>	<u>53,179,490</u>
Deferred outflow of resources			
Deferred amount on refunding	113,575	136,290	(22,715)
Deferred amount of pension expense related to net pension liability	34,184,587	20,931,151	13,253,436
Deferred amount of pension expense related to net OPEB liability	<u>3,498,736</u>	<u>2,689,803</u>	<u>808,933</u>
Total deferred outflows	<u>37,796,898</u>	<u>23,757,244</u>	<u>13,230,721</u>
Total assets and deferred outflows	<u>293,864,276</u>	<u>226,645,132</u>	<u>66,410,211</u>
Liabilities			
Current liabilities	42,760,533	40,516,223	2,244,310
Long-term liabilities	<u>357,015,284</u>	<u>255,373,829</u>	<u>101,641,455</u>
Total liabilities	399,775,817	295,890,052	103,885,765
Deferred inflow of resources			
Deferred amount relating to net pension liability	26,375,188	16,888,138	9,487,050
Deferred amount relating to net OPEB liability	<u>1,907,956</u>	<u>57,001,757</u>	<u>(55,093,801)</u>
Total deferred inflows	<u>28,283,144</u>	<u>73,889,895</u>	<u>(45,606,751)</u>
Total liabilities and deferred inflows	<u>428,058,961</u>	<u>369,779,947</u>	<u>58,279,014</u>
Net Position			
Net investment in capital assets	66,344,183	62,506,533	3,837,650
Restricted	1,122,486	1,109,475	13,011
Unrestricted (deficit)	<u>(201,661,354)</u>	<u>(206,750,823)</u>	<u>5,089,469</u>
Total net position	<u>\$ (134,194,685)</u>	<u>\$ (143,134,815)</u>	<u>\$ 8,940,130</u>

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2018

As indicated by the statement on the prior page, total fiscal year 2017-18 and 2016-17 net position is (\$134,194,685) and (\$143,134,815, as restated) respectively. Net position can be separated into three categories: net investment in capital assets, restricted net position, and unrestricted net position.

Net capital assets are a combination of funds available for capital assets, plus capital assets at original cost less accumulated depreciation and related debt. The original cost of capital assets for fiscal year 2017-2018 and 2016-2017 is \$294,818,512 and \$273,746,273, respectively, which is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense year after year. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation 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 for fiscal year 2017-2018 and 2016-2017 is \$132,330,620 and \$123,037,309, respectively. Most capital asset 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 2017-2018 and 2016-2017 was \$148,347,667 and \$101,489,358, respectively.

Restricted net position for fiscal year 2017-2018 consist of Debt Service of \$1,122,486. The remaining net position of (\$201,661,354) and (\$206,750,823) for fiscal year 2017-18 and 2016-2017, 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.

The District adopted GASB 75 during the 2017-2018 fiscal year. Previous to this year, the OPEB liability was not recorded on the School District's statements. The impact of this change reduces the beginning net position as of July 1, 2017 by \$54,311,954, restating it from \$(88,822,861) to \$(143,134,815).

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

- Current assets increased \$41,400,562, primarily due to investing proceeds from the issuances of both the 2016 Series II Bonds and 2016 Series III Bonds totaling \$44,857,637 – both bonds being capital improvement. This increase is offset by a decrease in cash held in the Capital Projects funds of \$6,903,214 and an increase in cash held by non-major funds of \$4,261,361.
- Net Capital assets increased \$11,778,928 as a result of \$21,072,239 in capital improvements, offset by \$9,293,311 in normally scheduled depreciation.
- Current liabilities increased by \$2,244,310 mainly due to an increase in bond principal and interest payments, offset by a reduction of the short-term borrowing note and timing of accounts payable and Capital Projects payments.
- Long-term liabilities increased \$101,641,455 as a result of the issuance of 2016 Series II Bonds and 2016 Series III Bonds, offset by scheduled principal payments netting to \$43,473,309 (net of change in amount due within one year) and the inclusion of GASB 75 OPEB liability as discussed above.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2018**

	<u>2017-2018</u>	<u>2016-2017</u>	<u>Change</u>
Program revenue:			
Charges for services local and intermediate	\$ 5,574,019	\$ 6,627,298	\$ (1,053,279)
Operating grants - federal and state	<u>40,812,086</u>	<u>38,670,982</u>	<u>2,141,104</u>
Total revenue	46,386,105	45,298,280	1,087,825
General revenue:			
Property taxes, levied for general purposes	11,695,524	11,696,436	(912)
State of Michigan aid, unrestricted	<u>56,856,998</u>	<u>57,701,537</u>	<u>(844,539)</u>
Total foundation allowance	<u>68,552,522</u>	<u>69,397,973</u>	<u>(845,451)</u>
Property taxes, levied for debt service	16,094,988	15,523,166	571,822
Interest and investment earnings	668,950	31,652	637,298
Gain sale of capital sale	-	224,619	(224,619)
Other	<u>604,747</u>	<u>73,219</u>	<u>531,528</u>
Total revenues	<u>17,368,685</u>	<u>15,852,656</u>	<u>1,516,029</u>
Total revenues	<u>132,307,312</u>	<u>130,548,909</u>	<u>1,758,403</u>
Expenses:			
Instruction	64,018,454	63,045,050	973,404
Support services	38,053,648	37,709,494	344,154
Food service	4,559,483	4,928,318	(368,835)
Pool & Fitness centers	1,100,905	1,015,793	85,112
Performing arts center	259,283	279,870	(20,587)
Childcare	1,201,033	1,129,878	71,155
Senior citizens	714,030	652,758	61,272
Special education center programs	6,619,136	6,074,675	544,461
Unallocated depreciation expense	3,197,286	3,082,367	114,919
Tax tribunal refunds	69,041	1,625	67,416
Interest on long-term debt	<u>3,574,883</u>	<u>2,680,017</u>	<u>894,866</u>
Total expenses	<u>123,367,182</u>	<u>120,599,845</u>	<u>2,767,337</u>
Change in net position	<u>\$ 8,940,130</u>	<u>\$ 9,949,064</u>	<u>\$ (1,008,934)</u>

As indicated on the above, fiscal year 2017-2018 and 2016-2017, the change in net position was \$8,940,130 and \$9,949,064, respectively.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2018

The 2017-2018 increase in net position as compared to fiscal year 2016-2017 is due to the following factors:

Revenues:

- Charges for services decreased \$1,053,279, primarily due to a reduction in Senior Center revenues and a reclassification of eRate funding and Waterford Foundation funding to Other General Revenue.
- Operating grants increased \$2,141,104, primarily due to an increase in Federal grants of \$427,965, an increase in At Risk revenue of \$345,897 and an increase in State MPSERS funding of \$1,382,543.
- Unrestricted State Aid decreased \$844,539 as a result of a decrease of 261 students, offset by a \$119 per student increase in foundation allowance.
- Property taxes increased \$570,910, due to increased taxable property values.

Expenses:

- Instructional expenses increased \$973,404 due primarily to an increase in Federal expenditures as noted above and increased depreciation expense allocation.
- Support services increased by \$344,154 due primarily to an increase in Federal expenditures as noted above and increased depreciation expense allocation.
- Food Service decreased \$368,835 from last year due to lower labor and food costs.
- Special Education Center Programs increased \$544,461 as a result of student demographics and related increase in student services.
- Interest on long term debt increased by \$894,866 due to normally scheduled principal payments, offset by later issuances of 2016 Series II and 2016 Series III Bonds.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2018

Capital Assets and Debt Administration

Capital Assets

At June 30, 2018, the District had \$162,487,892 invested in a broad range of capital assets, including land, buildings, furniture and equipment.

	<u>2017-2018</u>	<u>2016-2017</u>
Capital assets		
Land	\$ 1,132,100	\$ 1,132,100
Construction in progress	6,006,096	6,311,205
Building & additions	273,921,396	252,823,301
Furniture and equipment	5,752,264	5,600,823
Buses and other vehicles	<u>8,006,656</u>	<u>7,878,844</u>
Subtotal	294,818,512	273,746,273
Less: accumulated depreciation	<u>132,330,620</u>	<u>123,037,309</u>
Net capital assets	<u>\$ 162,487,892</u>	<u>\$ 150,708,964</u>

This is an increase in net capital assets of \$11,778,928 over last year. Depreciation expense for the year is \$9,293,311. During the fiscal year, the District expended the remaining \$13,167,645 of 2016 Series I bonds, and expended \$8,285,940 of the 2016 Series II bonds and \$126,776 of the 2016 Series III bonds. Note that not all expenditures meet the district's \$10,000 capitalization threshold to be recorded in this schedule. Construction in progress decreased minimally from prior year by \$305,109 due to continued 2016 Series II Bond projects that include Mason Middle School building wide renovations, as well as Haviland Elementary School and Houghton Elementary School building-wide renovations. The District has \$42,136,862 remaining of the 2016 Series II bonds and \$9,953,521 of the 2016 Series III bonds set aside for future capital projects.

Debt

At the end of this fiscal year, the District had \$144,125,000 in General Obligation Bonds outstanding. This is an increase of \$47,270,000 compared to last year due to the \$50,000,000 2016 Series II bond and \$10,000,000 Series III bond issuances, offset by scheduled principal payments.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2018

Governmental Fund Revenues

Sources of Revenues:

Local sources of revenues total \$34,704,634. This is an increase of \$752,863 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, and Capital Project Fund revenues. The General Fund revenues of \$13,981,144 decreased \$134,718. The Debt Fund local revenues of \$16,094,988 increased \$571,822. Special Education Center Programs revenues were \$0, which was consistent with prior year. The Childcare Fund revenues of \$1,123,190 decreased \$11,787 over prior year. The Senior Citizen Fund revenues of \$301,608 decreased \$147,550 from prior year. The Pool & Fitness Center Fund of \$732,070 decreased \$55,188. The Performing Arts Centers Fund had revenue of \$259,283, which was an increase of \$12,512 over prior year. The Food Service Fund revenues of \$1,578,998 decreased \$87,694 over prior year. Capital Project funds of \$81,443 increased \$53,556 from prior year.

State sources of revenue total \$76,435,642. This is an increase of \$439,329 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 \$74,735,353 increased \$379,621 over prior year. This increase is due to the foundation grant increasing \$119 per student totaling \$1,105,390, additional state funding for high school pupil FTE of \$72,340, increase in the MPSERS 147a MSPERS funding by \$321,868, increase in 147c MPSERS funding by \$1,021,652 and an increase in At-Risk funding of 345,897, offset by a decrease in the number of students of 261 students totaling \$1,995,333 and a decrease in court placed (Section 24) funding of \$589,066. Included in the State sources of revenue is the membership foundation allowance of \$56,764,980 in the General Fund; a decrease of \$688,278 from prior year as explained above in regards to increased foundation allowance offset by fewer General Fund students. The Special Education Center Programs Fund of \$1,480,010 increased \$99,018 over prior year due to an increase of 4 students. The Food Service Fund of \$262,010 increased \$2,421 over prior year. State sources of revenue make up 73.98% of General Fund revenues. This ties the District directly to the State's overall economy.

Federal sources of revenue total \$10,662,407, an increase of \$524,180 from prior year. This was due to marginal increased spending in several of the District's federal grant across funds.

Interdistrict sources of revenue total \$10,504,629, an increase of \$266,650 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 \$27,790,512, an increase of \$570,910 from prior year. Total property tax revenue is obtained through a voter approved 18-mill levy on the taxable value of non-homestead properties for the District's operations and a voter approved 7.00-mill levy on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2018**

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 \$7,659 for 2017-2018 and \$7,540 for 2016-2017 fiscal years. The number of students to be funded is calculated by student enrollment blended at 90% of the Fall 2017 count and 10% Supplemental Count (February 2017). Total blended student enrollment for this fiscal year is 9,028, a decrease of 261 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, School Service Funds, Federal Programs, Debt, and Capital Projects. Instruction expenditures of \$51,137,403 increased \$42,205 and Support Services expenditures of \$38,642,274 decreased \$441,497. The changes in Support Services were mostly due to a decrease in contributions to School Service Funds, primarily the Senior Center. Federal Program expenditures of \$7,354,822 increased \$319,781 due to marginal increases in spending amongst several federal grants across funds. School Service Fund expenses of \$14,288,583 increased \$219,277 over prior year mainly due to Special Education Center Programs and Food Service. The Capital Projects fund of \$21,580,078 increased \$6,115,352 due to the continuing projects via the 2016 Series II bond improvements. The Debt Service Fund with expenditures of \$15,816,366 increased \$70,630 mainly as a result of scheduled principal and interest payments.

Economic Factors and Next Year's Budgets and Rates

The Board of Education and administration consider many factors when setting the School District's 2018-2019 fiscal year budget. Three major factors affecting the budget this year are the student count, State funding of the unrestricted foundation allowance, and contract settlements with all bargaining units.

As of the date of this report the state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2018-2019 fiscal year is 90 percent and 10 percent of the Fall 2018 and Supplemental (February) 2018 student counts, respectively. The 2017-2018 budget was adopted in June 2017, based on an estimate of students that will be enrolled in September 2017, as well as State Aid funding. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations. Since the District's revenue is heavily dependent upon state funding, actual funding depends on the state's ability to collect revenues to fund its appropriations to school districts.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2018**

Subsequent to year end 2017-2018 the District settled wage re-opener clauses all 5 bargaining unit contracts for the 2018-2019 fiscal year. All 5 bargaining units received a 2% increase. Benefit agreements are on a calendar year basis. The current letter of agreement for benefits include employee contributions to healthcare for those who qualify and extends through December 31, 2018.

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 2017-2018, the budget was amended in April of 2018 to reflect the changes since the Original Budget adopted in June of 2017.

General Fund Revenues:

The General Fund budget revenues for the final budget increased by 1.78% as compared to the original budget.

Total revenues final budget	\$ 102,019,276
Total revenues original budget	<u>100,234,542</u>
Increase in budget revenues	<u><u>\$ 1,784,734</u></u>

Increase in Revenue Budget:

Significant final budget adjustments for the year include:

- Increase in Membership of 51 fte totaling \$487,380
- Additional High School Membership Bonus totaling \$72,011
- Additional funding for the MPSERS 147c(2) One Time Deposit totaling \$1,287,445
- Increase in At Risk funding of \$440,243
- Increase in Federal funds of \$421,055; primarily Michigan Works of \$220,000 and IDEA of \$100,000
- Decrease in Summer Academy funding of \$102,029
- Decrease in Property Tax Refunds of \$100,000
- Decrease in e-Rate funding of \$125,000
- Decrease in Special Education Center Program Funding of \$556,698 due to an increase in the District's student enrollment in the program

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2018**

Actual General Fund Revenues vs. Final Budget:

The District's actual General Fund revenues were less than the final budget by \$1,001,397, a variance of .99%. Of the total variance, local revenues decreased by \$472,612. This decrease is mainly due to a decrease in property taxes of \$197,280, other taxes and penalties revenue of \$70,599, Child Care contribution of \$110,000, deferring PEGS funds of \$76,730. State Sources decreased by \$380,910 due to a decrease in Court Placed funds of \$279,742, a decrease in Graduation Alliance funds of \$191,475 and deferring both At Risk and Early Targeted Literacy funds totaling \$592,590 and \$121,844, respectively, to 2018-2019 fiscal year. These decreases were offset by an increase in General Fund Membership of \$515,079 and an increase Special Education Non-Membership funds of \$272,753. Additionally, Interdistrict Sources increased \$252,508 mainly as a result of less PA-18 funds allocated to Center Programs of \$167,363. Finally, a decrease in Federal Sources of \$400,383 that are deferred into the 2018-2019 fiscal year.

General Fund Expenditures:

The District's budget for expenditures increased by 1.67% for the year ended June 30, 2018:

Total expenditures final budget	\$ 101,900,360
Total expenditures original budget	<u>100,225,432</u>
 Increase in budget expenditures	 <u><u>\$ 1,674,928</u></u>

Increase in Expenditure Budget:

Some of the final budget adjustments for the year include:

- The change in teaching staff can be summarized:

2017-2018 General Fund	FTE Final Budget	FTE Original Budget	FTE Increase (Decrease)
Regular education teachers	392.61	383.28	9.33
Special education teachers	<u>139.06</u>	<u>138.26</u>	<u>0.80</u>
	<u><u>531.67</u></u>	<u><u>521.54</u></u>	<u><u>10.13</u></u>

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2018**

- Additional expenditures related to the MPSERS 147c(2) One Time Deposit totaling \$1,287,445, offset by a reduction in fringe benefit cost related to employee turnover
- Increase in At Risk expenditures of \$440,243
- Increase in Federal grants of \$404,153; primarily Michigan Works of \$220,000 and IDEA of \$100,000

Actual General Fund Expenditures vs. Final Budget:

The District's actual General Fund expenditures were less than the final budget by 3%. This variance of \$3,060,645 is a result of a decrease in High School of \$1,037,884, Compensatory Education of \$480,511, Central Services of \$1,220,902 and Federal programs of \$400,383. Although the District maintained a 3% variance in expenditures, this is offset by a corresponding deferral of state categorical and federal revenues.

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) 674-780

BASIC FINANCIAL STATEMENTS

Waterford School District
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 30,885,510
Investments	44,857,637
Accounts receivable	800,592
Due from other governmental units	16,454,140
Inventory	21,033
Prepaid items	560,574
Capital assets not being depreciated	7,138,196
Capital assets - net of accumulated depreciation	<u>155,349,696</u>
Total assets	<u>256,067,378</u>
Deferred outflows of resources	
Deferred amount on refunding	113,575
Deferred amount relating to net pension liability	34,184,587
Deferred amount relating to net OPEB liability	<u>3,498,736</u>
Total deferred outflows	<u>37,796,898</u>
Total assets and deferred outflows of resources	<u>293,864,276</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Statement of Net Position
June 30, 2018

	Governmental Activities
Liabilities	
Accounts payable	\$ 3,502,083
State aid and tax anticipation notes	13,500,000
Payroll deductions and withholdings	4,314,266
Accrued expenditures	2,219,682
Accrued salaries payable	5,372,718
Unearned revenue	936,784
Long-term liabilities	
Debt due within one year	12,915,000
Debt due in more than one year	135,432,667
Net pension liability	165,146,402
Net OPEB liability	56,436,215
Total liabilities	399,775,817
Deferred inflow of resources	
Deferred amount relating to net pension liability	26,375,188
Deferred amount relating to net OPEB liability	1,907,956
Total liabilities and deferred inflows of resources	428,058,961
Net position	
Net investment in capital assets	66,344,183
Restricted	
Debt service	1,122,486
Unrestricted (deficit)	(201,661,354)
Total net position	\$ (134,194,685)

See Accompanying Notes to the Financial Statements

Waterford School District
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities					
Instruction	\$ 64,018,454	\$ 356,244	\$ 19,386,164	\$ -	\$ (44,276,046)
Supporting services	38,053,648	1,222,626	10,859,979	-	(25,971,043)
Food services	4,559,483	1,578,998	3,655,910	-	675,425
Pool and fitness centers	1,100,905	732,070	-	-	(368,835)
Performing arts centers	259,283	259,283	-	-	-
Child care	1,201,033	1,123,190	-	-	(77,843)
Senior citizens	714,030	301,608	190,210	-	(222,212)
Special education center program	6,619,136	-	6,719,823	-	100,687
Unallocated depreciation expense	3,197,286	-	-	-	(3,197,286)
Tax tribunals refunds	69,041	-	-	-	(69,041)
Interest and fiscal charges on long-term debt	3,574,883	-	-	-	(3,574,883)
Total governmental activities	<u>\$ 123,367,182</u>	<u>\$ 5,574,019</u>	<u>\$ 40,812,086</u>	<u>\$ -</u>	<u>(76,981,077)</u>
General revenues					
Property taxes, levied for general purposes					11,695,524
Property taxes, levied for debt service					16,094,988
State aid - unrestricted					56,856,998
Interest and investment earnings					668,950
Other					<u>604,747</u>
Total general revenues					<u>85,921,207</u>
Change in net position					<u>8,940,130</u>
Net position - beginning					(88,822,861)
Prior period adjustment					<u>(54,311,954)</u>
Net position - beginning, as restated					<u>(143,134,815)</u>
Net position - ending					<u>\$ (134,194,685)</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Capital Projects		Nonmajor Governmental Funds	Total Governmental Funds
		2016 Series II	2016 Series III		
Assets					
Cash and cash equivalents	\$ 14,525,272	\$ 9,541,726	\$ 121,392	\$ 4,828,203	\$ 29,016,593
Investments	-	35,025,508	9,832,129	-	44,857,637
Accounts receivable	800,294	-	-	298	800,592
Due from other funds	670,694	-	-	-	670,694
Due from other governmental units	15,881,159	-	-	572,981	16,454,140
Inventory	-	-	-	21,033	21,033
Prepaid items	560,574	-	-	-	560,574
Total assets	\$ 32,437,993	\$ 44,567,234	\$ 9,953,521	\$ 5,422,515	\$ 92,381,263
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 1,105,938	\$ 2,343,413	\$ -	\$ 52,732	\$ 3,502,083
State aid and tax anticipation note	13,500,000	-	-	-	13,500,000
Due to other funds	-	86,959	-	583,735	670,694
Payroll deductions and withholdings	4,314,266	-	-	-	4,314,266
Accrued expenditures	70,249	-	-	-	70,249
Accrued salaries payable	5,372,718	-	-	-	5,372,718
Unearned revenue	902,766	-	-	34,018	936,784
Total liabilities	25,265,937	2,430,372	-	670,485	28,366,794

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Capital Projects		Nonmajor Governmental Funds	Total Governmental Funds
		2016 Series II	2016 Series III		
Fund balance					
Non-spendable					
Inventory	\$ -	\$ -	\$ -	\$ 21,033	\$ 21,033
Prepaid items	560,574	-	-	-	560,574
Restricted					
Debt service	-	-	-	1,903,002	1,903,002
Capital projects	-	42,136,862	9,953,521	-	52,090,383
Special Education center programs	-	-	-	550,000	550,000
Food service	-	-	-	1,473,231	1,473,231
Assigned					
Computer leases	283,715	-	-	-	283,715
Capital projects	-	-	-	804,764	804,764
Unassigned	<u>6,327,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,327,767</u>
Total fund balance	<u>7,172,056</u>	<u>42,136,862</u>	<u>9,953,521</u>	<u>4,752,030</u>	<u>64,014,469</u>
Total liabilities and fund balance	<u>\$ 32,437,993</u>	<u>\$ 44,567,234</u>	<u>\$ 9,953,521</u>	<u>\$ 5,422,515</u>	<u>\$ 92,381,263</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, 2018

Total fund balances for governmental funds	\$ 64,014,469
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	7,138,196
Capital assets - net of accumulated depreciation	155,349,696
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from net pension liability	(26,375,188)
Deferred outflows of resources resulting from net pension liability	34,184,587
Deferred inflows of resources resulting from net OPEB liability	(1,907,956)
Deferred outflows of resources resulting from net OPEB liability	3,498,736
Deferred outflows of resources resulting from debt refunding	113,575
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(780,516)
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	(148,347,667)
Net pension liability	(165,146,402)
Net OPEB liability	(56,436,215)
Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position	500,000
Net position of governmental activities	\$ (134,194,685)

Waterford School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	General Fund	Capital Projects		Nonmajor Governmental Funds	Total Governmental Funds
		2016 Series II	2016 Series III		
Revenues					
Local sources	\$ 13,981,144	\$ 81,443	\$ -	\$ 20,642,047	\$ 34,704,634
State sources	74,735,353	-	-	1,700,289	76,435,642
Federal sources	7,036,566	-	-	3,625,841	10,662,407
Interdistrict sources	5,264,816	-	-	5,239,813	10,504,629
Total revenues	101,017,879	81,443	-	31,207,990	132,307,312
Expenditures					
Current					
Education					
Instruction	51,137,403	-	-	-	51,137,403
Supporting services	38,642,274	-	-	-	38,642,274
Federal programs	7,354,822	-	-	-	7,354,822
Food services	-	-	-	4,559,483	4,559,483
Pool and fitness centers	-	-	-	1,100,905	1,100,905
Performing arts centers	-	-	-	259,283	259,283
Child care	-	-	-	1,201,033	1,201,033
Senior citizens	-	-	-	648,056	648,056
Special education center program	-	-	-	6,519,823	6,519,823
Building and site	-	8,285,940	126,497	13,167,641	21,580,078

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, 2018

	General Fund	Capital Projects		Nonmajor Governmental Funds	Total Governmental Funds
		2016 Series II	2016 Series III		
Debt service					
Principal	\$ 870,000	\$ -	\$ -	\$ 11,860,000	\$ 12,730,000
Interest and fiscal charges	232,300	-	-	3,887,325	4,119,625
Tax adjustments	-	-	-	69,041	69,041
Total expenditures	<u>98,236,799</u>	<u>8,285,940</u>	<u>126,497</u>	<u>43,272,590</u>	<u>149,921,826</u>
Excess (deficiency) of revenues over expenditures	<u>2,781,080</u>	<u>(8,204,497)</u>	<u>(126,497)</u>	<u>(12,064,600)</u>	<u>(17,614,514)</u>
Other financing sources (uses)					
Proceeds from sale of bonds	-	50,000,000	10,000,000	-	60,000,000
Premium on issuance of bonds	-	341,359	80,018	-	421,377
Transfers in	-	-	-	602,916	602,916
Transfers out	<u>(602,916)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(602,916)</u>
Total other financing sources (uses)	<u>(602,916)</u>	<u>50,341,359</u>	<u>10,080,018</u>	<u>602,916</u>	<u>60,421,377</u>
Net change in fund balance	2,178,164	42,136,862	9,953,521	(11,461,684)	42,806,863
Fund balance - beginning	<u>4,993,892</u>	<u>-</u>	<u>-</u>	<u>16,213,714</u>	<u>21,207,606</u>
Fund balance - ending	<u>\$ 7,172,056</u>	<u>\$ 42,136,862</u>	<u>\$ 9,953,521</u>	<u>\$ 4,752,030</u>	<u>\$ 64,014,469</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, 2018

Net change in fund balances - Total governmental funds	\$ 42,806,863
<p>Total change in net position reported for governmental activities in the statement of activities is different because</p> <p>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 expense.</p>	
Depreciation expense	(9,293,311)
Capitalized capital outlay	21,072,239
<p>Expenses are recorded when incurred in the statement of activities.</p> <p>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</p>	
Net change in net pension liability	(1,731,931)
Net change in the deferrals of resources related to the net pension liability	3,766,386
<p>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</p>	
Net change in net OPEB liability	565,542
Net change in the deferrals of resources related to the net OPEB liability	(1,099,023)
<p>Expenses are recorded when incurred in the statement of activities.</p>	
Interest	(265,611)
<p>Bond and note proceeds and capital 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.</p>	
Repayments of long-term debt	12,730,000
Proceeds from issuance of bonds	(60,421,377)
Amortization of premiums	833,068
Amortization of deferred amount on refunding	<u>(22,715)</u>
Change in net position of governmental activities	<u>\$ 8,940,130</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Net Position
June 30, 2018

	<u>Internal Service Fund</u>
Assets	
Cash	<u>\$ 1,868,917</u>
Liabilities	
Healthcare premiums payable	359,173
Workers' compensation claims payable	703,000
Compensated absences	<u>306,744</u>
Total liabilities	<u>1,368,917</u>
Net position	<u><u>\$ 500,000</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, 2018

	<u>Internal Service Fund</u>
Revenues	
Employee contributions	\$ 3,032,101
Charges for services	<u>35,888,849</u>
Total revenues	<u>38,920,950</u>
Expenses	
Health, dental and vision	13,006,801
Retirement	21,462,156
Social security	3,682,249
Compensated absences	306,744
Workers compensation	<u>463,000</u>
Total expenses	<u>38,920,950</u>
Net income	-
Net position - beginning	<u>500,000</u>
Net position - ending	<u><u>\$ 500,000</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, 2018

	<u>Internal Service Fund</u>
Cash flows from operating activities	
Employee contributions	\$ 3,032,101
Charges for services	36,628,849
Health, dental and vision	(12,647,628)
Retirement	(21,462,156)
Social security	<u>(3,682,249)</u>
Net cash provided by operating activities	1,868,917
Cash and cash equivalents - beginning of year	<u>-</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,868,917</u></u>
Reconciliation of operating income to net cash from operating activities	
Change in net position	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in assets and liabilities	
Due from other funds	740,000
Workers' compensation claims payable	463,000
Compensated absences	306,744
Healthcare premiums payable	<u>359,173</u>
Net cash provided by operating activities	<u><u>\$ 1,868,917</u></u>

See Accompanying Notes to the Financial Statements

Waterford School District
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2018

	<u>Agency Funds</u>
Assets	
Cash	<u>\$ 1,262,724</u>
Liabilities	
Due to agency fund activities	<u>\$ 1,262,724</u>

Waterford School District
Notes to the Financial Statements
June 30, 2018

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

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.

Waterford School District
Notes to the Financial Statements
June 30, 2018

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.

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

The School District reports the following major governmental 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.

2016 Series II – 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.

2016 Series III – 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.

Additionally, the School District reports the following fund types:

Special Revenue Funds/School Service 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, and Senior Citizens 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.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

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

Waterford School District
Notes to the Financial Statements
June 30, 2018

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, 2018, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	7.00000

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

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

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

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

Buildings and additions	5-50 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 refundings 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.

Waterford School District
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June 30, 2018

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

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

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes

unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Deferred amounts on bond refundings are included in the district-wide financial 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 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.

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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.

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. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute

that present value to periods of employee services. It also requires additional note disclosures and required supplementary information.

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired.

Upcoming Accounting and Reporting Changes

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

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

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leases are financings 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. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources

measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

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 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.

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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			
Support			
Pupil	\$ 7,072,670	\$ 7,187,102	\$ 114,432
School administration	3,898,954	4,019,573	120,619
Business	10,496,551	10,624,036	127,485
Athletics	1,576,614	1,607,081	30,467
Civil	101,984	115,993	14,009
Debt - interest and fiscal charges	232,000	232,300	300
Transfers out	117,633	602,916	485,283

Compliance Bond Proceeds

The Capital Projects 2016 Series I, Series II, and Series III 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:

	<u>2016 Series I</u>	<u>2016 Series II</u>	<u>2016 Series III</u>
Proceeds from issuance of bonds	\$ 20,000,000	\$ 50,000,000	\$ 10,000,000
Discount on issuance of bonds	(59,697)	-	-
Premium on issuance of bonds	-	341,359	80,018
Interest revenue	38,051	81,443	-
Expenditures	(19,978,354)	(8,285,940)	(126,497)
	<u>\$ -</u>	<u>\$ 42,136,862</u>	<u>\$ 9,953,521</u>

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and cash equivalents	<u>\$ 30,885,510</u>	<u>\$ 1,262,724</u>	<u>\$ 32,148,234</u>
The breakdown between deposits and investments for the School District is as follows:			
Deposits (checking, savings accounts, money markets, certificates of deposit)			\$ 32,130,849
Petty cash and cash on hand			<u>17,385</u>
Total			<u>\$ 32,148,234</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.

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.

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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, \$31,126,589 of the School District’s bank balance of \$32,324,967 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 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,132,100	\$ -	\$ -	\$ 1,132,100
Construction-in-progress	6,311,205	5,167,049	5,472,158	6,006,096
Total capital assets not being depreciated	7,443,305	5,167,049	5,472,158	7,138,196
Capital assets being depreciated				
Buildings and additions	252,823,301	21,098,095	-	273,921,396
Equipment and furniture	5,600,823	151,441	-	5,752,264
Buses and other vehicles	7,878,844	127,812	-	8,006,656
Total capital assets being depreciated	266,302,968	21,377,348	-	287,680,316
Less accumulated depreciation for				
Buildings and additions	113,745,891	8,512,995	-	122,258,886
Equipment and furniture	4,743,387	184,644	-	4,928,031
Buses and other vehicles	4,548,031	595,672	-	5,143,703
Total accumulated depreciation	123,037,309	9,293,311	-	132,330,620
Net capital assets being depreciated	143,265,659	12,084,037	-	155,349,696
Net capital assets	\$ 150,708,964	\$ 17,251,086	\$ 5,472,158	\$ 162,487,892

Depreciation expense was charged to activities of the School District as follows:

Governmental activities	
Instruction	\$ 5,918,974
Support services	11,764
Senior citizens	65,974
Special education center program	99,313
Unallocated	<u>3,197,286</u>
Total governmental activities	<u>\$ 9,293,311</u>

Construction Contracts

As of year-end the School District had the following construction contracts in progress:

	Remaining Construction Commitment at Year End	Contract Payable at Year End
Capital Projects	<u>\$ 18,513,789</u>	<u>\$ 2,343,413</u>

Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

	Due From Fund	Due to Fund	Amount
2016 Series II		General Fund	\$ 86,959
Nonmajor governmental funds		General Fund	<u>583,735</u>
			<u>\$ 670,694</u>

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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.

Note 6 - 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:

	Unearned Revenue
Prepayment of student meals	\$ 34,018
Grant and categorical aid payments received prior to meeting all eligibility requirements	902,766
Total	\$ 936,784

Note 7 - Leases

Operating Lease

The School District leases 20 buses, computer equipment, and 66 copiers under non-cancelable operating leases. Total costs for such leases were \$313,910 for the year ended June 30, 2018. The future minimum lease payments for the leases are as follows:

Year ending June 30,		
2019	\$	610,112
2020		509,066
2021		509,066
2022		410,716
2023		368,382
Total	\$	2,407,342

Note 8 - State Aid and Tax Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Activity for the state aid anticipation note was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 15,000,000	\$ 13,500,000	\$ 15,000,000	\$ 13,500,000

Long-Term Debt

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

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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
Government obligation bonds	\$ 96,855,000	\$ 60,000,000	\$ 12,730,000	\$ 144,125,000	\$ 12,915,000
Premium on bonds	4,634,358	421,377	833,068	4,222,667	-
Total	<u>\$ 101,489,358</u>	<u>\$ 60,421,377</u>	<u>\$ 13,563,068</u>	<u>\$ 148,347,667</u>	<u>\$ 12,915,000</u>

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

\$20,000,000 serial bond due in annual installments ranging from \$1,000,000 to \$1,500,000 through 2027, interest ranging from 2.00% to 3.00%	\$ 12,500,000
\$26,150,000 serial bond due in annual installments ranging from \$1,530,000 to \$4,560,000 through 2023, interest ranging from 2.00% to 5.00%	16,405,000
\$20,000,000 serial bond due in annual installments ranging from \$1,100,000 to \$1,600,000 through 2029, interest ranging from 2.00% to 3.10%	15,250,000
\$13,455,000 serial bond due in annual installments ranging from \$1,280,000 to \$2,395,000 through 2022, interest ranging from 2.00% to 5.00%	7,810,000
\$15,000,000 serial bond due in annual installments ranging from \$840,000 to \$1,245,000 through 2030, interest ranging from 2.00% to 3.125%	12,550,000
\$20,000,000 serial bond due in annual installments ranging from \$610,000 to \$1,360,000 through 2036, interest ranging from 2.00% to 3.00%	18,605,000
\$50,000,000 serial bond due in annual installments ranging from \$2,000,000 to \$3,475,000 through 2037, interest ranging from 2.00% to 3.00%	47,250,000
\$10,000,000 serial bond due in annual installments ranging from \$300,000 to \$860,000 through 2032, interest ranging from 2.00% to 3.00%	9,550,000
\$6,755,000 Energy bond due in annual installments ranging from \$640,000 to \$915,000 through 2023, interest ranging from 2.00% to 5.00%	<u>4,205,000</u>
Total general obligation bonded debt	<u>\$ 144,125,000</u>

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Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 12,915,000	\$ 4,479,888	\$ 17,394,888
2020	13,535,000	4,031,063	17,566,063
2021	12,075,000	3,533,263	15,608,263
2022	12,750,000	3,127,763	15,877,763
2023	10,855,000	2,693,338	13,548,338
2024-2028	37,895,000	9,756,950	47,651,950
2029-2033	27,060,000	4,733,559	31,793,559
2034-2037	17,040,000	1,240,500	18,280,500
Total	<u>\$ 144,125,000</u>	<u>\$ 33,596,324</u>	<u>\$ 177,721,324</u>

The general obligation bonds are payable from the Debt Service Funds, except for the Energy bond which is paid from the general fund. As of year-end, the debt funds had a balance of \$1,903,002 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest expenditures for the fiscal year were \$3,887,325.

Deferred Amount on Refunding

The 2014 advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$181,720. 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. The activity and resulting balance of this deferred amount is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred amount on refunding	<u>\$ 136,290</u>	<u>\$ -</u>	<u>\$ 22,715</u>	<u>\$ 113,575</u>

Note 9 - 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 \$1,826,681 for a two year policy period, to a maximum of \$5,000,000. This excess insurance also applies to individual occurrences exceeding \$400,000, with a statutory maximum for those individual occurrences. For governmental activities, the liability for workers' compensation benefits is primarily liquidated by the General Fund.

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

	2018	2017
Estimated liability at the beginning of the year	\$ 240,000	\$ 240,000
Estimated claims incurred including changes in estimates	735,624	288,056
Claim payments	<u>(272,624)</u>	<u>(288,056)</u>
Estimated liability end of year	<u>\$ 703,000</u>	<u>\$ 240,000</u>

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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 10 - 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.

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, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

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The schedule below summarizes pension contribution rates in effect for fiscal year 2017.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0%	19.03%
Pension Plus	3.0 - 6.4%	18.40%
Defined Contribution	0.0%	15.27%

Required contributions to the pension plan from the School District were \$14,947,605 for the year ending September 30, 2017.

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

At June 30, 2018, the School District reported a liability of \$165,146,402 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. 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, 2017, the School District's proportion was 0.6373 percent, which was a decrease of 0.0177 percent from its proportion measured as of September 30, 2016. At September 30, 2017, the total pension expense for the School District was \$12,432,249.

At June 30, 2018, 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	\$ 1,435,235	\$ (810,339)	\$ 624,896
Changes of assumptions	18,093,101	-	18,093,101
Net difference between projected and actual earnings on pension plan investments	-	(7,895,085)	(7,895,085)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	114,959	(11,141,701)	(11,026,742)
Total to be recognized in future School District contributions subsequent to the measurement date	19,643,295	(19,847,125)	(203,830)
	14,541,292	(6,528,063)	8,013,229
Total	\$ 34,184,587	\$ (26,375,188)	\$ 7,809,399

Waterford School District
Notes to the Financial Statements
June 30, 2018

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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

2018	\$	(1,676,744)
2019		1,710,345
2020		598,138
2021		(835,569)
	\$	(203,830)

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, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return:

- MIP and Basic Plans (Non-Hybrid): 7.5%
- Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5188

The recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Waterford School District
Notes to the Financial Statements
June 30, 2018

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, 2017, are summarized in the following table:

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

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

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. 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 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.5% (7.0% for the Hybrid Plan), 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 (Non-Hybrid/Hybrid)*	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)*	1% Increase (Non-Hybrid/Hybrid)*
6.5% / 6.0%	7.5% / 7.0%	8.5% / 8.0%
<u>\$ 215,130,832</u>	<u>\$ 165,146,402</u>	<u>\$ 123,062,695</u>

*The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

Waterford School District
Notes to the Financial Statements
June 30, 2018

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

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

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

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

Note 11 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

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

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

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

Benefits Provided

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

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

Waterford School District
Notes to the Financial Statements
June 30, 2018

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, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	5.91%
Personal Healthcare Fund (PHF)	0.0%	5.69%

Required contributions to the OPEB plan from the School District were \$4,961,674 for the year ended September 30, 2017.

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

At June 30, 2018, the School District reported a liability of \$56,436,215 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. 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, 2017, the School District's proportion was 0.6373 percent, which was no change from its proportion measured as of September 30, 2016. At September 30, 2017, the total OPEB expense for the School District was \$3,778,955.

Waterford School District
Notes to the Financial Statements
June 30, 2018

At June 30, 2018, 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	\$ -	\$ (600,880)	\$ (600,880)
Net difference between projected and actual earnings on OPEB plan investments	-	(1,307,076)	(1,307,076)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	18,224	-	18,224
Total to be recognized in future	18,224	(1,907,956)	(1,889,732)
School District contributions subsequent to the measurement date	3,480,512	-	-
Total	\$ 3,498,736	\$ (1,907,956)	\$ (1,889,732)

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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2018	\$ (456,989)
2019	(456,989)
2020	(456,989)
2021	(456,989)
2022	(61,776)
	\$ (1,889,732)

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, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%

Waterford School District
Notes to the Financial Statements
June 30, 2018

- Investment Rate of Return: 7.5%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Other Assumptions:

- Opt Out Assumptions: 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 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.4744

The recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual 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, 2017, are summarized in the following table:

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

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

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan

Waterford School District
Notes to the Financial Statements
June 30, 2018

investment expense, was 11.82%. 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 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that 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 7.5%, 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 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
\$ 66,103,119	\$ 56,436,215	\$ 48,232,040

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 6.5%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.5%
\$ 47,793,887	\$ 56,436,215	\$ 66,248,975

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, 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 12 - 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, 2018.

Waterford School District
Notes to the Financial Statements
June 30, 2018

Note 13 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions Waterford Township. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. Taxes abated were immaterial to the School District for the year ending June 30, 2018.

Note 14 - Adoption of New Accounting Standards

As indicated in Note 1, the School District has adopted Government Accounting Standards Board Statement 75. This required the School District to record their proportionate share of the net OPEB liability and OPEB expense. Previously, these amounts were not recorded on the School District's statements. The standards require this change to be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2017 by \$54,311,954, restating it from (\$88,822,861) to (\$143,134,815).

REQUIRED SUPPLEMENTARY INFORMATION

Waterford School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 14,910,660	\$ 14,453,756	\$ 13,981,144	\$ (472,612)
State sources	72,773,492	75,116,263	74,735,353	(380,910)
Federal sources	7,015,894	7,436,949	7,036,566	(400,383)
Interdistrict sources	<u>5,534,496</u>	<u>5,012,308</u>	<u>5,264,816</u>	<u>252,508</u>
Total revenues	<u>100,234,542</u>	<u>102,019,276</u>	<u>101,017,879</u>	<u>(1,001,397)</u>
Expenditures				
Current				
Instruction				
Basic programs	24,199,519	24,639,688	23,190,196	(1,449,492)
Added needs	13,520,619	14,444,715	13,944,481	(500,234)
Employee benefits	14,588,244	14,877,598	14,002,726	(874,872)
Supporting services				
Pupil	7,074,710	7,072,670	7,187,102	114,432
Instructional staff	2,056,384	2,135,840	1,976,977	(158,863)
General administration	1,235,588	1,360,442	1,214,486	(145,956)
School administration	3,839,590	3,898,954	4,019,573	120,619
Business	10,201,858	10,496,551	10,624,036	127,485
Central	4,060,545	4,214,818	4,157,514	(57,304)
Athletics	1,548,423	1,576,614	1,607,081	30,467
Civic	106,358	101,984	115,993	14,009
Employee benefits	8,064,309	8,028,238	7,739,512	(288,726)

Waterford School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Federal programs	\$ 7,428,462	\$ 7,832,615	\$ 7,354,822	\$ (477,793)
Teacher retirement savings	(300,000)	-	-	-
Debt service				
Principal	870,000	870,000	870,000	-
Interest and fiscal charges	232,000	232,000	232,300	300
Negotiations reserve	<u>1,381,190</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>100,107,799</u>	<u>101,782,727</u>	<u>98,236,799</u>	<u>(3,545,928)</u>
Excess of revenues over expenditures	126,743	236,549	2,781,080	2,544,531
Other financing sources (uses)				
Transfers out	<u>(117,633)</u>	<u>(117,633)</u>	<u>(602,916)</u>	<u>(485,283)</u>
Net change in fund balance	9,110	118,916	2,178,164	2,059,248
Fund balance - beginning	<u>4,993,892</u>	<u>4,993,892</u>	<u>4,993,892</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,003,002</u>	<u>\$ 5,112,808</u>	<u>\$ 7,172,056</u>	<u>\$ 2,059,248</u>

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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. School District's proportion of net pension liability (%)	0.64%	0.66%	0.68%	0.73%						
B. School District's proportionate share of net pension liability	\$ 165,146,402	\$ 163,414,471	\$ 167,238,058	\$ 160,486,652						
C. School District's covered-employee payroll	\$ 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	311.18%	306.74%	291.25%	258.90%						
E. Plan fiduciary net position as a percentage of total pension liability	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 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

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,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Statutorily required contributions	\$ 14,947,605	\$ 9,792,111	\$ 8,926,955	\$ 11,660,435						
B. Contributions in relation to statutorily required contributions	<u>14,947,605</u>	<u>9,792,111</u>	<u>8,926,955</u>	<u>11,660,435</u>						
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
D. School District's covered- employee payroll	\$ 53,278,044	\$ 52,042,873	\$ 53,717,246	\$ 58,630,710						
E. Contributions as a percentage of covered-employee payroll	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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. School District's proportion of net OPEB liability (%)	0.64%									
B. School District's proportionate share of net OPEB liability	\$ 56,436,215									
C. School District's covered-employee payroll	\$ 53,070,379									
D. School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	106.34%									
E. Plan fiduciary net position as a percentage of total OPEB liability	36.39%									

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

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,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Statutorily required contributions	\$ 4,961,674									
B. Contributions in relation to statutorily required contributions	<u>4,961,674</u>									
C. Contribution deficiency (excess)	<u>\$ -</u>									
D. School District's covered- employee payroll	\$ 53,278,044									
E. Contributions as a percentage of covered-employee payroll	9.31%									

OTHER SUPPLEMENTARY INFORMATION

Waterford School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	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	
Assets							
Cash and cash equivalents	\$ 561,960	\$ 999	\$ 6,607	\$ 25,984	\$ -	\$ 1,524,887	\$ 2,120,437
Accounts receivable	-	-	-	-	-	298	298
Due from other governmental units	-	-	-	-	-	572,981	572,981
Inventory	-	-	-	-	-	21,033	21,033
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,033</u>	<u>21,033</u>
Total assets	<u>\$ 561,960</u>	<u>\$ 999</u>	<u>\$ 6,607</u>	<u>\$ 25,984</u>	<u>\$ -</u>	<u>\$ 2,119,199</u>	<u>\$ 2,714,749</u>
Liabilities and fund balance							
Liabilities							
Accounts payable	\$ 11,960	\$ 999	\$ 6,607	\$ 25,984	\$ -	\$ 7,182	\$ 52,732
Due to other funds	-	-	-	-	-	583,735	583,735
Unearned revenue	-	-	-	-	-	34,018	34,018
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,018</u>	<u>34,018</u>
Total liabilities	<u>11,960</u>	<u>999</u>	<u>6,607</u>	<u>25,984</u>	<u>-</u>	<u>624,935</u>	<u>670,485</u>
Fund balance							
Non-spendable							
Inventory	-	-	-	-	-	21,033	21,033
Restricted							
Debt retirement	-	-	-	-	-	-	-
Center programs	550,000	-	-	-	-	-	550,000
Food service	-	-	-	-	-	1,473,231	1,473,231
Assigned							
Capital projects	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>550,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,494,264</u>	<u>2,044,264</u>
Total liabilities and fund balance	<u>\$ 561,960</u>	<u>\$ 999</u>	<u>\$ 6,607</u>	<u>\$ 25,984</u>	<u>\$ -</u>	<u>\$ 2,119,199</u>	<u>\$ 2,714,749</u>

Waterford School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Debt Service Funds								
	2003 Series III	2013 Refunding	2014 Series IV	2014 Refunding	2003 Series V	2016 Series I	2016 Series II	2016 Series III	Total Debt Service Funds
Assets									
Cash and cash equivalents	\$ 216,580	\$ 509,552	\$ 186,003	\$ 262,244	\$ 143,045	\$ 147,384	\$ 370,688	\$ 67,506	\$ 1,903,002
Accounts receivable	-	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 216,580</u>	<u>\$ 509,552</u>	<u>\$ 186,003</u>	<u>\$ 262,244</u>	<u>\$ 143,045</u>	<u>\$ 147,384</u>	<u>\$ 370,688</u>	<u>\$ 67,506</u>	<u>\$ 1,903,002</u>
Liabilities and fund balance									
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance									
Non-spendable									
Inventory	-	-	-	-	-	-	-	-	-
Restricted									
Debt retirement	216,580	509,552	186,003	262,244	143,045	147,384	370,688	67,506	1,903,002
Center programs	-	-	-	-	-	-	-	-	-
Food service	-	-	-	-	-	-	-	-	-
Assigned									
Capital projects	-	-	-	-	-	-	-	-	-
Total fund balance	<u>216,580</u>	<u>509,552</u>	<u>186,003</u>	<u>262,244</u>	<u>143,045</u>	<u>147,384</u>	<u>370,688</u>	<u>67,506</u>	<u>1,903,002</u>
Total liabilities and fund balance	<u>\$ 216,580</u>	<u>\$ 509,552</u>	<u>\$ 186,003</u>	<u>\$ 262,244</u>	<u>\$ 143,045</u>	<u>\$ 147,384</u>	<u>\$ 370,688</u>	<u>\$ 67,506</u>	<u>\$ 1,903,002</u>

Waterford School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Capital Projects			Total Non Major Funds
	Building Maintenance	2016 Series I	Total Capital Projects	
Assets				
Cash and cash equivalents	\$ 804,764	\$ -	\$ 804,764	\$ 4,828,203
Accounts receivable	-	-	-	298
Due from other governmental units	-	-	-	572,981
Inventory	-	-	-	21,033
	-	-	-	21,033
Total assets	\$ 804,764	\$ -	\$ 804,764	\$ 5,422,515
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 52,732
Due to other funds	-	-	-	583,735
Unearned revenue	-	-	-	34,018
	-	-	-	34,018
Total liabilities	-	-	-	670,485
Fund balance				
Non-spendable				
Inventory	-	-	-	21,033
Restricted				
Debt retirement	-	-	-	1,903,002
Center programs	-	-	-	550,000
Food service	-	-	-	1,473,231
Assigned				
Capital projects	804,764	-	804,764	804,764
	804,764	-	804,764	4,752,030
Total fund balance	804,764	-	804,764	4,752,030
Total liabilities and fund balance	\$ 804,764	\$ -	\$ 804,764	\$ 5,422,515

Waterford School District
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2018

	Special Revenue Funds/School Service Funds						Total
	Special Education Center Programs	Child Care	Senior Citizens	Pool and Fitness Centers	Performing Arts Centers	Food Service	
Revenues							
Local sources	\$ -	\$ 1,123,190	\$ 301,608	\$ 732,070	\$ 259,283	\$ 1,578,998	\$ 3,995,149
State sources	1,480,010	-	-	-	-	220,279	1,700,289
Federal sources	-	-	190,210	-	-	3,435,631	3,625,841
Interdistrict sources	5,239,813	-	-	-	-	-	5,239,813
Total revenues	<u>6,719,823</u>	<u>1,123,190</u>	<u>491,818</u>	<u>732,070</u>	<u>259,283</u>	<u>5,234,908</u>	<u>14,561,092</u>
Expenditures							
Current							
Instruction	2,627,275	-	-	-	-	-	2,627,275
Supporting services	3,892,548	1,201,033	457,846	1,100,905	259,283	1,123,852	8,035,467
Federal programs	-	-	190,210	-	-	3,435,631	3,625,841
Building and site	-	-	-	-	-	-	-
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Tax tribunal refunds	-	-	-	-	-	-	-
Total expenditures	<u>6,519,823</u>	<u>1,201,033</u>	<u>648,056</u>	<u>1,100,905</u>	<u>259,283</u>	<u>4,559,483</u>	<u>14,288,583</u>
Excess (deficiency) of revenues over expenditures	200,000	(77,843)	(156,238)	(368,835)	-	675,425	272,509
Other financing sources							
Transfers in	-	77,843	156,238	368,835	-	-	602,916
Net change in fund balance	200,000	-	-	-	-	675,425	875,425
Fund balance - beginning	350,000	-	-	-	-	818,839	1,168,839
Fund balance - ending	<u>\$ 550,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,494,264</u>	<u>\$ 2,044,264</u>

Waterford School District
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2018

	Debt Service Funds								
	2003 Series III	2013 Refunding	2014 Series IV	2014 Refunding	2003 Series V	2016 Series I	2016 Series II	2016 Series III	Total Debt Service
Revenues									
Local sources	\$ 1,785,374	\$ 3,538,644	\$ 1,564,953	\$ 2,211,663	\$ 1,193,272	\$ 1,241,762	\$ 3,988,470	\$ 570,850	\$ 16,094,988
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interdistrict sources	-	-	-	-	-	-	-	-	-
Total revenues	<u>1,785,374</u>	<u>3,538,644</u>	<u>1,564,953</u>	<u>2,211,663</u>	<u>1,193,272</u>	<u>1,241,762</u>	<u>3,988,470</u>	<u>570,850</u>	<u>16,094,988</u>
Expenditures									
Current									
Instruction	-	-	-	-	-	-	-	-	-
Supporting services	-	-	-	-	-	-	-	-	-
Federal programs	-	-	-	-	-	-	-	-	-
Building and site	-	-	-	-	-	-	-	-	-
Debt service									
Principal	1,500,000	2,550,000	1,175,000	1,785,000	865,000	785,000	2,750,000	450,000	11,860,000
Interest	322,750	948,000	419,288	480,000	349,206	480,269	836,958	50,854	3,887,325
Tax tribunal refunds	-	18,486	6,748	-	5,145	5,348	30,824	2,490	69,041
Total expenditures	<u>1,822,750</u>	<u>3,516,486</u>	<u>1,601,036</u>	<u>2,265,000</u>	<u>1,219,351</u>	<u>1,270,617</u>	<u>3,617,782</u>	<u>503,344</u>	<u>15,816,366</u>
Excess (deficiency) of revenues over expenditures	(37,376)	22,158	(36,083)	(53,337)	(26,079)	(28,855)	370,688	67,506	278,622
Other financing sources									
Transfers in	-	-	-	-	-	-	-	-	-
Net change in fund balance	(37,376)	22,158	(36,083)	(53,337)	(26,079)	(28,855)	370,688	67,506	278,622
Fund balance - beginning	<u>253,956</u>	<u>487,394</u>	<u>222,086</u>	<u>315,581</u>	<u>169,124</u>	<u>176,239</u>	-	-	<u>1,624,380</u>
Fund balance - ending	<u>\$ 216,580</u>	<u>\$ 509,552</u>	<u>\$ 186,003</u>	<u>\$ 262,244</u>	<u>\$ 143,045</u>	<u>\$ 147,384</u>	<u>\$ 370,688</u>	<u>\$ 67,506</u>	<u>\$ 1,903,002</u>

Waterford School District
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2018

	<u>Capital Projects</u>			<u>Total Non Major Funds</u>
	<u>Building Maintenance</u>	<u>2016 Series I</u>	<u>Total Capital Projects</u>	
Revenues				
Local sources	\$ 534,906	\$ 17,004	\$ 551,910	\$ 20,642,047
State sources	-	-	-	1,700,289
Federal sources	-	-	-	3,625,841
Interdistrict sources	-	-	-	5,239,813
	<u>534,906</u>	<u>17,004</u>	<u>551,910</u>	<u>31,207,990</u>
Expenditures				
Current				
Instruction	-	-	-	2,627,275
Supporting services	-	-	-	8,035,467
Federal programs	-	-	-	3,625,841
Building and site	-	13,167,641	13,167,641	13,167,641
Debt service				
Principal	-	-	-	11,860,000
Interest	-	-	-	3,887,325
Tax tribunal refunds	-	-	-	69,041
	<u>-</u>	<u>13,167,641</u>	<u>13,167,641</u>	<u>43,272,590</u>
Excess (deficiency) of revenues over expenditures	534,906	(13,150,637)	(12,615,731)	(12,064,600)
Other financing sources				
Transfers in	-	-	-	602,916
Net change in fund balance	534,906	(13,150,637)	(12,615,731)	(11,461,684)
Fund balance - beginning	<u>269,858</u>	<u>13,150,637</u>	<u>13,420,495</u>	<u>16,213,714</u>
Fund balance - ending	<u>\$ 804,764</u>	<u>\$ -</u>	<u>\$ 804,764</u>	<u>\$ 4,752,030</u>

Waterford School District
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 14,525,272	\$ 14,912,713
Accounts receivable	800,294	1,421,186
Due from other funds	670,694	603,520
Due from other governmental units	15,881,159	16,276,707
Prepaid items	560,574	167
Total assets	\$ 32,437,993	\$ 33,214,293
Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 1,105,938	\$ 1,118,732
State aid anticipation note payable	13,500,000	15,000,000
Due to other funds	-	1,359,858
Payroll deductions and withholdings	4,314,266	4,603,024
Accrued expenditures	70,249	76,170
Accrued salaries payable	5,372,718	5,800,756
Unearned revenue	902,766	261,861
Total liabilities	25,265,937	28,220,401
Fund balance		
Non-spendable		
Prepaid items	560,574	167
Assigned - computer leases	283,715	-
Unassigned	6,327,767	4,993,725
Total fund balance	7,172,056	4,993,892
Total liabilities and fund balance	\$ 32,437,993	\$ 33,214,293

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2018

	Final Budget	Actual	Actual Over (Under) Budget
Local sources			
Property Taxes	\$ 11,878,403	\$ 11,681,123	\$ (197,280)
Other Taxes & Penalties	85,000	14,401	(70,599)
Preschool	233,635	223,499	(10,136)
Outdoor Education	93,832	63,017	(30,815)
Summer Academy	43,947	63,227	19,280
Mail Services	19,919	12,094	(7,825)
Waterford Foundation	78,623	93,438	14,815
Summer SLAM	-	4,840	4,840
eRate	326,384	417,990	91,606
Facility Use	75,000	57,792	(17,208)
Sale of Fixed Assets	25,000	22,250	(2,750)
School & Community Services	60,000	64,269	4,269
Food Service Contribution	315,000	262,010	(52,990)
Vending	55,000	13,920	(41,080)
Child Care Contribution	110,000	-	(110,000)
High school parking passes	20,000	14,270	(5,730)
Medicaid	500,000	485,421	(14,579)
Athletics	115,000	128,749	13,749
Hockey	38,344	-	(38,344)
Cell Tower Lease	14,600	38,100	23,500
Robotics (WIRED)	6,750	-	(6,750)

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2018

	Final Budget	Actual	Actual Over (Under) Budget
Local sources (continued)			
PEGS	\$ 120,000	\$ 43,270	\$ (76,730)
MiWorks	63,965	-	(63,965)
New Gateway Lease	135,354	197,298	61,944
Great Start Readiness Program	-	1,661	1,661
Educator Evaluation Grant	-	23,136	23,136
Miscellaneous	40,000	55,369	15,369
Total local sources	14,453,756	13,981,144	(472,612)

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2018

	Final Budget	Actual	Actual Over (Under) Budget
State sources			
Membership	\$ 53,631,766	\$ 54,146,845	\$ 515,079
Membership-Special Education	2,576,664	2,618,135	41,471
High School Membership Bonus	72,011	72,340	329
Property Tax Refunds	50,000	69,041	19,041
MPSERS Cost Offset 147a(1)	755,769	755,768	(1)
MPSERS Cost Offset 147a(2)	332,750	332,750	-
MPSERS One Time Deposit 147c(2)	1,287,455	1,287,455	-
MPSERS UAAL Rate Stabilization 147c(1)	6,528,063	6,528,063	-
MPSERS Reform - Defined Contribution	-	39,024	39,024
At-Risk	3,869,326	3,225,308	(644,018)
Special Education, Non-membership	2,434,362	2,707,115	272,753
Vocation Education	116,864	117,938	1,074
GSRP	1,726,992	1,712,952	(14,040)
Court Placed	1,060,799	781,057	(279,742)
Data Collection	229,511	229,174	(337)
Bilingual Education (Section 41)	36,407	12,692	(23,715)
Graduation Alliance	214,452	22,977	(191,475)
Computer Adaptive Tests	41,326	41,326	-
Dual Enrollment	-	1,310	1,310
MiWorks	-	3,031	3,031
Targeted Literacy	146,746	24,902	(121,844)
First Robotics	5,000	6,150	1,150
	<u>75,116,263</u>	<u>74,735,353</u>	<u>(380,910)</u>
Total state sources			

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2018

	Final Budget	Actual	Actual Over (Under) Budget
Interdistrict sources			
Oakland Schools	\$ 4,523,254	\$ 4,690,617	\$ 167,363
Oakland Schools - Foreign Exchange Students	-	32,000	32,000
Oakland Schools - PA 18 Transportation	50,000	93,209	43,209
Vocational Millage	189,054	154,354	(34,700)
C.V.S. Oakland County	<u>250,000</u>	<u>294,636</u>	<u>44,636</u>
Total interdistrict sources	<u>5,012,308</u>	<u>5,264,816</u>	<u>252,508</u>
Total revenue before federal sources	94,582,327	93,981,313	(601,014)
Federal sources	<u>7,436,949</u>	<u>7,036,566</u>	<u>(400,383)</u>
Total revenues	<u>\$ 102,019,276</u>	<u>\$ 101,017,879</u>	<u>\$ (1,001,397)</u>

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
Basic program - elementary					
General Education	\$ 8,315,347	\$ 484,037	\$ 8,799,384	\$ 8,945,616	\$ (146,232)
Spanish	118,261	2,382	120,643	182,434	(61,791)
Science	-	95,100	95,100	75,898	19,202
Phys Education	311,161	6,712	317,873	322,309	(4,436)
Music-Fine Arts	222,252	5,395	227,647	279,672	(52,025)
Art-Fine Arts	302,119	19,949	322,068	246,894	75,174
Total elementary	<u>9,269,140</u>	<u>613,575</u>	<u>9,882,715</u>	<u>10,052,823</u>	<u>(170,108)</u>
Basic program - middle school					
General Education	3,798,152	143,042	3,941,194	4,042,191	(100,997)
Music-Fine Arts	373,589	12,545	386,134	368,691	17,443
Art-Fine Arts	100,326	5,788	106,114	108,405	(2,291)
Physical Education	175,089	5,846	180,935	217,875	(36,940)
Outdoor Education	8,993	52,917	61,910	93,832	(31,922)
Total middle school	<u>4,456,149</u>	<u>220,138</u>	<u>4,676,287</u>	<u>4,830,994</u>	<u>(154,707)</u>
Basic program - high school					
General Education	4,347,931	329,647	4,677,578	4,730,846	(53,268)
Durant High School	498,260	32,174	530,434	1,053,008	(522,574)
Durant 31A	-	-	-	429,081	(429,081)
Cyber Academy	382	69,947	70,329	85,768	(15,439)
Robotics - Best Buy Grant	2,013	1,360	3,373	9,158	(5,785)
Music-Fine Arts	406,657	9,896	416,553	416,300	253
Art-Fine Arts	325,167	17,234	342,401	342,336	65
Physical Education	200,024	4,459	204,483	199,972	4,511

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	Actual				Actual
	Salaries	Supplies and Expenses	Total	Final Budget	Over (Under) Budget
Basic program - high school (continued)					
Graduation Alliance (formerly WAY O/S)	\$ -	\$ 89,250	\$ 89,250	\$ 100,000	\$ (10,750)
International Academy	80,249	346,033	426,282	432,099	(5,817)
Total high school	<u>5,860,683</u>	<u>900,000</u>	<u>6,760,683</u>	<u>7,798,568</u>	<u>(1,037,885)</u>
Basic program - summer school					
Summer Success - Literacy & Math	-	-	-	1,300	(1,300)
Summer Slam/Success - Literacy & Math	-	-	-	300	(300)
Summer Academy	112,601	7,940	120,541	128,678	(8,137)
Total summer school	<u>112,601</u>	<u>7,940</u>	<u>120,541</u>	<u>130,278</u>	<u>(9,737)</u>
Basic program - Pre-K programs					
Preschool	262,669	4,734	267,403	337,635	(70,232)
GSRP	1,410,776	71,791	1,482,567	1,489,390	(6,823)
Total Pre-K programs	<u>1,673,445</u>	<u>76,525</u>	<u>1,749,970</u>	<u>1,827,025</u>	<u>(77,055)</u>
Added needs - special education programs					
Emotionally Impaired	291,456	528	291,984	351,158	(59,174)
Education Mentally Impaired	241,868	2,446	244,314	274,352	(30,038)
CI - Local	453,568	1,509	455,077	475,823	(20,746)
CI (TMI)	742,554	20,231	762,785	723,681	39,104
AI	665,572	24,646	690,218	719,450	(29,232)
AI - Summer	-	-	-	31,961	(31,961)
AI - Pierce	298,324	20,081	318,405	346,823	(28,418)
AI - H.S.	302,172	5,874	308,046	318,752	(10,706)

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
Added needs - special education programs (continued)					
SCI	\$ 109,695	\$ 1,128	\$ 110,823	\$ 114,292	\$ (3,469)
CVS Reg	1,089,626	70,067	1,159,693	1,148,261	11,432
CVS EI	686,518	62,354	748,872	796,851	(47,979)
CVS Summer School	71,138	6,314	77,452	61,911	15,541
Sec Res Teacher	2,321,215	17,345	2,338,560	2,295,188	43,372
Elementary Teacher	1,277,828	8,357	1,286,185	1,293,747	(7,562)
EI Middle School	257,706	6,190	263,896	229,847	34,049
EI High School	174,208	-	174,208	172,861	1,347
Resource/Speech	20,949	-	20,949	19,578	1,371
IDEA local	781,833	120,816	902,649	757,693	144,956
SXI local	276,109	9,141	285,250	295,189	(9,939)
Total special education programs	<u>10,062,339</u>	<u>377,027</u>	<u>10,439,366</u>	<u>10,427,418</u>	<u>11,948</u>
Added needs - compensatory education					
31A	2,214,195	112,233	2,326,428	2,618,160	(291,732)
Section 41	-	6,266	6,266	29,928	(23,662)
Targeted Literacy	-	20,308	20,308	114,746	(94,438)
Northwest Evaluation Association	-	-	-	6,800	(6,800)
English/Second Language	191,909	1,139	193,048	256,928	(63,880)
Total compensatory education	<u>2,406,104</u>	<u>139,946</u>	<u>2,546,050</u>	<u>3,026,562</u>	<u>(480,512)</u>

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
Added needs - vocational education					
General Vocational Education	\$ 896,288	\$ 54,745	\$ 951,033	\$ 974,905	\$ (23,872)
Vocational Millage	-	-	-	1,500	(1,500)
Robotics	4,532	3,500	8,032	14,330	(6,298)
Total vocational education	900,820	58,245	959,065	990,735	(31,670)
Total Instruction	34,741,281	2,393,396	37,134,677	39,084,403	(1,949,726)
Pupils					
Guidance-Mid	385,807	150	385,957	383,092	2,865
Guidance-HS	548,432	1,080	549,512	556,105	(6,593)
31A Counselors	403,764	-	403,764	398,452	5,312
Alt. H.S.-Durant - Hall Monitors	43,102	-	43,102	54,524	(11,422)
Alt. H.S.-Durant - Counselors	151,892	-	151,892	133,246	18,646
Other Pupil Services	530,586	7,529	538,115	633,447	(95,332)
SXI Local - Nurse	21,506	8,935	30,441	19,552	10,889
SXI Local - Speech	20,630	-	20,630	16,706	3,924
SXI Local - Social Worker	4,145	-	4,145	3,030	1,115
SXI Local - Adaptive PE	19,245	452	19,697	17,330	2,367
Elementary EI	123,255	-	123,255	100,831	22,424
CI Health	33,376	14,910	48,286	34,788	13,498
CI Speech	20,488	-	20,488	14,969	5,519
CI Social Worker	14,616	-	14,616	18,831	(4,215)
General Special Education	276,937	11,206	288,143	298,419	(10,276)
LD - Teacher Consultant	383,394	-	383,394	288,073	95,321
CI Local - O.T.	20,444	-	20,444	25,440	(4,996)

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
Pupils (continued)					
CI Local - Speech	\$ 63,138	\$ -	\$ 63,138	\$ 57,588	\$ 5,550
CI Local - Social Worker	17,389	-	17,389	17,217	172
CI Local - Adaptive P.E.	11,582	-	11,582	10,797	785
CI (TMI) - O.T.	6,625	-	6,625	7,744	(1,119)
CI (TMI) - Social Worker	12,627	-	12,627	10,909	1,718
CI (TMI) - Adaptive P.E.	61,370	1,432	62,802	48,306	14,496
AI - O.T.	40,600	-	40,600	46,872	(6,272)
AI - Speech	55,699	-	55,699	55,124	575
AI - Social Worker	51,318	-	51,318	166,460	(115,142)
AI M.S. - O.T.	13,682	-	13,682	16,126	(2,444)
AI M.S. - Social Worker	59,419	-	59,419	50,975	8,444
AI H.S. - O.T.	15,739	-	15,739	16,197	(458)
AI H.S. - Speech	49,126	-	49,126	29,002	20,124
AI H.S. - Social Worker	55,249	-	55,249	51,318	3,931
SCI - O.T. & P.T.	8,595	-	8,595	7,962	633
SCI - Speech	7,386	-	7,386	7,050	336
SCI - Social Worker	23,173	-	23,173	19,430	3,743
SCI - Adaptive P.E.	6,566	-	6,566	5,678	888
Early Intervention - O.T. & P.T.	97,348	66,874	164,222	176,893	(12,671)
Early Intervention - Speech	89,203	-	89,203	73,770	15,433

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
Pupils (continued)					
Early Intervention - TC	\$ 194,694	\$ 1,495	\$ 196,189	\$ 172,463	\$ 23,726
CVS - EI, P.T. & O.T.	6,175	-	6,175	8,116	(1,941)
CVS - EI , Psychologist	55,846	-	55,846	40,529	15,317
CVS - EI , Speech	6,058	-	6,058	6,755	(697)
CVS - EI , Social Worker	40,295	3,763	44,058	57,122	(13,064)
EI Middle School - OT	4,742	-	4,742	6,238	(1,496)
EI Middle School, Social Worker	71,376	-	71,376	66,094	5,282
EI Middle & High School - Psych	-	-	-	101,227	(101,227)
Resource/Speech	149,624	-	149,624	139,787	9,837
Resource Room - Secondary	130,546	-	130,546	120,582	9,964
GSRP - Behavior Counseling	15,433	-	15,433	27,131	(11,698)
Sub Abuse Prevention	104,918	-	104,918	115,140	(10,222)
Speech Services	991,779	1,116	992,895	945,627	47,268
Social Services	899,744	17,222	916,966	845,401	71,565
Psychologist	75,656	189	75,845	51,918	23,927
31A Social Workers	495,123	-	495,123	423,633	71,490
Summer Academy	2,533	-	2,533	3,082	(549)
Robotics (WIRED)	-	6,266	6,266	10,000	(3,734)
Vocational Education Millage	48,675	3,813	52,488	59,572	(7,084)
Total pupils	7,040,670	146,432	7,187,102	7,072,670	114,432

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
Instructional staff					
Staff Development	\$ 478,679	\$ 102,668	\$ 581,347	\$ 540,420	\$ 40,927
English as a Second Language	49,781	-	49,781	32,597	17,184
Math Categorical	-	19,090	19,090	19,835	(745)
Secondary Education Curriculum	45,158	236	45,394	69,495	(24,101)
Vocational Education Millage	49,552	21,031	70,583	66,053	4,530
Vocational Education Millage Administration	36,146	526	36,672	61,929	(25,257)
Vocational	84,951	-	84,951	82,715	2,236
Music - Fine Arts Administration	-	15,497	15,497	16,896	(1,399)
Substance Abuse & Prevention	-	-	-	3,300	(3,300)
GSRP - On Site Regional Support	-	8,170	8,170	7,825	345
GSRP - Library Tech	5,782	-	5,782	5,782	-
GSRP - Instructional Support	139,449	51,850	191,299	190,853	446
Physical Education - Administration	-	300	300	430	(130)
Special Education Administration	272,174	41,014	313,188	296,342	16,846
CI (TMI)	-	3,400	3,400	30,200	(26,800)
Local SXI	-	-	-	465	(465)
Library-Elementary	102,375	7,638	110,013	99,002	11,011
Library-Middle School	23,179	9,267	32,446	33,228	(782)
Library-High School	17,910	8,788	26,698	30,206	(3,508)
Library Services	24,734	9,310	34,044	66,498	(32,454)
Library - Preschool	12,402	-	12,402	19,350	(6,948)
Preschool - Conference	-	2,520	2,520	2,500	20
Waterford Foundation Grant	-	70,721	70,721	78,623	(7,902)
Talent Development Program	12,500	3,088	15,588	24,060	(8,472)
North Central Association	-	13,702	13,702	28,457	(14,755)
Targeted Literacy Grant	869	3,723	4,592	32,000	(27,408)
Section 41	-	6,426	6,426	6,479	(53)
Durant Foundation	49,721	172,650	222,371	290,000	(67,629)
Summer SLAM	-	-	-	300	(300)
Total instructional staff	1,405,362	571,615	1,976,977	2,135,840	(158,863)

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	Actual				Actual
	Salaries	Supplies and Expenses	Total	Final Budget	Over (Under) Budget
General administration					
Board of Education	\$ 74,036	\$ 335,487	\$ 409,523	\$ 475,027	\$ (65,504)
Executive Administration	285,033	5,805	290,838	280,367	10,471
Instruction - Director	229,881	213,096	442,977	520,613	(77,636)
Instruction - Curriculum & Assessment	45,128	26,020	71,148	84,435	(13,287)
Total general administration	<u>634,078</u>	<u>580,408</u>	<u>1,214,486</u>	<u>1,360,442</u>	<u>(145,956)</u>
School administration					
Elementary School Principal	1,314,836	103,483	1,418,319	1,359,986	58,333
Middle School Principal	648,873	66,757	715,630	683,875	31,755
High School Principal	1,158,392	28,590	1,186,982	1,145,755	41,227
Pre School Principal	53,320	4,168	57,488	66,650	(9,162)
CVS Principal	322,971	24,254	347,225	339,657	7,568
Alternative High School - Durant	276,799	7,186	283,985	286,562	(2,577)
GSRP Principal	-	500	500	500	-
Summer SLAM	-	118	118	700	(582)
Summer Academy	9,073	253	9,326	15,269	(5,943)
Total school administration	<u>3,784,264</u>	<u>235,309</u>	<u>4,019,573</u>	<u>3,898,954</u>	<u>120,619</u>
Business					
Fiscal Services	690,621	70,025	760,646	721,185	39,461
Utilities	-	2,480,083	2,480,083	2,004,587	475,496
Operations	783,368	1,694,819	2,478,187	2,655,098	(176,911)
Maintenance	308,226	830,057	1,138,283	1,265,230	(126,947)
Stadium Field Maintenance	-	1,250	1,250	1,250	-
Facility Use	10,627	-	10,627	-	10,627
Transportation	1,926,658	919,411	2,846,069	2,999,704	(153,635)
Transportation - Instruction	-	2,190	2,190	45,800	(43,610)

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	Actual				Actual
	Salaries	Supplies and Expenses	Total	Final Budget	Over (Under) Budget
Business (continued)					
Transportation - Athletics & Other	\$ -	\$ 91,767	\$ 91,767	\$ 66,000	\$ 25,767
Transportation - SpEd Work Experience	-	15,873	15,873	37,816	(21,943)
Transportation - GSRP	-	5,851	5,851	5,011	840
Transportation - Early Targeted Literacy	-	-	-	10,000	(10,000)
Purchasing	-	3,060	3,060	7,750	(4,690)
Print & Copy	-	9,316	9,316	3,081	6,235
Mail Services	-	25,690	25,690	19,919	5,771
Other Services	-	219,546	219,546	212,433	7,113
Safety & Security	31,816	223,256	255,072	256,687	(1,615)
Capital Improvement Projects	29,161	251,365	280,526	185,000	95,526
Total business	3,780,477	6,843,559	10,624,036	10,496,551	127,485
Central					
Computer Services	425,301	17,246	442,547	514,876	(72,329)
Central Enrollment/Pupil Accounting	128,100	8,761	136,861	135,584	1,277
Research & Evaluation	110,992	12,288	123,280	140,697	(17,417)
School Community Services	118,063	68,006	186,069	180,307	5,762
Human Resources	302,959	22,072	325,031	342,766	(17,735)
M.I.S.	250,708	249,898	500,606	568,348	(67,742)
M.I.S. - Communication	-	1,124,848	1,124,848	1,389,166	(264,318)
PEG Program - Cable	-	43,270	43,270	72,115	(28,845)
Other Services	1,252	1,273,750	1,275,002	370,959	904,043
Contingency	-	-	-	500,000	(500,000)
Employee Benefits	21,683,632	58,606	21,742,238	22,905,836	(1,163,598)
Total central	23,021,007	2,878,745	25,899,752	27,120,654	(1,220,902)
Total supporting services	39,665,858	11,256,068	50,921,926	52,085,111	(1,163,185)
Total local share of expenditures	74,407,139	13,649,464	88,056,603	91,169,514	(3,112,911)

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	Actual				Actual
	Salaries	Supplies and Expenses	Total	Final Budget	Over (Under) Budget
Athletics					
Athletics	\$ 813,574	\$ 793,137	\$ 1,606,711	\$ 1,538,270	\$ 68,441
Hockey	-	370	370	38,344	(37,974)
Total athletics	<u>813,574</u>	<u>793,507</u>	<u>1,607,081</u>	<u>1,576,614</u>	<u>30,467</u>
Civic activity					
Facility Use	4,724	3,200	7,924	65,739	(57,815)
GSRP	-	1,220	1,220	500	720
Summer Camp	10,347	18,571	28,918	-	28,918
Community Education	4,928	73,003	77,931	35,745	42,186
Total civic activity	<u>19,999</u>	<u>95,994</u>	<u>115,993</u>	<u>101,984</u>	<u>14,009</u>
Federal programs	<u>6,007,473</u>	<u>1,029,093</u>	<u>7,036,566</u>	<u>7,436,949</u>	<u>(400,383)</u>
Other local match					
Headstart	169,087	39,787	208,874	337,350	(128,476)
Success	69,172	-	69,172	22,070	47,102
MiWorks!	2,658	376	3,034	-	3,034
Medicaid	27,581	9,595	37,176	36,246	930
Total local federal	<u>268,498</u>	<u>49,758</u>	<u>318,256</u>	<u>395,666</u>	<u>(77,410)</u>
Total Federal Share	<u>6,275,971</u>	<u>1,078,851</u>	<u>7,354,822</u>	<u>7,832,615</u>	<u>(477,793)</u>

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2018

	Actual			Actual
	Supplies and Expenses	Total	Final Budget	Over (Under) Budget
Salaries				
Debt service				
Principal	\$ 870,000	\$ 870,000	\$ 870,000	\$ -
Interest	232,300	232,300	232,000	300
Total debt service	1,102,300	1,102,300	1,102,000	300
Interfund transfers				
School service fund	602,916	602,916	117,633	485,283
Total expenditures	\$ 17,323,032	\$ 98,839,715	\$ 101,900,360	\$ (3,060,645)

Waterford School District
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2018

Year Ending June 30,	2003 Series III	2013 Refunding	2014 Series IV	2014 Refunding	2003 Series V	2016 Series I	2016 Series II	2016 Series III	Energy Refunding Bonds	Total
2019	\$ 1,500,000	\$ 3,550,000	\$ 1,200,000	\$ 1,790,000	\$ 885,000	\$ 800,000	\$ 2,000,000	\$ 300,000	\$ 890,000	\$ 12,915,000
2020	1,500,000	4,560,000	1,225,000	1,815,000	905,000	815,000	1,500,000	300,000	915,000	13,535,000
2021	1,500,000	2,575,000	1,275,000	1,810,000	930,000	835,000	1,575,000	660,000	915,000	12,075,000
2022	1,500,000	2,575,000	1,300,000	2,395,000	960,000	855,000	1,650,000	670,000	845,000	12,750,000
2023	1,500,000	3,145,000	1,325,000	-	985,000	880,000	1,700,000	680,000	640,000	10,855,000
2024	1,500,000	-	1,375,000	-	1,015,000	905,000	1,950,000	690,000	-	7,435,000
2025	1,500,000	-	1,425,000	-	1,050,000	935,000	2,300,000	700,000	-	7,910,000
2026	1,000,000	-	1,475,000	-	1,085,000	960,000	2,400,000	720,000	-	7,640,000
2027	1,000,000	-	1,500,000	-	1,125,000	995,000	2,500,000	740,000	-	7,860,000
2028	-	-	1,550,000	-	1,165,000	1,025,000	2,550,000	760,000	-	7,050,000
2029	-	-	1,600,000	-	1,200,000	1,055,000	2,625,000	800,000	-	7,280,000
2030	-	-	-	-	1,245,000	1,095,000	2,700,000	830,000	-	5,870,000
2031	-	-	-	-	-	1,130,000	2,800,000	840,000	-	4,770,000
2032	-	-	-	-	-	1,170,000	2,900,000	860,000	-	4,930,000
2033	-	-	-	-	-	1,210,000	3,000,000	-	-	4,210,000
2034	-	-	-	-	-	1,265,000	3,100,000	-	-	4,365,000
2035	-	-	-	-	-	1,315,000	3,200,000	-	-	4,515,000
2036	-	-	-	-	-	1,360,000	3,325,000	-	-	4,685,000
2037	-	-	-	-	-	-	3,475,000	-	-	3,475,000
Total	\$ 12,500,000	\$ 16,405,000	\$ 15,250,000	\$ 7,810,000	\$ 12,550,000	\$ 18,605,000	\$ 47,250,000	\$ 9,550,000	\$ 4,205,000	\$ 144,125,000
Principal payments due the first day of	May	May	May	May	May	May	May	May	August	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	May and November	May and November	May and November	August and February	
Interest rate	2.00% - 3.00%	2.00% - 5.00%	2.00% - 3.10%	2.00% - 5.00%	2.00% - 3.125%	2.00% - 3.00%	2.00% - 3.00%	2.00% - 3.00%	2.00 - 5.00%	
Original issue	\$ 20,000,000	\$ 26,150,000	\$ 20,000,000	\$ 13,455,000	\$ 15,000,000	\$ 20,000,000	\$ 50,000,000	\$ 10,000,000	\$ 6,755,000	

Waterford School District

Single Audit Report

June 30, 2018



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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, 2018, 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 10, 2018.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Yeo & Yeo, P.C.

Saginaw, Michigan
October 10, 2018

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

We have audited Waterford School District's compliance with the types of compliance requirements described 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, 2018. Waterford School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Waterford School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of Waterford School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Waterford School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Waterford School District's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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, 2018, 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 10, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted 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.

Saginaw, Michigan
October 10, 2018

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2017	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Unearned) Revenue June 30, 2018	Cash Transferred Subrecipients
U.S. Department of Agriculture										
Passed through Michigan Department of Education										
Child Nutrition Cluster										
Non-cash assistance (commodities)										
Entitlement Commodities	10.555	N/A	\$ 314,824	\$ -	\$ -	\$ 314,824	\$ 314,824	\$ -	\$ -	\$ -
Cash assistance										
School Breakfast Program	10.553	171970	940,028	174,346	845,298	269,076	94,730	-	-	-
School Breakfast Program		181970	889,195	-	-	703,196	889,195	-	185,999	-
Total School Breakfast Program				174,346	845,298	972,272	983,925	-	185,999	-
National School Lunch Program	10.555	171960	1,991,019	352,829	1,779,326	564,522	211,693	-	-	-
National School Lunch Program		181960	1,844,205	-	-	1,473,850	1,844,205	-	370,355	-
National School Lunch After School Snack Program		171980	789	142	789	142	-	-	-	-
Total National School Lunch Program				352,971	1,780,115	2,038,514	2,055,898	-	370,355	-
Summer Food Service Program for Children	10.559	170900	73,950	15,611	15,611	73,950	58,339	-	-	-
Summer Food Service Program for Children		171900	7,635	1,616	1,616	7,635	6,019	-	-	-
Summer Food Service Program for Children		180900	15,060	-	-	-	15,060	-	15,060	-
Summer Food Service Program for Children		181900	1,566	-	-	-	1,566	-	1,566	-
Total Summer Food Service Program for Children				17,227	17,227	81,585	80,984	-	16,626	-
Total Child Nutrition Cluster				544,544	2,642,640	3,407,195	3,435,631	-	572,980	-
Total U.S. Department of Agriculture				544,544	2,642,640	3,407,195	3,435,631	-	572,980	-

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2017	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Unearned) Revenue June 30, 2018	Cash Transferred Subrecipients
U.S. Department of Labor										
Passed through Oakland County Department of Health										
Employment Services Cluster										
Wagner-Peyser Employment Service	17.207	PY-16	\$ 157,667	\$ 24,327	\$ 66,573	\$ 92,518	\$ 91,094	\$ -	\$ 22,903	\$ -
Wagner-Peyser Employment Service		PY-17	122,357	-	-	14,046	36,122	-	22,076	-
Total Employment Services Cluster				<u>24,327</u>	<u>66,573</u>	<u>106,564</u>	<u>127,216</u>	<u>-</u>	<u>44,979</u>	<u>-</u>
IFA- Unemployment Insurance										
RESEA	17.225	PY-18	2,175	-	-	1,656	2,175	-	519	-
RESEA		PY-16	29,584	8,219	28,507	9,066	847	-	-	-
RESEA		PY-17	78,613	-	-	54,703	75,117	-	20,414	-
				<u>8,219</u>	<u>28,507</u>	<u>65,425</u>	<u>78,139</u>	<u>-</u>	<u>20,933</u>	<u>-</u>
TGAAA										
TGAAA	17.245	PY-16	17,821	17,821	17,821	17,821	-	-	-	-
TGAAA		PY-17	25,812	-	-	7,990	7,990	-	-	-
TGAAA		PY-18	18,483	-	-	-	15,748	-	15,748	-
				<u>17,821</u>	<u>17,821</u>	<u>25,811</u>	<u>23,738</u>	<u>-</u>	<u>15,748</u>	<u>-</u>
H-1B Job Training Grants										
H-1B Job Training Grants	17.268	PY-18	14,000	-	-	5,000	14,000	-	9,000	-
Workforce Innovation and Opportunity Act Cluster										
WIOA Admin	17.258	PY-16	30,047	11,524	30,046	11,524	-	-	-	-
WIOA Admin		PY-17	26,873	-	-	15,818	24,048	-	8,230	-
				<u>11,524</u>	<u>30,046</u>	<u>27,342</u>	<u>24,048</u>	<u>-</u>	<u>8,230</u>	<u>-</u>
WIOA Adult	17.258	PY-15	54,518	-	5,344	49,174	49,174	-	-	-
WIOA Adult		PY-16	146,698	38,045	69,376	115,367	77,322	-	-	-
WIOA Adult		PY-17	276,723	-	-	376	64,709	-	64,333	-
				<u>38,045</u>	<u>74,720</u>	<u>164,917</u>	<u>191,205</u>	<u>-</u>	<u>64,333</u>	<u>-</u>
IFA- Veterans	17.258	PY-18	2,175	-	-	1,656	2,175	-	519	-
WIOA One Stop	17.258	PY-16	57,580	6,493	54,999	9,074	2,581	-	-	-
WIOA One Stop		PY-17	25,224	-	-	1,266	1,924	-	658	-
				<u>6,493</u>	<u>54,999</u>	<u>10,340</u>	<u>4,505</u>	<u>-</u>	<u>658</u>	<u>-</u>

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2017	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Unearned) Revenue June 30, 2018	Cash Transferred Subrecipients
WIOA Youth Services	17.259	PY-16	\$ 183,562	\$ 32,810	\$ 95,938	\$ 113,758	\$ 87,624	\$ -	\$ 6,676	\$ -
WIOA Youth Services		PY-17	123,722	-	-	3,175	39,775	-	36,600	-
				<u>32,810</u>	<u>95,938</u>	<u>116,933</u>	<u>127,399</u>	<u>-</u>	<u>43,276</u>	<u>-</u>
WIOA Dislocated Worker	17.278	PY-16	233,474	25,541	151,467	107,548	82,007	-	-	-
WIOA Dislocated Worker		PY-17	45,341	-	-	10,918	43,369	-	32,451	-
				<u>25,541</u>	<u>151,467</u>	<u>118,466</u>	<u>125,376</u>	<u>-</u>	<u>32,451</u>	<u>-</u>
Total Workforce Innovation and Opportunity Act Cluster				<u>114,413</u>	<u>407,170</u>	<u>439,654</u>	<u>474,708</u>	<u>-</u>	<u>149,467</u>	<u>-</u>
Total U.S. Department of Labor				<u>164,780</u>	<u>520,071</u>	<u>642,454</u>	<u>717,801</u>	<u>-</u>	<u>240,127</u>	<u>-</u>
U.S. Department of Education										
Passed through Michigan Department of Education										
Title I Grants to Local Educational Agencies	84.010	171530 1617	1,551,310	489,772	1,232,493	747,503	257,731	-	-	-
Title I Grants to Local Educational Agencies		181530 1718	1,599,599	-	-	793,245	1,337,563	-	544,318	-
				<u>489,772</u>	<u>1,232,493</u>	<u>1,540,748</u>	<u>1,595,294</u>	<u>-</u>	<u>544,318</u>	<u>-</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	171700 1617	635,700	255,616	479,395	298,394	42,778	-	-	-
Title I State Agency Program for Neglected and Delinquent Children and Youth		181700 1718	590,060	-	-	233,054	363,755	-	130,701	-
				<u>255,616</u>	<u>479,395</u>	<u>531,448</u>	<u>406,533</u>	<u>-</u>	<u>130,701</u>	<u>-</u>
Passed through Oakland Schools										
Special Education Cluster										
Special Education Grants to States	84.027A	160450	2,533,114	32,056	2,533,114	32,056	-	-	-	-
Special Education Grants to States		170450	2,647,143	1,240,532	2,585,495	1,302,180	61,648	-	-	-
Special Education Grants to States		180450	2,719,969	-	-	1,690,734	2,704,982	-	1,014,248	-
				<u>1,272,588</u>	<u>5,118,609</u>	<u>3,024,970</u>	<u>2,766,630</u>	<u>-</u>	<u>1,014,248</u>	<u>-</u>

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2017	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Unearned) Revenue June 30, 2018	Cash Transferred Subrecipients
Special Education - Preschool	84.173A	170460	\$ 60,880	\$ 28,399	\$ 55,724	\$ 33,555	\$ 5,156	\$ -	\$ -	\$ -
Special Education - Preschool		180460	72,026	-	-	27,999	44,116	-	16,117	-
				<u>28,399</u>	<u>55,724</u>	<u>61,554</u>	<u>49,272</u>	<u>-</u>	<u>16,117</u>	<u>-</u>
Total Special Education Cluster				<u>1,300,987</u>	<u>5,174,333</u>	<u>3,086,524</u>	<u>2,815,902</u>	<u>-</u>	<u>1,030,365</u>	<u>-</u>
Direct Program										
English Language Acquisition State Grants	84.365A	170580 1617	126,717	23,810	53,602	32,216	8,406	-	-	-
English Language Acquisition State Grants		180580 1718	136,286	-	-	41,084	79,513	-	38,429	-
				<u>23,810</u>	<u>53,602</u>	<u>73,300</u>	<u>87,919</u>	<u>-</u>	<u>38,429</u>	<u>-</u>
Passed through Oakland Schools										
English Language Acquisition State Grants	84.365	170570 1617	22,751	8,830	8,830	8,830	-	-	-	-
English Language Acquisition State Grants		180570 1718	14,878	-	-	2,460	12,600	-	10,140	-
				<u>8,830</u>	<u>8,830</u>	<u>11,290</u>	<u>12,600</u>	<u>-</u>	<u>10,140</u>	<u>-</u>
Passed through Michigan Department of Education										
Supporting Effective Instruction State Grants	84.367	170520 1617	331,377	101,383	262,331	131,580	30,197	-	-	-
Supporting Effective Instruction State Grants		180520 1718	386,316	-	-	155,828	290,795	-	134,967	-
				<u>101,383</u>	<u>262,331</u>	<u>287,408</u>	<u>320,992</u>	<u>-</u>	<u>134,967</u>	<u>-</u>
Student Support and Academic Enrichment	84.424A	180750 1718	23,519	-	-	2,624	4,228	-	1,604	-
Total U.S. Department of Education				<u>2,180,398</u>	<u>7,210,984</u>	<u>5,533,342</u>	<u>5,243,468</u>	<u>-</u>	<u>1,890,524</u>	<u>-</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	17-9052-03	197,278	15,648	197,278	15,648	-	-	-	-
Special Programs for the Aging Title III, Part C Nutrition Services		18-9052-03	190,210	-	-	174,778	190,210	-	15,432	-
				<u>15,648</u>	<u>197,278</u>	<u>190,426</u>	<u>190,210</u>	<u>-</u>	<u>15,432</u>	<u>-</u>
Passed through Oakland County Department of Health										
Temporary Assistance for Needy Families	93.558	PY-16	177,010	56,706	177,010	56,706	-	-	-	-
Temporary Assistance for Needy Families		PY-17	312,425	-	-	144,221	144,221	-	-	-
Temporary Assistance for Needy Families		PY-18	291,749	-	-	95,750	183,967	-	88,217	-
				<u>56,706</u>	<u>177,010</u>	<u>296,677</u>	<u>328,188</u>	<u>-</u>	<u>88,217</u>	<u>-</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, 2018

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2017	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Unearned) Revenue June 30, 2018	Cash Transferred Subrecipients
Passed through Oakland Livingston Human Services Agency (OLHSA)										
O.E.O. Headstart	93.600	05CH010367	\$ 971,963	\$ 413,966	\$ 655,200	\$ 730,729	\$ 316,763	\$ -	\$ -	\$ -
O.E.O. Headstart		05CH010367	686,080	-	-	307,842	430,346	-	122,504	-
				<u>413,966</u>	<u>655,200</u>	<u>1,038,571</u>	<u>747,109</u>	<u>-</u>	<u>122,504</u>	<u>-</u>
Total U.S. Department of Health and Human Services				<u>486,320</u>	<u>1,029,488</u>	<u>1,525,674</u>	<u>1,265,507</u>	<u>-</u>	<u>226,153</u>	<u>-</u>
Total Federal Awards				<u>\$ 3,376,042</u>	<u>\$ 11,403,183</u>	<u>\$ 11,108,665</u>	<u>\$ 10,662,407</u>	<u>\$ -</u>	<u>\$ 2,929,784</u>	<u>\$ -</u>

Waterford School District
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2018

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, 2018. 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 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.

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 with the following reconciliation due to timing differences of receipts.

	Receipts per the Grant Auditor Report	Receipts per Schedule	Difference
National School Breakfast Program 171970	\$ 154,089	\$ 269,076	\$ (114,987)
National School Lunch Program 171960	325,574	564,522	(238,948)
National School Lunch After School Snack Program 171980	10	142	(132)
	<u>\$ 479,673</u>	<u>\$ 833,740</u>	<u>\$ (354,067)</u>

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, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2018.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2018.

Waterford School District
Summary Schedule of Prior Audit Findings
June 30, 2018

SECTION IV- PRIOR AUDIT FINDING

FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2017.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2017.



October 10, 2018

Management and the Board of Education
Waterford School District
501 N. Cass Lake Road
Waterford, MI 48327

We have completed our audit of the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Waterford School District as of and for the year ended June 30, 2018, and have issued our report dated October 10, 2018. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The first appendix to this letter sets forth those communications as follows:

I. Auditors' Communication of Significant Matters with Those Charged with Governance

In addition, we have identified additional matters that are not required to be communicated but we believe are valuable for management:

II. Matters for Management's Consideration

We discussed these matters with various personnel in the School District during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Education, and others within the School District, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.
Saginaw, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 1, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. The School District has adopted the new Government Accounting Standards Board Statements as noted in the notes to the financial statements, effective July 1, 2017.

We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net OPEB liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We have evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

Disclosures in the financial statements are neutral, consistent and clear.

Accounting Standards and Regulatory Updates

Accounting Standards

The Governmental Accounting Standards Board has released the following Statements:

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1)

pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

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 financings 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 School District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the School District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

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

Regulatory and Other Updates

Cybersecurity Posture

Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. A recent study showed as many as four out of five U.S. companies have suffered from an attack. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached.

Risk assessment is a first step in mitigating cybersecurity risks and improving your School District's overall cybersecurity posture. The National Institute of Standards and Technology published *Framework for Improving Critical Infrastructure Cybersecurity*, which "enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving

the security and resilience of critical infrastructure.” The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at www.nist.gov.

Placing significant emphasis on evaluating your School District’s cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat, and help lessen the impact of a breach.

Uniform Guidance – Implementation of Federal Grant Procurement Standards

In May 2017, the federal government granted an additional one-year delay for implementation of the procurement standards under the Uniform Guidance. The grace period now extends through December 25, 2017. Therefore entities with fiscal years beginning on or after December 26, 2017 must have procurement standards, for federal expenditures, that meet the more stringent requirements of 2 CFR 200.317 to 326. For school districts, it will apply to fiscal year 2019 and therefore, must be in place starting July 1, 2018. It is imperative that your procurement policies – whatever they are documented as – be followed. The Uniform Guidance and the old guidance in the OMB Circulars provide minimum requirements that must be covered by an entity’s procurement policies. If an entity’s policies are stricter than the federal rules, the entity policies still must be followed. As you adopt new procurement policies, we also recommend that you consider separate policies for federal and non-federal expenditures to ease the administrative burden of certain federal requirements.

Fiscal Year (FY) 2019 School Aid

The School Aid budget for FY 2019 was signed in June, 2018. Following are some significant highlights of the bill:

- The per pupil Foundation Grants for FY 2019 will increase by a range of \$120 to \$240 using the “2X formula.” The increase will be added to the FY 2018 foundation grant resulting in the lowest foundation for FY 2018 being \$7,871 and the maximum state guaranteed foundation being \$8,409.
- The Pupil Membership Blend will remain at 90% of the current school year October count and 10% of the prior school year February count.
- The Section 31a At-Risk funding is maintained at \$499,000,000. Eligibility expanded to include grades K-12, from K-3, and shall use resources to address early literacy and numeracy through an evidence-based framework that uses data-driven problem solving through a multi-tiered system of supports. Adds language that for schools in which more than 40% of pupils are identified as At-Risk, a district may use the funds it receives to implement schoolwide reforms that are guided by the district’s comprehensive needs assessment and are included in the district improvement plan. Allows for up to 5% to be used for professional development.
- The per pupil funding under Section 20f will be equal to the per pupil funding in 2017-18.
- A New Section 31m has been created as a separate account to improve mental health and support services for K-12 pupils. A deposit of \$30 million has been allocated for this purpose.
- A new Section 54d appropriates \$5 million in grant funds for intermediate districts to provide pilot programs for children from birth to 3 years of age with developmental disability and/or delay.
- Section 147c has a MPSERS rate cap funding set at \$1.03 billion, which is an increase of \$72 million. The rate cap is estimated at \$690 per pupil.
- Section 147e includes \$37.6 million allocated as a direct reimbursement for additional retirement costs for specific qualified participants due to PA 92 of 2017.

Budget Assumptions & Early Warning

Each school district that has a general fund balance less than 5% of total unrestricted general revenue for either of the 2015-2016 or 2016-2017 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI).

Uniform Budgeting and Accounting Act (UBAA)

The UBAA establishes budget and accounting requirements for local governments and school districts, including public school academies. It also establishes oversight requirements for MDE as well as the Michigan Attorney General. Material violations of the UBAA, including but not limited to General Fund deficits, should be reported as financial statement findings in the audit report. UBAA states that if it becomes apparent during the year that the probable revenues will be less than the budgeted revenues, the fiscal officer shall present recommendations to the legislative body which, if fiscal adopted, would prevent expenditures from exceeding available revenues for the fiscal year. UBAA states that an officer of the school district shall not incur expenditures against an appropriation account in excess of the amount appropriated by the board. Noncompliance includes, but is not limited to, over-expending the budget authorized by the board. MDE is analyzing the General Fund only, and at the total revenues, expenditures and financing sources (uses) levels, rather than at the line item level. MDE has stated a 0% tolerance for UBAA noncompliance.

Current Operating Expenditures (COE) for UAAL

Effective FY 2019, the percentage change in Current Operating Expenditures (COE) from one year to the next will be used to adjust the payroll on which the UAAL rate is charged. FY 2017 reported payroll will be adjusted by the percent change in COE from 2016 to 2017 to establish the FY19 adjusted payroll. The capped UAAL rate of 20.96% continues to be used in the calculation. ORS has put examples on their website to walk the school district through the calculation.

- UAAL contributions will no longer be calculated on member wages reported throughout the FY.
- This did not affect the 2018 fiscal year, but will impact the 2019 fiscal year.
- The FY 2019 payment process for contributions will be spread out over all Employer Statements in State FY 2019 (October 2018 through September 2019).

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all but the following adjustments:

- Bond discounts from previous years were fully expensed, resulting in passed adjustments in the current year that have the cumulative effect of understating net position in the governmental activities of \$148,135.
- In the General Fund and district-wide, utility expenditures for the new fiscal year were included in accounts payable at year end, resulting in a passed adjustment having the cumulative effect of understating fund balance and net position by \$82,218.
- The total of these passed adjustments results in understated net position of \$230,353.

Management has determined that the effects of the uncorrected misstatements attached are immaterial both individually and in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Our report will include the following emphasis of matter paragraph:

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' 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 on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis, 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, schedule of the school district's OPEB contributions, and budgetary comparison information, we 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

Report on Other Supplementary Information

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

Appendix II Matters for Management's Consideration

In planning and performing our audit of the financial statements of Waterford School District as of and for the year ended June 30, 2018, we considered Waterford School District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of a matter for management's consideration that is an opportunity for strengthening internal controls. This letter does not affect our report dated October 10, 2018, on the financial statements of Waterford School District. Our comment and recommendations regarding that matter is:

Activity Funds

During our audit, we tested a sample of activity fund (building level) disbursements to verify the policies and procedures in place related to the student activity accounts at the School District were followed. As a result of this test work, we discovered a number of instances for which the disbursements did not appropriately follow the policies and procedures in place related to activity fund reporting. In some instances, supporting documentation for the disbursement was unable to be located. In addition, many check requests were unapproved.

We believe the current policies and procedures over activity funds are sufficient from an overall internal control perspective. We recommend that the School District convey to all responsible parties at the building level the policies and procedures that currently exist for activity fund reporting, and, when appropriate, provide retraining on these policies and procedures. When properly implemented and monitored, the current policies and procedures over activity funds should provide sufficient internal controls to help prevent or detect fraud in a timely manner.

Prior Year Comments

- Parental Involvement – corrected
- Signature Stamp for Checks – corrected