

Waterford School District

Financial Statements

June 30, 2020



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Waterford School District
Members of the Board of Education and Administration
June 30, 2020

Members of the Board of Education

Michael Ristich – President

Bob Piggott – Vice President

Heather Halls – Secretary

Joan Sutherland – Treasurer

Julie Josselyn – Trustee

Robert Petrusa, Jr. – Trustee

John Paul Torres – Trustee

Administration

Scott Lindberg – Superintendent

Sandra Elka – Assistant Superintendent of Business and Operations

Amy Dagenhardt – Director of Finance and Budget



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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, 2020, 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, 2020, 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.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2020 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.

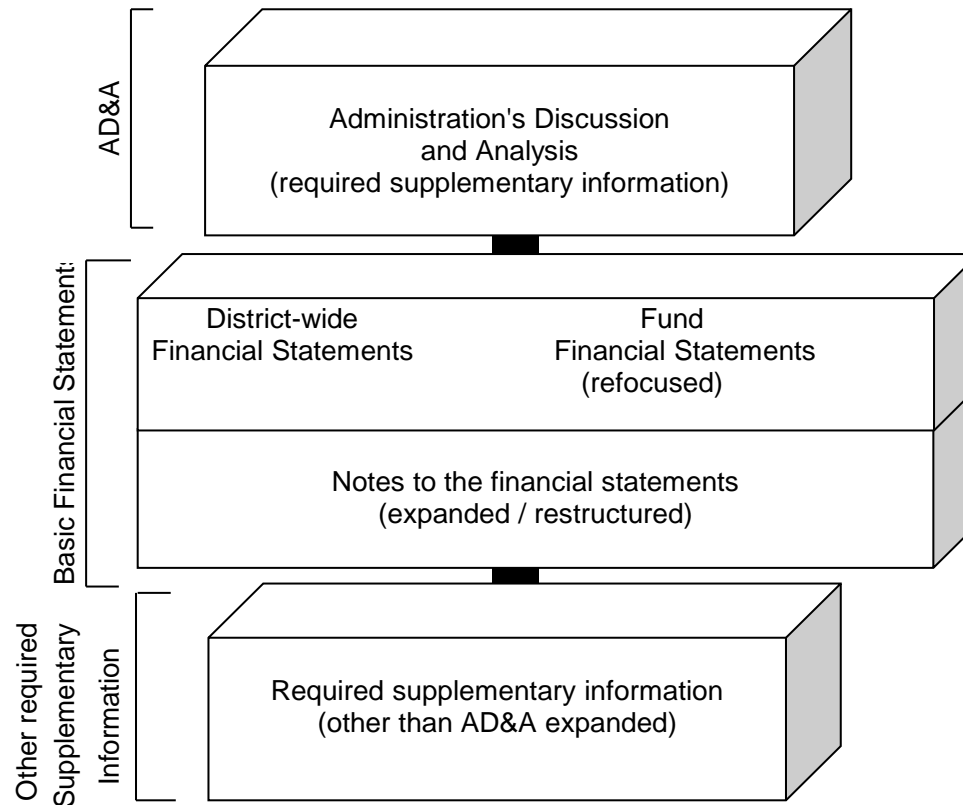
Auburn Hills, Michigan
November 13, 2020

ADMINISTRATION'S DISCUSSION AND ANALYSIS

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2020**

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, 2020.

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, 2020**

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, 2020

Financial Analysis of the District as a Whole:

	<u>2019-2020</u>	<u>2018-2019</u>	<u>Change</u>
Assets			
Current assets	\$ 55,031,693	\$ 84,340,076	\$ (29,308,383)
Capital assets	357,028,311	330,627,239	26,401,072
Less: accumulated depreciation	<u>(154,815,640)</u>	<u>(143,054,519)</u>	<u>(11,761,121)</u>
Capital assets, net book value	<u>202,212,671</u>	<u>187,572,720</u>	<u>14,639,951</u>
 Total assets	 <u>257,244,364</u>	 <u>271,912,796</u>	 <u>(14,668,432)</u>
 Deferred outflows of resources	 <u>68,387,227</u>	 <u>68,611,618</u>	 <u>(224,391)</u>
 Liabilities			
Current liabilities	27,949,721	46,802,500	(18,852,779)
Long-term liabilities	<u>383,445,854</u>	<u>378,574,066</u>	<u>4,871,788</u>
 Total liabilities	 <u>411,395,575</u>	 <u>425,376,566</u>	 <u>(13,980,991)</u>
 Deferred inflows of resources	 <u>41,460,661</u>	 <u>41,789,976</u>	 <u>(329,315)</u>
 Net Position			
Net investment in capital assets	74,341,514	70,787,744	3,553,770
Restricted	426,706	903,598	(476,892)
Unrestricted (deficit)	<u>(201,992,865)</u>	<u>(198,333,470)</u>	<u>(3,659,395)</u>
 Total net position	 <u>\$ (127,224,645)</u>	 <u>\$ (126,642,128)</u>	 <u>\$ (582,517)</u>

As indicated by the statement above, total net position is (\$127,224,645) and (\$126,642,128) for 2019-2020 and 2018-2019, respectively. Net position can be separated into three categories: net investment in capital assets, restricted net position, and unrestricted net position.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2020

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 2019-2020 and 2018-2019 is \$357,028,311 and \$330,627,239, 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 2019-2020 and 2018-2019 is \$154,815,640 and \$143,054,519, 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 2019-2020 and 2018-2019 was \$138,716,117 and \$153,592,316, respectively.

Restricted net position for fiscal year 2019-2020 consist of Debt Service of \$426,706. The remaining net position of (\$201,992,865) and (\$198,333,470) for fiscal year 2019-2020 and 2018-2019, respectively, are unrestricted. The unrestricted net position is an accumulation of prior years' operating results, and includes the GASB 68 and GASB 75 Unfunded Liability. This balance is directly affected each year by the District's operating results.

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

- Current assets decreased \$29,308,383, primarily due to the spend down of the capital project funds as construction projects being completed.
- Net Capital assets increased \$14,639,951 as a result of \$26,401,072 in capital improvements, offset by \$11,761,121 in normally scheduled depreciation.
- Current liabilities decreased by \$6,037,779 mainly due to a reduction of the short-term borrowing note and timing of accounts payable expenses.
- Long-term liabilities decreased \$7,943,212 mainly as a result of increased pension and OPEB liabilities of \$5,857,987, offset by a reduction in scheduled principal payments netting to \$13,890,000 (net of change in amount due within one year).

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2020

	<u>2019-2020</u>	<u>2018-2019</u>	<u>Change</u>
Program revenue			
Charges for services local and intermediate	\$ 4,256,241	\$ 5,764,360	\$ (1,508,119)
Operating grants - federal and state	<u>40,947,638</u>	<u>40,245,484</u>	<u>702,154</u>
Total program revenue	<u>45,203,879</u>	<u>46,009,844</u>	<u>(805,965)</u>
General revenue			
Property taxes, levied for general purposes	12,489,083	11,601,939	887,144
State of Michigan aid, unrestricted	<u>52,889,645</u>	<u>55,825,313</u>	<u>(2,935,668)</u>
Total foundation allowance	65,378,728	67,427,252	(2,048,524)
Property taxes, levied for debt service	16,930,046	16,705,112	224,934
Interest and investment earnings	717,289	1,136,963	(419,674)
Gain on sale of capital assets	3,966	438,241	(434,275)
Other	<u>363,130</u>	<u>153,751</u>	<u>209,379</u>
Total general revenue	<u>83,393,159</u>	<u>85,861,319</u>	<u>(2,468,160)</u>
Expense			
Instruction	69,547,968	64,534,320	5,013,648
Support services	40,712,282	40,858,593	(146,311)
Food service	5,720,256	5,261,607	458,649
Pool & fitness centers	799,210	985,792	(186,582)
Performing arts center	222,073	248,994	(26,921)
Childcare	1,271,204	1,328,916	(57,712)
Senior citizens	744,763	718,596	26,167
Special education center programs	6,494,686	6,384,165	110,521
Tax tribunal refunds	-	78,359	(78,359)
Interest on long-term debt	<u>3,667,113</u>	<u>3,919,264</u>	<u>(252,151)</u>
Total expenses	<u>129,179,555</u>	<u>124,318,606</u>	<u>4,860,949</u>
Change in net position	<u>\$ (582,517)</u>	<u>\$ 7,552,557</u>	<u>\$ (8,135,074)</u>

As indicated on the above, fiscal year 2019-2020 and 2018-2019, the change in net position was (\$582,517) and \$7,552,557, respectively.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2020

The 2019-2020 decrease in net position as compared to fiscal year 2018-2019 is due to the following factors:

Revenues:

- Operating grants increased \$702,154, primarily due to an increase in Federal grants of \$669,534 in Food and Nutrition Services as a result of the USC program due to COVID-19.
- Unrestricted State Aid decreased \$2,935,668 as a result of a decrease of 315 students, offset by a net \$62 per student increase in foundation allowance (\$237 beginning of the year increase minus \$175 end of the year decrease).
- Property taxes increased \$887,144, due to increased taxable property values.
- Earnings on investments decreased \$419,674 due to the planned spend down of capital projects funds.
- Gain on sale of fixed assets decreased \$434,275 as a result of the prior year sale of two properties.

Expenses:

- Instructional expenses increased \$5,013,648 primarily due to an increase in completed capital improvements in the school buildings net of related depreciation.
- Support services decreased by \$146,311 due to a decrease in federal expenditures related to support.
- Food Service increased \$458,649 over last year due to planned spend down of fund balance (equipment purchases) and increased food cost due to prepacked food related to COVID-19.
- Pool & fitness center, Performing arts center and Childcare all had lower costs due to the COVID-19 shutdown March – June 2020.
- Special Education Center Programs increased \$110,521 as a result of hiring staff in at higher steps.
- Interest on long term debt decreased \$252,151 due to the refunding of debt funds and the normally scheduled principal payments.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2020

Capital Assets and Debt Administration

Capital Assets

At June 30, 2020, the District had \$202,212,671 invested in a broad range of capital assets, including land, buildings, furniture and equipment.

	<u>2019-2020</u>	<u>2018-2019</u>
Capital assets		
Land	\$ 1,096,155	\$ 1,096,155
Construction in progress	12,949,349	12,809,261
Buildings and additions	326,234,150	299,990,273
Furniture and equipment	8,636,928	8,619,821
Buses and other vehicles	<u>8,111,729</u>	<u>8,111,729</u>
Subtotal	357,028,311	330,627,239
Less: accumulated depreciation	<u>154,815,640</u>	<u>143,054,519</u>
Net capital assets	<u>\$ 202,212,671</u>	<u>\$ 187,572,720</u>

This is an increase in net capital assets of \$14,639,951 over last year. Depreciation expense for the year is \$11,761,121. During the fiscal year, the District expended \$6,297,116 of the 2016 Series II bonds, \$7,317,505 of the 2016 Series III bonds, and \$12,853,437 of the 2016 Series IV bonds. Note that not all expenditures meet the district's \$10,000 capitalization threshold to be recorded in this schedule. Construction in progress increased over prior year by \$140,088 due to continued projects that include renovations at Beaumont Elementary, Cooley Elementary, Grayson Elementary, Schoolcraft, Kettering and Mott. The District has \$1,600,740 remaining of the 2016 Series II bonds, \$2,708,900 of the 2016 Series III bonds, and \$6,412,403 of the 2016 Series IV bonds set aside for future capital projects.

Debt

At the end of this fiscal year, the District had \$133,660,000 in General Obligation Bonds outstanding. This is a decrease of \$14,915,000 compared to last year due to the refunding of the 2003 Series III debt and the scheduled principal payments.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2020

Governmental Fund Revenues

Sources of Revenues:

Local sources of revenues total \$34,656,004. This is a decrease of \$739,108 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 local revenues of \$14,222,829 increased \$595,020. The Debt Fund local revenues of \$17,006,713 increased \$178,520. Special Education Center Programs revenues were \$0, which was consistent with prior year. The Childcare Fund revenues of \$808,140 decreased \$302,769 from prior year. The Senior Citizen Fund local revenues of \$448,696 decreased \$52,356 over prior year. The Pool & Fitness Center Fund of \$454,888 decreased \$127,323. The Performing Arts Centers Fund had local revenue of \$86,161, which was a decrease of \$162,916 from prior year. The Food Service Fund local revenues of \$1,154,957 decreased \$375,159 from prior year. Capital Project funds of \$473,621 decreased \$482,125 over prior year due to less investment income as bond funds are spent.

State sources of revenue total \$73,560,791. This is a decrease of \$1,351,434 as compared to prior year. Included in State sources of funding are General Fund, Special Education Center Programs Fund, and Food Service Fund revenues. General Fund revenues of \$72,258,549 decreased \$1,112,779 from prior year. This decrease is mainly due to the decline in enrollment of 315 fte totaling \$2,562,210, a year end proration of \$175 per student totaling \$1,436,955, offset by a foundation grant increase of \$237 per student totaling \$1,946,007, increase in special education cost reimbursement of \$431,368, increase in pension funding of \$265,067, increase in Section 24 (Court Placed) funding of \$206,356, and a new summer reading program of \$31,737 over prior year. State sources of revenue make up 74.43% of General Fund revenues. This ties the District directly to the State's overall economy.

Federal sources of revenue total \$9,358,470, a decrease of \$948,014 from prior year. This was mainly due to the Michigan Works federal program moving out of the District.

Interdistrict sources of revenue total \$10,571,604, a decrease of \$18,569 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 \$29,419,129 an increase of \$1,112,078 over prior year. Total property tax revenue is obtained through a voter approved 18-mill levy on the taxable value of non-homestead properties for the District's operations and a voter approved 6.75-mill levy on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2020

Unrestricted State Aid Foundation Allowance

A significant portion of state funding to the District is through the foundation allowance. The foundation allowance is funding from the state for each student. The District's foundation allowance is \$8,134 for 2019-2020 and \$7,897 for 2018-2019 fiscal years. The number of students to be funded is calculated by student enrollment blended at 90% of the Fall 2019 count and 10% Supplemental Count (February 2019). Total blended student enrollment for this fiscal year is 8,211, a decrease of 315 students from prior year. The overall funding is then reduced by the District's non-homestead tax levy based on 18-mills.

Governmental Fund Expenditures

Expenditures include Instruction, Support Services, Community Services, Federal Programs, School Service Funds, Debt, and Capital Projects. Instruction expenditures of \$50,560,953 decreased \$106,975 as result of less staffing for fewer students. Support Services expenditures of \$37,062,045 decreased \$474,428. The changes in Support Services were due to a decrease in employee benefits and saving due to COVID-19 shut down. Federal Program expenditures of \$6,078,226 decreased \$1,021,123 mainly due to the move of the Michigan Works program . School Service Fund expenses of \$14,183,376 decreased \$668,967 over prior year mainly due to the reduction in expenses due to the COVID-19 shut down for Childcare, Pool & Fitness and Performing Arts. The Capital Projects fund of \$26,468,058 decreased \$9,391,502 due to the completion of projects via the 2016 Series II, 2016 Series III, and 2016 Series IV bond improvements. The Debt Service Fund with expenditures of \$18,606,426 increased \$1,590,052 mainly as a result of a full year of 2016 Series IV principal and interest payments. In addition costs of \$9,667,869 were incurred in relation to the refunding the 2003 Series III Bond.

Economic Factors and Next Year's Budgets and Rates

The Board of Education and administration consider many factors when setting the School District's 2020-2021 fiscal year budget. This year's three major factors affecting the budget are the anticipated student count, State funding of the unrestricted foundation allowance, and the effect of the pandemic on all bargaining units.

The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. When the District approved the budget in June 2020, the blended count for the 2020-2021 fiscal year was 90 percent and 10 percent of the Fall 2020 and Supplemental (February) 2020 student counts, respectively. The 2020-2021 budget was based on an estimate of students that will be enrolled in Fall 2020, as well as State Aid funding based on the projections at that time. The District showed a foundation allowance reduction of \$700 per pupil and a blended loss of 350 students.

At the end of September, the Legislature approved a budget that would not reduce the foundation allowance and a "super blend" for the 2020-2021 fiscal year only. This blend will take 25% of the normal 2020-2021 student blend (90% of the Fall 2020 count and 10% of the Spring 2020 count) and 75% of the 2019-2020 student blend (90% of Fall 2019 and 10% of Spring 2019) to determine the "super blend" for the District's state aid membership. This "super blend" will mitigate the budgeted student loss of 350 for 2020-2021.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2020**

Student numbers coming in for the Fall 2020 count have been lower than expected primarily due to parents choosing to home school this year rather than the remote/in-person or virtual options, students in the special education center program not transitioning to the program, and parents holding back their kindergarten-eligible students. The District is reaching out to parents to communicate their options for the 2021-2022 school year.

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

The District extended current contracts for all 4 bargaining units until December 31, 2020. Steps were frozen for all groups. Non-bargaining employees also had their wages frozen. Benefit agreements are on a calendar year basis. The current letter of agreement for benefits includes employee contributions to healthcare for those who qualify and extends through December 31, 2020.

In addition to the foundation allowance, the District has received funds in 2020-2021 from the Federal CARES Act through various Federal, State, and County grants. These funds will offset the increased costs associated with the pandemic, such as devices for students, software for virtual learning, professional development for staff for remote learning, personal protection equipment, supplies for staff and students, and additional staff time for implementing safety protocols. None of those funds were available during the 2019-2020 fiscal year but may be used to cover costs incurred since the order was issued by the Governor to close schools.

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 2019-2020, the budget was amended in June of 2020 to reflect the changes since the Original Budget adopted in June of 2019.

General Fund Revenues:

The General Fund budget revenues for the final budget decreased by 3.43% as compared to the original budget.

General Fund Revenues

Total revenues final budget	\$ 93,378,637
Total revenues original budget	<u>96,692,847</u>
Decrease in budget revenues	<u><u>\$ (3,314,210)</u></u>

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2020**

Decrease in Revenue Budget:

Significant final budget adjustments for the year include:

- Increase in:
 - State Aid per pupil increase from \$150 to \$237 and change in estimated reduction in fte \$2,638,704
 - Special education Cost Reimbursement funding of \$431,229

- Decrease in:
 - PA-18 (local property tax for special education) funding of \$589,977
 - Estimated \$700 per pupil end of year reduction due to COVID-19 \$5,751,341

Actual General Fund Revenues vs. Final Budget:

The District's actual General Fund revenues were more than the final budget by \$4,012,215, a variance of 4.30%. Of the total variance, local revenues increased by \$690,660. This increase is mainly due to an increase in property taxes of \$478,541, an increase in Medicaid funding of \$331,008 offset by a decrease of \$118,889 in other local revenues due to the COVID-19 shutdown. State Sources increased by \$4,469,050 due primarily to the \$700 foundation proration that was budgeted of \$5,751,341 offset by the actual \$175 foundation proration of \$1,436,955. The remaining difference of \$154,634 was a combination of other State Aid categorical. Additionally, Interdistrict Sources increased \$17,300 mainly as a result of increased PA-18 transportation funds. Finally, a decrease in Federal Sources of \$1,229,039 that are mostly deferred into the 2020-2021 fiscal year.

General Fund Expenditures:

The District's budget for expenditures increased by .55% for the year ended June 30, 2020:

General Fund Expenditures

Total expenditures final budget	\$ 97,222,161
Total expenditures original budget	<u>96,686,603</u>
 Increase in budget expenditures	 <u>\$ 535,558</u>

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2020**

Increase in Expenditure Budget:

Some of the final budget adjustments for the year include:

- Increase as follows:
 - Increase in instruction by \$385,587 with combined wage increase and reduction of staff due to reduction in students
 - Increase in support wages based on increase in State Aid per pupil foundation \$149,971

Actual General Fund Expenditures vs. Final Budget:

The District's actual General Fund expenditures were less than the final budget by 1.71%. This variance of \$1,661,256 is a result of additional savings realized with the COVID-19 shutdown. Although the District maintained a 1.71% variance in expenditures, this is partially 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) 674-7800.

BASIC FINANCIAL STATEMENTS

Waterford School District
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 29,577,058
Investments	9,703,378
Accounts receivable	580,991
Due from other governmental units	15,110,578
Inventory	55,098
Prepaid items	4,590
Capital assets not being depreciated	14,045,504
Capital assets - net of accumulated depreciation	<u>188,167,167</u>
Total assets	<u>257,244,364</u>
Deferred outflows of resources	
Deferred amount on refunding	122,917
Deferred amount relating to net pension liability	55,334,545
Deferred amount relating to net OPEB liability	<u>12,929,765</u>
Total deferred outflows	<u>68,387,227</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Statement of Net Position
June 30, 2020

	Governmental Activities
Liabilities	
Accounts payable	\$ 7,958,674
State aid and tax anticipation notes	7,660,000
Payroll deductions and withholdings	4,400,432
Accrued expenditures	1,313,652
Accrued salaries payable	5,222,343
Unearned revenue	1,394,620
Long-term liabilities	
Debt due within one year	12,815,000
Debt due in more than one year	125,901,117
Net pension liability	201,662,094
Net OPEB liability	43,067,643
Total liabilities	411,395,575
Deferred inflow of resources	
Deferred amount relating to net pension liability	22,056,197
Deferred amount relating to net OPEB liability	19,404,464
Total deferred inflows of resources	41,460,661
Net position	
Net investment in capital assets	74,341,514
Restricted	
Debt service	426,706
Unrestricted (deficit)	(201,992,865)
Total net position	\$ (127,224,645)

See Accompanying Notes to the Financial Statements

Waterford School District
Statement of Activities
For the Year Ended June 30, 2020

	Program Revenues				Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Revenue and Changes in Net Position
Functions/Programs					
Governmental activities					
Instruction	\$ 69,547,968	170,975	21,070,499	\$ -	\$ (48,306,494)
Supporting services	40,712,282	1,132,425	9,375,709	-	(30,204,148)
Food services	5,720,256	1,154,957	4,091,692	-	(473,607)
Pool and fitness centers	799,210	454,888	-	-	(344,322)
Performing arts centers	222,073	86,161	-	-	(135,912)
Child care	1,271,204	808,140	-	-	(463,064)
Senior citizens	744,763	448,695	255,381	-	(40,687)
Special education center program	6,494,686	-	6,154,357	-	(340,329)
Interest and fiscal charges on long-term debt	3,667,113	-	-	-	(3,667,113)
Total governmental activities	\$ 129,179,555	\$ 4,256,241	\$ 40,947,638	\$ -	(83,975,676)
General revenues					
Property taxes, levied for general purposes					12,489,083
Property taxes, levied for debt service					16,930,046
State aid - unrestricted					52,889,645
Interest and investment earnings					717,289
Gain on sale of capital assets					3,966
Other					363,130
Total general revenues					83,393,159
Change in net position					(582,517)
Net position - beginning					(126,642,128)
Net position - ending					\$ (127,224,645)

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Balance Sheet
June 30, 2020

	General Fund	Capital Projects		Nonmajor Governmental Funds	Total Governmental Funds
		2016 Series III	2016 Series IV		
Assets					
Cash and cash equivalents	\$ 14,815,559	\$ 6,417	\$ 7,969,569	\$ 5,352,236	\$ 28,143,781
Investments	-	9,703,378	-	-	9,703,378
Accounts receivable	580,991	-	-	-	580,991
Due from other funds	1,084,283	-	5,360,036	1,503,200	7,947,519
Due from other governmental units	14,868,806	-	-	241,772	15,110,578
Inventory	-	-	-	55,098	55,098
Prepaid items	3,103	-	-	1,487	4,590
Total assets	\$ 31,352,742	\$ 9,709,795	\$ 13,329,605	\$ 7,153,793	\$ 61,545,935
Liabilities					
Accounts payable	\$ 732,908	\$ 135,075	\$ 6,917,202	\$ 173,489	\$ 7,958,674
State aid and tax anticipation note	7,660,000	-	-	-	7,660,000
Due to other funds	-	6,865,820	-	1,081,699	7,947,519
Payroll deductions and withholdings	4,400,432	-	-	-	4,400,432
Accrued expenditures	70,329	-	-	-	70,329
Accrued salaries payable	5,222,343	-	-	-	5,222,343
Unearned revenue	1,306,002	-	-	88,618	1,394,620
Total liabilities	19,392,014	7,000,895	6,917,202	1,343,806	34,653,917

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Balance Sheet
June 30, 2020

	General Fund	Capital Projects		Nonmajor Governmental Funds	Total Governmental Funds
		2016 Series III	2016 Series IV		
Deferred inflows of resources					
Unavailable					
Operating grants	\$ 704,900	\$ -	\$ -	\$ -	\$ 704,900
Fund balance					
Non-spendable					
Inventory	\$ -	\$ -	\$ -	\$ 55,098	\$ 55,098
Prepaid items	3,103	-	-	-	3,103
Restricted					
Debt service	-	-	-	1,120,275	1,120,275
Capital projects	-	2,708,900	6,412,403	1,600,740	10,722,043
Special Education center programs	-	-	-	781,761	781,761
Food service	-	-	-	988,966	988,966
Assigned					
Capital projects	-	-	-	1,263,147	1,263,147
Unassigned	11,252,725	-	-	-	11,252,725
 Total fund balance	 11,255,828	 2,708,900	 6,412,403	 5,809,987	 26,187,118
 Total liabilities, deferred inflows of resources and fund balance	 \$ 31,352,742	 \$ 9,709,795	 \$ 13,329,605	 \$ 7,153,793	 \$ 61,545,935

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, 2020

Total fund balances for governmental funds	\$ 26,187,118
Total net position for governmental activities in the statement of net position is different because	
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Operating grants	704,900
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	14,045,504
Capital assets - net of accumulated depreciation	188,167,167
Other long-term assets are not deferred in the governmental funds.	
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from net pension liability	(22,056,197)
Deferred outflows of resources resulting from net pension liability	55,334,545
Deferred inflows of resources resulting from net OPEB liability	(19,404,464)
Deferred outflows of resources resulting from net OPEB liability	12,929,765
Deferred outflows of resources resulting from debt refunding	122,917
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(693,569)
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	(133,660,000)
Bond premium payable	(5,056,117)
Net pension liability	(201,662,094)
Net OPEB liability	(43,067,643)
Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position	<u>883,523</u>
Net position of governmental activities	<u><u>\$ (127,224,645)</u></u>

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	General Fund	Capital Projects		Nonmajor Governmental Funds	Total Governmental Funds
		2016 Series III	2016 Series IV		
Revenues					
Local sources	\$ 14,222,829	\$ 204,023	\$ 117,574	\$ 20,111,578	\$ 34,656,004
State sources	72,258,549	-	-	1,302,242	73,560,791
Federal sources	5,184,251	-	-	4,174,219	9,358,470
Interdistrict sources	5,410,979	-	-	5,160,625	10,571,604
Total revenues	<u>97,076,608</u>	<u>204,023</u>	<u>117,574</u>	<u>30,748,664</u>	<u>128,146,869</u>
Expenditures					
Current					
Education					
Instruction	50,560,953	-	-	-	50,560,953
Supporting services	37,062,045	-	-	-	37,062,045
Federal programs	6,078,226	-	-	-	6,078,226
Food services	-	-	-	5,186,536	5,186,536
Pool and fitness centers	-	-	-	745,870	745,870
Performing arts centers	-	-	-	210,503	210,503
Child care	-	-	-	1,182,047	1,182,047
Senior citizens	-	-	-	704,076	704,076
Special education center program	-	-	-	6,154,344	6,154,344
Building and site	-	7,317,505	12,853,437	6,297,116	26,468,058
Debt service					
Principal	915,000	-	-	12,975,000	13,890,000
Interest and fiscal charges	155,450	-	-	4,560,976	4,716,426
Bond issuance costs	-	-	-	72,124	72,124
Payment to bond refunding escrow agent	-	-	-	9,595,745	9,595,745
Total expenditures	<u>94,771,674</u>	<u>7,317,505</u>	<u>12,853,437</u>	<u>47,684,337</u>	<u>162,626,953</u>
Excess (deficiency) of revenues over expenditures	<u>2,304,934</u>	<u>(7,113,482)</u>	<u>(12,735,863)</u>	<u>(16,935,673)</u>	<u>(34,480,084)</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	General Fund	Capital Projects		Nonmajor Governmental Funds	Total Governmental Funds
		2016 Series III	2016 Series IV		
Other financing sources (uses)					
Proceeds from refunding bonds	\$ -	\$ -	\$ -	\$ 9,581,282	\$ 9,581,282
Transfers in	314,244	-	-	926,418	1,240,662
Transfers out	<u>(789,231)</u>	<u>-</u>	<u>-</u>	<u>(451,431)</u>	<u>(1,240,662)</u>
Total other financing sources (uses)	<u>(474,987)</u>	<u>-</u>	<u>-</u>	<u>10,056,269</u>	<u>9,581,282</u>
Net change in fund balance	1,829,947	(7,113,482)	(12,735,863)	(6,879,404)	(24,898,802)
Fund balance - beginning	<u>9,425,881</u>	<u>9,822,382</u>	<u>19,148,266</u>	<u>12,689,391</u>	<u>51,085,920</u>
Fund balance - ending	<u>\$ 11,255,828</u>	<u>\$ 2,708,900</u>	<u>\$ 6,412,403</u>	<u>\$ 5,809,987</u>	<u>\$ 26,187,118</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, 2020

Net change in fund balances - Total governmental funds	\$ (24,898,802)
Total change in net position reported for governmental activities in the statement of activities is different because	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating grants	450,169
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.	
Depreciation expense	(11,761,121)
Capitalized capital outlay	26,401,072
Expenses are recorded when incurred in the statement of activities.	
The statement of net position reports the net pension liability and deferred outflows and deferred inflows of resources related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions	
Net change in net pension liability	(12,512,284)
Net change in the deferrals of resources related to the net pension liability	3,187,269
The statement of net position reports the net OPEB liability and deferred outflows and deferred inflows of resources related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions	
Net change in net OPEB liability	6,654,297
Net change in the deferrals of resources related to the net OPEB liability	(3,114,402)
Expenses are recorded when incurred in the statement of activities.	
Interest	117,644
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.	
Debt issued	(9,581,282)
Repayments of long-term debt	13,890,000
Payment to bond refunding escrow agent	9,595,745
Amortization of premiums	1,026,508
Amortization of deferred amount on refunding	(22,715)
Internal Service Fund revenues and expenses are included	
in governmental activities in the statement of activities	(14,615)
Change in net position of governmental activities	\$ (582,517)

See Accompanying Notes to the Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Net Position
June 30, 2020

	<u>Internal Service Fund</u>
Assets	
Cash	\$ <u>1,433,277</u>
Liabilities	
Workers' compensation claims payable	267,360
Compensated absences	<u>282,394</u>
Total liabilities	<u>549,754</u>
Net position	<u>\$ <u>883,523</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, 2020

	<u>Internal Service Fund</u>
Revenues	
Employee contributions	\$ 1,607,115
Charges for services	<u>33,636,026</u>
Total revenues	<u>35,243,141</u>
Expenses	
Health, dental and vision	10,930,035
Retirement	20,320,286
Social security	3,724,537
Compensated absences	75,045
Workers compensation	<u>207,853</u>
Total expenses	<u>35,257,756</u>
Net loss	(14,615)
Net position - beginning	<u>898,138</u>
Net position - ending	<u><u>\$ 883,523</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, 2020

	<u>Internal Service Fund</u>
Cash flows from operating activities	
Employee contributions	\$ 1,607,115
Charges for services	33,636,026
Health, dental and vision	(10,930,035)
Retirement	(20,320,286)
Social security	(3,724,537)
Compensated absences	(60,430)
Workers' compensation	<u>(328,976)</u>
Net cash used by operating activities	(121,123)
Cash and cash equivalents - beginning of year	<u>1,554,400</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,433,277</u></u>
Reconciliation of operating income to net cash from operating activities	
Change in net position	\$ (14,615)
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in assets and liabilities	
Workers' compensation claims payable	(121,123)
Compensated absences	<u>14,615</u>
Net cash used by operating activities	<u><u>\$ (121,123)</u></u>

See Accompanying Notes to the Financial Statements

Waterford School District
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2020

	<u>Agency Funds</u>
Assets	
Cash	\$ <u>1,401,863</u>
Liabilities	
Due to agency fund activities	\$ <u>1,401,863</u>

Waterford School District
Notes to the Financial Statements
June 30, 2020

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.

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

Waterford School District
Notes to the Financial Statements
June 30, 2020

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 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.

2016 Series IV – 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 receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Waterford School District
Notes to the Financial Statements
June 30, 2020

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2020, 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	 6.75000

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

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

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

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

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

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond 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
Notes to the Financial Statements
June 30, 2020

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. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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

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

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

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

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

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

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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. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, Accounting and

Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments. Management has implemented the required portions of this Statement and will implement the remaining requirements as each Statement referenced becomes effective.

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides a temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and provides a postponement of certain GASB Statements. This statement was effective upon issuance in May of 2020.

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, 2021.

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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 District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

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, 2022.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing

standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2022.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset

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(the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

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.

Excess of Expenditures over Appropriations

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Instruction			
Employee benefits	\$ 12,429,963	\$ 13,195,646	\$ 765,683
Support			
Pupil	7,450,968	7,682,731	231,763
School administration	3,919,305	3,977,492	58,187
Athletics	1,284,715	1,419,237	134,522
Debt service	1,057,875	1,070,450	12,575
Transfers out	736,342	789,231	52,889
Pool and Fitness Centers	683,726	745,870	62,144
Food Service	4,855,170	5,186,536	331,366

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Compliance Bond Proceeds

The Capital Projects 2016 Series II, Series III and Series IV 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 II</u>	<u>2016 Series III</u>	<u>2016 Series IV</u>
Proceeds from issuance of bonds	\$ 50,000,000	\$ 10,000,000	\$ 17,875,000
Premium on issuance of bonds	341,359	80,018	1,654,911
Interest revenue	831,508	518,890	160,412
Expenditures	<u>(49,572,127)</u>	<u>(7,890,008)</u>	<u>(13,277,920)</u>
	<u>\$ 1,600,740</u>	<u>\$ 2,708,900</u>	<u>\$ 6,412,403</u>

Note 3 - Deposits and Investments

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 29,577,058	\$ 1,401,863	\$ 30,978,921
Investments	<u>9,703,378</u>	<u>-</u>	<u>9,703,378</u>
	<u>\$ 39,280,436</u>	<u>\$ 1,401,863</u>	<u>\$ 40,682,299</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 30,954,223
Investments in securities, mutual funds, and similar vehicles	9,703,378
Petty cash and cash on hand	<u>24,698</u>
Total	<u>\$ 40,682,299</u>

As of year end, the School District had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Organization</u>
U.S. Treasury Bonds	\$ 4,925,918	July 31, 2019	A-1+	S&P
U.S. Treasury Bonds	4,775,580	June 30, 2019	A-1+	S&P
Dreyfus Government Cash Management	<u>1,880</u>	N/A	AAAm	S&P
	<u>\$ 9,703,378</u>			

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

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

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

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$30,046,809 of the School District’s bank balance of \$31,386,020 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 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2020:

- Amounts invested in U.S. treasury bonds of \$9,701,498. The bonds are valued at fair market value using quoted market prices. (Level 1 inputs)
- Amounts invested in Dreyfus Government Cash Management of \$1,880. The investments are valued at fair market value using quoted market prices. (Level 1 inputs)

Note 5 - 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	\$ 1,096,155	\$ -	\$ -	\$ 1,096,155
Construction-in-progress	12,809,261	10,582,255	10,442,167	12,949,349
Total capital assets not being depreciated	13,905,416	10,582,255	10,442,167	14,045,504
Capital assets being depreciated				
Buildings and additions	299,990,273	26,243,877	-	326,234,150
Equipment and furniture	8,619,821	17,107	-	8,636,928
Buses and other vehicles	8,111,729	-	-	8,111,729
Total capital assets being depreciated	316,721,823	26,260,984	-	342,982,807
Less accumulated depreciation for				
Buildings and additions	132,004,181	10,828,026	-	142,832,207
Equipment and furniture	5,309,680	417,644	-	5,727,324
Buses and other vehicles	5,740,658	515,451	-	6,256,109
Total accumulated depreciation	143,054,519	11,761,121	-	154,815,640
Net capital assets being depreciated	173,667,304	14,499,863	-	188,167,167
Net capital assets	\$187,572,720	\$ 25,082,118	\$ 10,442,167	\$202,212,671

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

Governmental activities	
Instruction	\$ 9,898,075
Support services	1,781,275
Senior citizens	12,176
Special education center program	65,974
Food service	3,621
Total governmental activities	<u>\$ 11,761,121</u>

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Construction Contracts

The School District has active construction projects as of June 30, 2020. At year end, the School District's commitment with contractors is as follows:

	Remaining Construction Commitment at Year End	Total Contract
Beaumont	\$ 336,493	\$ 6,073,037
Cooley Elementary	435,563	6,437,380
Grayson Elementary	72,814	2,012,696
Haviland	79,694	2,032,774
Houghton	10,980	342,753
Schoolcraft Elementary	3,574,962	6,930,123
Mason MS	21,345	390,508
Pierce Middle School	70,155	492,333
Kettering	81,211	2,621,610
Mott High School	838,611	3,566,610
	<u>\$ 5,521,828</u>	<u>\$ 30,899,824</u>

Note 6 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
General	2016 Series III	\$ 2,584
General	Nonmajor Governmental	1,081,699
Nonmajor governmental funds	2016 Series III	1,503,200
2016 Series IV	2016 Series III	<u>5,360,036</u>
		<u>\$ 7,947,519</u>

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

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

Interfund transfers consist of the following:

	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Total
Transfers in			
General Fund	\$ -	\$ 314,244	\$ 314,244
Nonmajor governmental funds	<u>789,231</u>	<u>137,187</u>	<u>926,418</u>
	<u>\$ 789,231</u>	<u>\$ 451,431</u>	<u>\$ 1,240,662</u>

Interfund transfers were made during the year between the General Fund and the Food Service, Child Care, Senior Citizens, and Pool and Fitness Centers Funds. These transfers were made to cover the costs of the School District's programs that were in excess of revenues generated from those activities. In addition, a transfer was made between the 2003 Series III and 2020 Refunding Debt Funds to move remaining fund balance to the new refunded bond.

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Notes to the Financial Statements
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Note 7 - Unearned Revenue

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

Prepayment of student meals	\$ 88,618
Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>1,306,002</u>
Total	<u>\$ 1,394,620</u>

Note 8 - Leases

Operating Lease

The School District leases buses, computer equipment, and copiers under non-cancelable operating leases. Total costs for such leases were \$700,934 for the year ended June 30, 2020. The future minimum lease payments for the leases are as follows:

<u>Year ending June 30,</u>	
2021	\$ 602,584
2022	602,584
2023	<u>560,250</u>
Total	<u>\$ 1,765,418</u>

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:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	<u>\$ 9,640,000</u>	<u>\$ 7,660,000</u>	<u>\$ 9,640,000</u>	<u>\$ 7,660,000</u>

Note 9 - 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 compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Government obligation bonds	\$ 148,575,000	\$ 8,475,000	\$ 23,390,000	\$ 133,660,000	\$ 12,815,000
Premium on bonds	<u>5,017,316</u>	<u>1,106,282</u>	<u>1,067,481</u>	<u>5,056,117</u>	<u>-</u>
Total	<u>\$ 153,592,316</u>	<u>\$ 9,581,282</u>	<u>\$ 24,457,481</u>	<u>\$ 138,716,117</u>	<u>\$ 12,815,000</u>

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Notes to the Financial Statements
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General obligation bonds payable at year end, consist of the following:

<p>\$26,150,000 serial bond due in annual installments ranging from \$2,575,000 to \$4,560,000 through 2023, interest at 5.00%</p> <p>\$20,000,000 serial bond due in annual installments ranging from \$1,225,000 to \$1,600,000 through 2029, interest ranging from 2.00% to 3.10%</p> <p>\$13,455,000 serial bond due in annual installments ranging from \$1,810,000 to \$2,395,000 through 2022, interest at 5.00%</p> <p>\$15,000,000 serial bond due in annual installments ranging from \$905,000 to \$1,245,000 through 2030, interest ranging from 2.00% to 3.125%</p> <p>\$20,000,000 serial bond due in annual installments ranging from \$815,000 to \$1,360,000 through 2036, interest ranging from 2.00% to 3.00%</p> <p>\$50,000,000 serial bond due in annual installments ranging from \$1,500,000 to \$3,325,000 through 2037, interest ranging from 2.00% to 3.00%</p> <p>\$10,000,000 serial bond due in annual installments ranging from \$300,000 to \$860,000 through 2032, interest ranging from 3.00% to 3.125%</p> <p>\$17,875,000 serial bond due in annual installments ranging from \$355,000 to \$1,655,000 through 2032, interest ranging from 4.00% to 5.00%</p> <p>\$6,755,000 Energy bond due in annual installments ranging from \$640,000 to \$915,000 through 2023, interest at 5.00%</p> <p>\$8,475,000 serial bond due in annual installments ranging from \$905,000 to \$1,380,000 through 2027, interest at 4.00% to 5.00%</p> <p style="text-align: right;">Total general obligation bonded debt</p>	<p>\$ 8,295,000</p> <p>12,825,000</p> <p>4,205,000</p> <p>10,760,000</p> <p>16,990,000</p> <p>43,750,000</p> <p>8,950,000</p> <p>17,010,000</p> <p>2,400,000</p> <p>8,475,000</p> <p><u>\$ 133,660,000</u></p>
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Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 12,815,000	\$ 4,459,367	\$ 17,274,367
2022	13,595,000	3,943,763	17,538,763
2023	11,770,000	3,435,288	15,205,288
2024	8,425,000	3,029,712	11,454,712
2025	8,980,000	2,776,038	11,756,038
2026-2030	42,335,000	9,477,321	51,812,321
2031-2035	27,580,000	3,607,488	31,187,488
2036-2037	<u>8,160,000</u>	<u>349,050</u>	<u>8,509,050</u>
Total	<u>\$ 133,660,000</u>	<u>\$ 31,078,027</u>	<u>\$ 164,738,027</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 \$1,120,275 to pay this debt. Future debt and interest will be payable from future tax levies.

Current Refunding

In March 2020, the School District issued general obligation bonds of \$8,475,000 (par value) with an interest rate of 4.00% to 5.00% to refinance the 2013 Series III Bond Funds with an interest rate of 2.00% to 3.00% and a par value of \$20,000,000. The net proceeds from the issuance of the general obligation bonds were deposited with an escrow agent to provide debt service payments.

As a result of the current refunding, the School District reduced its total debt service requirements by \$439,496, which resulted in an economic gain of \$417,449.

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Deferred Amount on Refunding

The 2014 and 2020 advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$181,720 and \$54,772, respectively. The amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2023 for the 2014 refunding and through fiscal year 2027 for the 2020 refunding. The activity and resulting balance of this deferred amount is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred amount on refunding	\$ 90,860	\$ 54,772	\$ 22,715	\$ 122,917

Note 10 - Risk Management

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

The School District is self-insured under the Michigan Worker's Disability Compensation Act. Workers' compensation excess insurance has been retained for the aggregate claims exceeding \$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:

	2020	2019
Estimated liability at the beginning of the year	\$ 388,483	\$ 703,000
Estimated claims incurred including changes in estimates	330,746	25,754
Claim payments	<u>(451,869)</u>	<u>(340,271)</u>
Estimated liability end of year	<u>\$ 267,360</u>	<u>\$ 388,483</u>

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

Note 11 - Pension Plans

Plan Description

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

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

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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, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2019.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	18.25%
Member Investment Plan	3.0 - 7.0%	18.25%
Pension Plus	3.0 - 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$16,176,859 for the year ending September 30, 2019.

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

At June 30, 2020, the School District reported a liability of \$201,662,094 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily

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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, 2019, the School District's proportion was 0.6089 percent, which was a decrease of 0.0203 percent from its proportion measured as of September 30, 2018.

For the plan year ending September 30, 2019, the School District recognized pension expense of \$25,294,207 for the measurement period. For the reporting period ending June 30, 2020, the School District recognized total pension contribution expense of \$16,090,831.

At June 30, 2020, 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	\$ 903,914	\$ (840,912)	\$ 63,002
Changes of assumptions	39,485,580	-	39,485,580
Net difference between projected and actual earnings on pension plan investments	-	(6,462,927)	(6,462,927)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	-	(8,134,908)	(8,134,908)
Total to be recognized in future	40,389,494	(15,438,747)	24,950,747
School District contributions subsequent to the measurement date	14,945,051	(6,617,450)	8,327,601
Total	<u>\$ 55,334,545</u>	<u>\$ (22,056,197)</u>	<u>\$ 33,278,348</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The District will offset the contribution expense in the year ended June 30, 2021 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
Year	Amount
2020	\$ 9,458,239
2021	8,151,345
2022	5,241,946
2023	2,099,217
	<u>\$ 24,950,747</u>

Actuarial Assumptions

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

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Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2018
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
 - MIP and Basic Plans: 6.80%
 - Pension Plus Plan: 6.80%
 - Pension Plus 2 Plan: 6.00%
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.4977 years.

The recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2019 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 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, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.5%
Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
	<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, 2019, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.14%. The money-weighted rate of return

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expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease*	Current Single Discount Rate Assumption*	1% Increase*
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
\$ 262,173,623	\$ 201,662,094	\$ 151,495,951

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

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

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

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

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

Note 12 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

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

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

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

Benefits Provided

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

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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

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The schedule below summarizes OPEB contribution rates in effect for the fiscal year ending September 30, 2019.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	7.93%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the School District were \$4,119,757 for the year ended September 30, 2019.

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

At June 30, 2020, the School District reported a liability of \$43,067,643 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. 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, 2019, the School District's proportion was 0.6000 percent, which is a decrease of 0.0255 percent from its proportion measured as of September 30, 2018.

For the plan year ending September 30, 2019, the School District recognized OPEB expense of \$447,309 for the measurement period. For the reporting period ending June 30, 2020, the School District recognized total OPEB contribution expense of \$4,235,368.

At June 30, 2020, 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	\$ -	\$ (15,802,736)	\$ (15,802,736)
Changes of assumptions	9,331,886	-	9,331,886
Net difference between projected and actual earnings on OPEB plan investments	-	(748,967)	(748,967)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	10,078	(2,852,761)	(2,842,683)
Total to be recognized in future	9,341,964	(19,404,464)	(10,062,500)
School District contributions subsequent to the measurement date	3,587,801	-	3,587,801
Total	\$ 12,929,765	\$ (19,404,464)	\$ (6,474,699)

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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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows during the following plan years:

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

2020	\$	(2,659,266)
2021		(2,659,266)
2022		(2,287,302)
2023		(1,619,470)
2024		(837,196)
	\$	(10,062,500)

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, 2018
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%

- Investment Rate of Return: 6.95%
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 5.7101 years.

Waterford School District
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The recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2019 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, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.5%
Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
	<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, 2019, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
<u>\$ 52,828,936</u>	<u>\$ 43,067,643</u>	<u>\$ 34,870,868</u>

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 34,523,361	\$ 43,067,643	\$ 52,827,778

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2019 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 13 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year ended June 30, 2020.

Note 14 - 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, 2020.

Note 15 - Subsequent Event

As result of the global coronavirus pandemic of 2020, the financial picture for Michigan School Districts has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the local and global picture continues to change frequently. To reduce the chance of spreading COVID-19; in March 2020, public schools were closed for the remainder of the 2019-2020 school year. As a result of the pandemic, the State of Michigan encountered a revenue shortfall resulting in a revenue reduction for Districts of \$175 per pupil which reduced the state aid payment in August of 2020. Subsequent to year end, multiple new revenue sources were approved; including Public Act 123 of 2020 which provides Districts an approximate \$12.32 per pupil and Public Act 146 of 2020 which provides Districts \$350 per pupil. These new revenue streams approved after June 30, 2020 will be recognized in the fiscal year ended June 30, 2021 in accordance with reporting criteria established by the Governmental Accounting Standards Board. Additionally, the “Return to Learn” legislation passed subsequent to year end which modifies the per pupil foundation allowance calculation and allows flexibilities in the days and attendance requirements for Districts. Local districts are able to decide whether to provide instruction virtually or face to face for the 2020-2021 school year. Currently, it is not possible to estimate the full extent of any potential impacts to the District or to determine if any changes in fair values are other than temporary in nature. Accordingly, no adjustments to the financial statements were made as a result of these events.

REQUIRED SUPPLEMENTARY INFORMATION

Waterford School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 14,071,910	\$ 13,532,169	\$ 14,222,829	\$ 690,660
State sources	69,978,043	67,789,499	72,258,549	4,469,050
Federal sources	6,641,093	6,413,290	5,184,251	(1,229,039)
Interdistrict sources	6,001,801	5,393,679	5,410,979	17,300
Total revenues	<u>96,692,847</u>	<u>93,128,637</u>	<u>97,076,608</u>	<u>3,947,971</u>
Expenditures				
Current				
Instruction				
Basic programs	22,171,171	22,590,701	22,481,969	(108,732)
Added needs	15,230,729	15,196,786	14,883,338	(313,448)
Employee benefits	13,217,115	12,429,963	13,195,646	765,683
Supporting services				
Pupil	7,375,788	7,450,968	7,682,731	231,763
Instructional staff	2,231,343	2,070,002	1,977,992	(92,010)
General administration	1,337,914	1,150,268	969,379	(180,889)
School administration	3,757,637	3,919,305	3,977,492	58,187
Business	10,626,894	11,719,245	11,035,763	(683,482)
Central	3,914,107	3,944,206	3,323,007	(621,199)
Athletics	1,364,798	1,284,715	1,419,237	134,522
Civic	101,984	56,928	42,089	(14,839)
Employee benefits	7,239,648	6,808,488	6,634,355	(174,133)
Teacher retirement savings	(300,000)	-	-	-
Federal programs	7,034,172	6,806,369	6,078,226	(728,143)
Debt service				
Principal	890,000	915,000	915,000	-
Interest and fiscal charges	188,000	142,875	155,450	12,575
Total expenditures	<u>96,381,300</u>	<u>96,485,819</u>	<u>94,771,674</u>	<u>(1,714,145)</u>
Excess of revenues over expenditures	<u>311,547</u>	<u>(3,357,182)</u>	<u>2,304,934</u>	<u>5,662,116</u>

Waterford School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses)				
Transfers in	\$ -	\$ 250,000	\$ 314,244	\$ 64,244
Transfers out	<u>(305,303)</u>	<u>(736,342)</u>	<u>(789,231)</u>	<u>(52,889)</u>
Total other financing sources (uses)	<u>(305,303)</u>	<u>(486,342)</u>	<u>(474,987)</u>	<u>11,355</u>
Net change in fund balance	6,244	(3,843,524)	1,829,947	5,673,471
Fund balance - beginning	<u>9,425,881</u>	<u>9,425,881</u>	<u>9,425,881</u>	<u>-</u>
Fund balance - ending	<u>\$ 9,432,125</u>	<u>\$ 5,582,357</u>	<u>\$ 11,255,828</u>	<u>\$ 5,673,471</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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. School District's proportion of net pension liability (%)	0.6089%	0.6292%	0.6373%	0.6550%	0.6847%	0.7286%				
B. School District's proportionate share of net pension liability	\$ 201,662,094	\$ 189,149,810	\$ 165,146,402	\$ 163,414,471	\$ 167,238,058	\$160,486,652				
C. School District's covered-employee payroll	\$ 52,511,862	\$ 53,277,705	\$ 53,070,379	\$ 53,274,188	\$ 57,421,142	\$ 61,986,820				
D. School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	384.03%	355.03%	311.18%	306.74%	291.25%	258.90%				
E. Plan fiduciary net position as a percentage of total pension liability	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%				

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2019.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2019.

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,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. Statutorily required contributions	\$ 16,090,831	\$ 16,139,266	\$ 14,947,605	\$ 9,792,111	\$ 8,926,955	\$ 11,660,435				
B. Contributions in relation to statutorily required contributions	<u>16,090,831</u>	<u>16,139,266</u>	<u>14,947,605</u>	<u>9,792,111</u>	<u>8,926,955</u>	<u>11,660,435</u>				
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
D. School District's covered- employee payroll	\$ 52,397,008	\$ 52,727,396	\$ 53,278,044	\$ 52,042,873	\$ 53,717,246	\$ 58,630,710				
E. Contributions as a percentage of covered-employee payroll	30.71%	30.61%	28.06%	18.82%	16.62%	19.89%				

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. School District's proportion of net OPEB liability (%)	0.6000%	0.6255%	0.6373%							
B. School District's proportionate share of net OPEB liability	\$ 43,067,643	\$ 49,721,940	\$ 56,436,215							
C. School District's covered-employee payroll	\$ 52,511,862	\$ 53,277,705	\$ 53,070,379							
D. School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	82.02%	93.33%	106.34%							
E. Plan fiduciary net position as a percentage of total OPEB liability	48.46%	42.95%	36.39%							

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2019.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2019.

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,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. Statutorily required contributions	\$ 4,235,368	\$ 4,199,646	\$ 4,961,674							
B. Contributions in relation to statutorily required contributions	<u>4,235,368</u>	<u>4,199,646</u>	<u>4,961,674</u>							
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
D. School District's covered- employee payroll	\$ 52,397,008	\$ 52,727,396	\$ 53,278,044							
E. Contributions as a percentage of covered-employee payroll	8.08%	7.96%	9.31%							

OTHER SUPPLEMENTARY INFORMATION

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2020

	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	\$ 784,949	\$ 42,271	\$ -	\$ -	\$ -	\$ 2,016,373	\$ 2,843,593
Due from other governmental units	-	-	-	-	-	241,772	241,772
Due from other funds	-	-	-	-	-	-	-
Prepays	-	1,487	-	-	-	-	1,487
Inventory	-	-	-	-	-	55,098	55,098
Total assets	\$ 784,949	\$ 43,758	\$ -	\$ -	\$ -	\$ 2,313,243	\$ 3,141,950
Liabilities and fund balance							
Liabilities							
Accounts payable	\$ 3,188	\$ 43,758	\$ -	\$ -	\$ -	\$ 98,862	\$ 145,808
Due to other funds	-	-	-	-	-	1,081,699	1,081,699
Unearned revenue	-	-	-	-	-	88,618	88,618
Total liabilities	3,188	43,758	-	-	-	1,269,179	1,316,125
Fund balance							
Non-spendable							
Inventory	-	-	-	-	-	55,098	55,098
Restricted							
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Special Education center programs	781,761	-	-	-	-	-	781,761
Food service	-	-	-	-	-	988,966	988,966
Assigned							
Capital projects	-	-	-	-	-	-	-
Total fund balance	781,761	-	-	-	-	1,044,064	1,825,825
Total liabilities and fund balance	\$ 784,949	\$ 43,758	\$ -	\$ -	\$ -	\$ 2,313,243	\$ 3,141,950

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2020

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	2016 Series IV	2020 Refunding	Total Debt Service Funds
Assets											
Cash and cash equivalents	\$ -	\$ 271,817	\$ 114,682	\$ 166,473	\$ 87,997	\$ 90,004	\$ 239,128	\$ 10,668	\$ 30,000	\$ 137,187	\$ 1,147,956
Due from other governmental units	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Prepays	-	-	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 271,817</u>	<u>\$ 114,682</u>	<u>\$ 166,473</u>	<u>\$ 87,997</u>	<u>\$ 90,004</u>	<u>\$ 239,128</u>	<u>\$ 10,668</u>	<u>\$ 30,000</u>	<u>\$ 137,187</u>	<u>\$ 1,147,956</u>
Liabilities and fund balance											
Liabilities											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,681	\$ -	\$ 27,681
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>27,681</u>	<u>-</u>	<u>27,681</u>
Fund balance											
Non-spendable											
Inventory	-	-	-	-	-	-	-	-	-	-	-
Restricted											
Debt service	-	271,817	114,682	166,473	87,997	90,004	239,128	10,668	2,319	137,187	1,120,275
Capital projects	-	-	-	-	-	-	-	-	-	-	-
Special Education center programs	-	-	-	-	-	-	-	-	-	-	-
Food service	-	-	-	-	-	-	-	-	-	-	-
Assigned											
Capital projects	-	-	-	-	-	-	-	-	-	-	-
Total fund balance	<u>-</u>	<u>271,817</u>	<u>114,682</u>	<u>166,473</u>	<u>87,997</u>	<u>90,004</u>	<u>239,128</u>	<u>10,668</u>	<u>2,319</u>	<u>137,187</u>	<u>1,120,275</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 271,817</u>	<u>\$ 114,682</u>	<u>\$ 166,473</u>	<u>\$ 87,997</u>	<u>\$ 90,004</u>	<u>\$ 239,128</u>	<u>\$ 10,668</u>	<u>\$ 30,000</u>	<u>\$ 137,187</u>	<u>\$ 1,147,956</u>

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2020

	Capital Projects			Total Non Major Funds
	Building Maintenance	2016 Series II	Total Capital Projects	
Assets				
Cash and cash equivalents	\$ 1,263,147	\$ 97,540	\$ 1,360,687	\$ 5,352,236
Due from other governmental units	-	-	-	241,772
Due from other funds	-	1,503,200	1,503,200	1,503,200
Prepays	-	-	-	1,487
Inventory	-	-	-	55,098
Total assets	\$ 1,263,147	\$ 1,600,740	\$ 2,863,887	\$ 7,153,793
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 173,489
Due to other funds	-	-	-	1,081,699
Unearned revenue	-	-	-	88,618
Total liabilities	-	-	-	1,343,806
Fund balance				
Non-spendable				
Inventory	-	-	-	55,098
Restricted				
Debt service	-	-	-	1,120,275
Capital projects	-	1,600,740	1,600,740	1,600,740
Special Education center programs	-	-	-	781,761
Food service	-	-	-	988,966
Assigned				
Capital projects	1,263,147	-	1,263,147	1,263,147
Total fund balance	1,263,147	1,600,740	2,863,887	5,809,987
Total liabilities and fund balance	\$ 1,263,147	\$ 1,600,740	\$ 2,863,887	\$ 7,153,793

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2020

	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	
Revenues							
Local sources	\$ -	\$ 808,140	\$ 448,695	\$ 454,888	\$ 86,161	\$ 1,154,957	\$ 2,952,841
State sources	1,108,074	-	-	-	-	172,854	1,280,928
Federal sources	-	-	255,381	-	-	3,918,838	4,174,219
Interdistrict sources	5,046,283	-	-	-	-	114,342	5,160,625
Total revenues	<u>6,154,357</u>	<u>808,140</u>	<u>704,076</u>	<u>454,888</u>	<u>86,161</u>	<u>5,360,991</u>	<u>13,568,613</u>
Expenditures							
Current							
Instruction	1,974,324	-	-	-	-	-	1,974,324
Supporting services	4,180,020	1,182,047	448,695	745,870	210,503	1,267,698	8,034,833
Federal programs	-	-	255,381	-	-	3,918,838	4,174,219
Building and site	-	-	-	-	-	-	-
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Bond issuance cost	-	-	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	-	-	-
Total expenditures	<u>6,154,344</u>	<u>1,182,047</u>	<u>704,076</u>	<u>745,870</u>	<u>210,503</u>	<u>5,186,536</u>	<u>14,183,376</u>
Excess (deficiency) of revenues over expenditures	<u>13</u>	<u>(373,907)</u>	<u>-</u>	<u>(290,982)</u>	<u>(124,342)</u>	<u>174,455</u>	<u>(614,763)</u>
Other financing sources							
Proceeds from refunding bonds	-	-	-	-	-	-	-
Transfers in	-	373,907	-	290,982	124,342	-	789,231
Transfers out	-	-	-	-	-	(314,244)	(314,244)
Total other financing sources (uses)	<u>-</u>	<u>373,907</u>	<u>-</u>	<u>290,982</u>	<u>124,342</u>	<u>(314,244)</u>	<u>474,987</u>
Net change in fund balance	<u>13</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(139,789)</u>	<u>(139,776)</u>
Fund balance - beginning	<u>781,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,183,853</u>	<u>1,965,601</u>
Fund balance - ending	<u>\$ 781,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,044,064</u>	<u>\$ 1,825,825</u>

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2020

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	2016 Series IV	2020 Refunding	Total Debt Service
Revenues											
Local sources	\$ 1,700,671	\$ 5,022,082	\$ 1,540,808	\$ 2,042,505	\$ 1,176,864	\$ 1,219,382	\$ 2,676,857	\$ 529,522	\$ 1,098,022	\$ -	\$ 17,006,713
State sources	2,131	6,294	1,931	2,560	1,475	1,528	3,355	701	1,339	-	21,314
Federal sources	-	-	-	-	-	-	-	-	-	-	-
Interdistrict sources	-	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>1,702,802</u>	<u>5,028,376</u>	<u>1,542,739</u>	<u>2,045,065</u>	<u>1,178,339</u>	<u>1,220,910</u>	<u>2,680,212</u>	<u>530,223</u>	<u>1,099,361</u>	<u>-</u>	<u>17,028,027</u>
Expenditures											
Current											
Instruction	-	-	-	-	-	-	-	-	-	-	-
Supporting services	-	-	-	-	-	-	-	-	-	-	-
Federal programs	-	-	-	-	-	-	-	-	-	-	-
Building and site	-	-	-	-	-	-	-	-	-	-	-
Debt service											
Principal	1,500,000	4,560,000	1,225,000	1,815,000	905,000	815,000	1,500,000	300,000	355,000	-	12,975,000
Interest and other	146,250	643,000	371,538	301,625	314,206	448,569	1,274,250	280,125	751,750	29,663	4,560,976
Bond issuance cost	-	-	-	-	-	-	-	-	-	72,124	72,124
Payment to bond refunding escrow agent	116,250	-	-	-	-	-	-	-	-	9,479,495	9,595,745
Total expenditures	<u>1,762,500</u>	<u>5,203,000</u>	<u>1,596,538</u>	<u>2,116,625</u>	<u>1,219,206</u>	<u>1,263,569</u>	<u>2,774,250</u>	<u>580,125</u>	<u>1,106,750</u>	<u>9,581,282</u>	<u>27,203,845</u>
Excess (deficiency) of revenues over expenditures	<u>(59,698)</u>	<u>(174,624)</u>	<u>(53,799)</u>	<u>(71,560)</u>	<u>(40,867)</u>	<u>(42,659)</u>	<u>(94,038)</u>	<u>(49,902)</u>	<u>(7,389)</u>	<u>(9,581,282)</u>	<u>(10,175,818)</u>
Other financing sources											
Proceeds from refunding bonds	-	-	-	-	-	-	-	-	-	9,581,282	9,581,282
Transfers in	-	-	-	-	-	-	-	-	-	137,187	137,187
Transfers out	(137,187)	-	-	-	-	-	-	-	-	-	(137,187)
Total other financing sources (uses)	<u>(137,187)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,718,469</u>	<u>9,581,282.00</u>
Net change in fund balance	<u>(196,885)</u>	<u>(174,624)</u>	<u>(53,799)</u>	<u>(71,560)</u>	<u>(40,867)</u>	<u>(42,659)</u>	<u>(94,038)</u>	<u>(49,902)</u>	<u>(7,389)</u>	<u>137,187</u>	<u>(594,536)</u>
Fund balance - beginning	<u>196,885</u>	<u>446,441</u>	<u>168,481</u>	<u>238,033</u>	<u>128,864</u>	<u>132,663</u>	<u>333,166</u>	<u>60,570</u>	<u>9,708</u>	<u>-</u>	<u>1,714,811</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 271,817</u>	<u>\$ 114,682</u>	<u>\$ 166,473</u>	<u>\$ 87,997</u>	<u>\$ 90,004</u>	<u>\$ 239,128</u>	<u>\$ 10,668</u>	<u>\$ 2,319</u>	<u>\$ 137,187</u>	<u>\$ 1,120,275</u>

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2020

	Capital Projects			Total Non Major Funds
	Building Maintenance	2016 Series II	Total Capital Projects	
Revenues				
Local sources	\$ -	\$ 152,024	\$ 152,024	\$ 20,111,578
State sources	-	-	-	1,302,242
Federal sources	-	-	-	4,174,219
Interdistrict sources	-	-	-	5,160,625
Total revenues	-	152,024	152,024	30,748,664
Expenditures				
Current				
Instruction	-	-	-	1,974,324
Supporting services	-	-	-	8,034,833
Federal programs	-	-	-	4,174,219
Building and site	-	6,297,116	6,297,116	6,297,116
Debt service				
Principal	-	-	-	12,975,000
Interest	-	-	-	4,560,976
Bond issuance cost	-	-	-	72,124
Payment to bond refunding escrow agent	-	-	-	9,595,745
Total expenditures	-	6,297,116	6,297,116	47,684,337
Excess (deficiency) of revenues over expenditures	-	(6,145,092)	(6,145,092)	(16,935,673)
Other financing sources				
Proceeds from refunding bonds	-	-	-	9,581,282
Transfers in	-	-	-	926,418
Transfers out	-	-	-	(451,431)
Total other financing sources (uses)	-	-	-	10,056,269
Net change in fund balance	-	(6,145,092)	(6,145,092)	(6,879,404)
Fund balance - beginning	1,263,147	7,745,832	9,008,979	12,689,391
Fund balance - ending	\$ 1,263,147	\$ 1,600,740	\$ 2,863,887	\$ 5,809,987

Waterford School District
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2020

Year Ending June 30,	2013 Refunding	2014 Series IV	2014 Refunding	2003 Series V	2016 Series I	2016 Series II	2016 Series III	2016 Series IV	Energy Refunding Bonds	2020 Refunding	Total
2021	\$ 2,575,000	\$ 1,275,000	\$ 1,810,000	\$ 930,000	\$ 835,000	\$ 1,575,000	\$ 660,000	\$ 990,000	\$ 915,000	\$ 1,250,000	\$ 12,815,000
2022	2,575,000	1,300,000	2,395,000	960,000	855,000	1,650,000	670,000	1,025,000	845,000	1,320,000	13,595,000
2023	3,145,000	1,325,000	-	985,000	880,000	1,700,000	680,000	1,075,000	640,000	1,340,000	11,770,000
2024	-	1,375,000	-	1,015,000	905,000	1,950,000	690,000	1,130,000	-	1,360,000	8,425,000
2025	-	1,425,000	-	1,050,000	935,000	2,300,000	700,000	1,190,000	-	1,380,000	8,980,000
2026	-	1,475,000	-	1,085,000	960,000	2,400,000	720,000	1,245,000	-	905,000	8,790,000
2027	-	1,500,000	-	1,125,000	995,000	2,500,000	740,000	1,315,000	-	920,000	9,095,000
2028	-	1,550,000	-	1,165,000	1,025,000	2,550,000	760,000	1,360,000	-	-	8,410,000
2029	-	1,600,000	-	1,200,000	1,055,000	2,625,000	800,000	1,415,000	-	-	8,695,000
2030	-	-	-	1,245,000	1,095,000	2,700,000	830,000	1,475,000	-	-	7,345,000
2031	-	-	-	-	1,130,000	2,800,000	840,000	1,535,000	-	-	6,305,000
2032	-	-	-	-	1,170,000	2,900,000	860,000	1,600,000	-	-	6,530,000
2033	-	-	-	-	1,210,000	3,000,000	-	1,655,000	-	-	5,865,000
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	<u>\$ 8,295,000</u>	<u>\$ 12,825,000</u>	<u>\$ 4,205,000</u>	<u>\$ 10,760,000</u>	<u>\$ 16,990,000</u>	<u>\$ 43,750,000</u>	<u>\$ 8,950,000</u>	<u>\$ 17,010,000</u>	<u>\$ 2,400,000</u>	<u>\$ 8,475,000</u>	<u>\$ 133,660,000</u>
Principal payments due the first day of	May	May	May	May	May	May	May	May	August	May	
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	May and November	
Interest rate	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%	4.00% - 5.00%	2.00 - 5.00%	4.00% - 5.00%	
Original issue	<u>\$ 26,150,000</u>	<u>\$ 20,000,000</u>	<u>\$ 13,455,000</u>	<u>\$ 15,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 50,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 17,875,000</u>	<u>\$ 6,755,000</u>	<u>\$ 8,475,000</u>	

Waterford School District

Single Audit Report

June 30, 2020



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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, 2020, 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 November 13, 2020.

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.

Auburn Hills, Michigan
November 13, 2020



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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

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, 2020. 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, 2020.

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, 2020, and the related notes to the financial statements, which collectively comprise Waterford School District's basic financial statements. We issued our report thereon dated November 13, 2020, 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.

Auburn Hills, Michigan
November 13, 2020

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2019	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2020
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance (commodities)								
Entitlement Commodities	10.555	N/A	\$ 330,962	\$ -	\$ -	\$ 330,962	\$ 330,962	\$ -
Cash assistance								
School Breakfast Program	10.553	201970	582,422	-	-	582,422	582,422	-
School Breakfast Program		191970	941,117	50,308	823,442	167,983	117,675	-
Total School Breakfast Program				50,308	823,442	750,405	700,097	-
National School Lunch Program	10.555	201960	1,155,226	-	-	1,155,226	1,155,226	-
National School Lunch Program		191960	1,992,558	94,508	1,742,692	344,374	249,866	-
COVID-19 - Cares Act Summer Food Service Program		200902	1,414,305	-	-	1,172,535	1,414,305	241,770
Total National School Lunch Program				94,508	1,742,692	2,672,135	2,819,397	241,770
Summer Food Service Program for Children	10.559	190900	80,783	18,812	18,812	80,783	61,971	-
Summer Food Service Program for Children		191900	8,359	1,948	1,948	8,359	6,411	-
Total Summer Food Service Program for Children				20,760	20,760	89,142	68,382	-
Total Child Nutrition Cluster				165,576	2,586,894	3,842,644	3,918,838	241,770
Total U.S. Department of Agriculture				165,576	2,586,894	3,842,644	3,918,838	241,770

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2019	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2020
U.S. Department of Labor								
Passed through Oakland County Department of Health								
Employment Services Cluster								
Wagner-Peyser Employment Service	17.207	PY-18	\$ 90,907	\$ 52,589	\$ 84,172	\$ 52,589	\$ -	\$ -
Unemployment Insurance								
IFA- Unemployment Insurance	17.225	PY-19	4,570	1,133	4,435	1,133	-	-
RESEA		PY-18	27,460	4,682	27,460	4,682	-	-
				<u>5,815</u>	<u>31,895</u>	<u>5,815</u>	-	-
H-1B Job Training Grants	17.268	PY-19	18,000	4,500	18,000	4,500	-	-
Workforce Innovation and Opportunity Act Cluster								
WIOA Adult Program								
WIOA Admin	17.258	PY-18	18,934	6,498	16,552	6,498	-	-
WIOA Adult		PY-18	423,176	8,254	8,254	8,254	-	-
WIOA Adult		PY-17	276,723	57,539	212,013	57,539	-	-
IFA- Veterans		PY-19	1,196	283	1,196	283	-	-
				<u>72,574</u>	<u>238,015</u>	<u>72,574</u>	-	-
WIOA Youth Activities	17.259	PY-18	150,907	2,669	2,669	2,669	-	-
WIOA Youth Activities		PY-17	207,669	20,784	88,847	20,784	-	-
				<u>23,453</u>	<u>91,516</u>	<u>23,453</u>	-	-
WIOA Dislocated Worker Formula Grants								
WIOA Dislocated Worker	17.278	PY-18	77,092	39,090	65,227	39,090	-	-
WIOA Navigator		PY-19	15,000	2,725	15,000	2,725	-	-
				<u>41,815</u>	<u>80,227</u>	<u>41,815</u>	-	-
Total Workforce Innovation and Opportunity Act Cluster				<u>137,842</u>	<u>409,758</u>	<u>137,842</u>	-	-
Total U.S. Department of Labor				<u>200,746</u>	<u>543,825</u>	<u>200,746</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, 2020

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2019	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2020
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies	84.010	201530 1920	\$ 1,353,633	\$ -	\$ -	\$ 665,638	\$ 1,333,178	\$ 667,540
Title I Grants to Local Educational Agencies		191530 1819	1,647,259	594,977	1,513,840	725,152	130,175	-
				<u>594,977</u>	<u>1,513,840</u>	<u>1,390,790</u>	<u>1,463,353</u>	<u>667,540</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	201700 1920	598,738	-	-	144,911	338,770	193,859
Title I State Agency Program for Neglected and Delinquent Children and Youth		191700 1819	664,422	178,994	452,722	186,923	7,929	-
				<u>178,994</u>	<u>452,722</u>	<u>331,834</u>	<u>346,699</u>	<u>193,859</u>
Passed through Oakland Schools								
Special Education Cluster								
Special Education Grants to States	84.027A	200450	2,595,920	-	-	1,415,044	2,490,503	1,075,459
Special Education Grants to States		190450	2,704,599	1,720,454	2,627,859	1,758,441	45,324	7,337
Special Education Grants to States		180450	2,719,969	7,627	14,987	7,627	-	-
				<u>1,728,081</u>	<u>2,642,846</u>	<u>3,181,112</u>	<u>2,535,827</u>	<u>1,082,796</u>
Special Education - Preschool	84.173A	200460	80,794	-	-	38,575	73,924	35,349
Special Education - Preschool		190460	74,762	27,682	40,136	49,686	34,626	12,622
Special Education - Preschool		180460	72,026	21,665	27,910	21,665	-	-
				<u>49,347</u>	<u>68,046</u>	<u>109,926</u>	<u>108,550</u>	<u>47,971</u>
Total Special Education Cluster				<u>1,777,428</u>	<u>2,710,892</u>	<u>3,291,038</u>	<u>2,644,377</u>	<u>1,130,767</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, 2020

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2019	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2020
Passed through Oakland County Department of Health Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	PY-19	\$ 2,285	\$ 566	\$ 2,130	\$ 566	\$ -	\$ -
Passed through Michigan Department of Education English Language Acquisition State Grants	84.365	200580 1920	124,797	-	-	27,915	60,056	32,141
English Language Acquisition State Grants		190580 1819	123,833	31,655	66,587	32,424	769	-
English Language Acquisition State Grants		190570 1819	5,722	3,618	3,618	3,618	-	-
				<u>35,273</u>	<u>70,205</u>	<u>63,957</u>	<u>60,825</u>	<u>32,141</u>
Passed through Michigan Department of Education Supporting Effective Instruction State Grants	84.367	200520 1920	460,591	-	-	113,706	256,977	143,271
Supporting Effective Instruction State Grants		190520 1819	513,374	153,978	339,636	155,858	1,880	-
				<u>153,978</u>	<u>339,636</u>	<u>269,564</u>	<u>258,857</u>	<u>143,271</u>
Passed through Michigan Department of Education Student Support and Academic Enrichment	84.424A	200750 1920	192,632	-	-	-	162,143	162,143
Student Support and Academic Enrichment		190750 1819	120,324	12,656	18,010	25,551	12,895	-
				<u>12,656</u>	<u>18,010</u>	<u>25,551</u>	<u>175,038</u>	<u>162,143</u>
Total U.S. Department of Education				<u>2,753,872</u>	<u>5,107,435</u>	<u>5,373,300</u>	<u>4,949,149</u>	<u>2,329,721</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, 2020

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2019	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2020
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	20-9052-03	\$ 255,381	\$ -	\$ -	\$ 229,437	\$ 255,381	\$ 25,944
Special Programs for the Aging Title III, Part C Nutrition Services		19-9052-03	204,102	20,515	204,102	20,515	-	-
				<u>20,515</u>	<u>204,102</u>	<u>249,952</u>	<u>255,381</u>	<u>25,944</u>
Passed through Oakland County Department of Health								
Temporary Assistance for Needy Families								
Temporary Assistance for Needy Families (JET)	93.558	PY-19	277,210	75,397	186,251	75,397	-	-
Passed through Oakland Livingston Human Services Agency (OLHSA)								
Head Start	93.600	05CH010367	751,955	-	-	-	411,629	411,629
Head Start		05CH010367	872,639	399,768	399,768	872,639	472,871	-
				<u>399,768</u>	<u>399,768</u>	<u>872,639</u>	<u>884,500</u>	<u>411,629</u>
Passed through Oakland Schools								
Medical Assistance Program								
	93.959	N/A	37,848	-	-	37,848	37,848	-
Total U.S. Department of Health and Human Services				<u>495,680</u>	<u>790,121</u>	<u>1,235,836</u>	<u>1,177,729</u>	<u>437,573</u>
Total Federal Awards				<u>\$ 3,615,874</u>	<u>\$ 9,028,275</u>	<u>\$ 10,652,526</u>	<u>\$ 10,045,716</u>	<u>\$ 3,009,064</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Waterford School District
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2020

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, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Waterford School District, it is not intended to and does not present the financial position, changes in financial positions, and where applicable, cash flows of Waterford School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures

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

Indirect Cost Rate

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

Note 3 - Reconciliation to the Financial Statements

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

Expenditures per the schedule of expenditures of federal awards	\$ 10,045,716
Funds not received within 60 days:	
Title I Grants to Local Educational Agencies	(275,527)
Head Start	(411,629)
Student Support and Academic Enrichment	<u>(90)</u>
Federal revenues per the financial statements	<u><u>\$ 9,358,470</u></u>

Note 4 - Subrecipients

No amounts were provided to subrecipients.

Note 5 - Michigan Department of Education Disclosure

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

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

Waterford School District
Schedule of Findings and Questioned Costs
June 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.010	Title I Grants to Local Educational Agencies
84.027 and 84.173	Special Education Cluster
93.600	Head Start

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

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

Waterford School District
Schedule of Findings and Questioned Costs
June 30, 2020

SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS

There were no *Government Auditing Standards* findings for the year ended June 30, 2020

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2020.

Waterford School District
Summary Schedule of Prior Audit Findings
June 30, 2020

SECTION IV- PRIOR AUDIT FINDINGS

Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2019.

Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2019.