

Waterford School District
Waterford, Michigan
Annual Financial Statements
and
Independent Auditors' Report
June 30, 2012

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Waterford School District
Members of the Board of Education and Administration
June 30, 2012

Members of the Board of Education

Joan Sutherland	President
John Himmelspach	Vice President
Heather Halls	Secretary
Robin McGregor	Treasurer
Bob Piggott	Trustee
Robert Petrusha, Jr.	Trustee
Robert Seeterlin	Trustee

Administration

John Silveri	Superintendent
Thomas W. Wiseman, CPA	Assistant Superintendent of Business and Human Resources
William D. Holbrook, CPA	Director of Finance and Budget



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Independent Auditors' Report

To the Board of Education
Waterford School District
Waterford, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Waterford School District as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Waterford School District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 5, 2012 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waterford School District's financial statements as a whole. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, Waterford School District's financial statements for the year ended June 30, 2011, which are not presented with the accompanying financial statements. In our report dated October 16, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waterford School District's financial statements as a whole. The 2011 information in the comparative statements is presented for purposes of additional analysis and is not a required part of the 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 2011 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 information in the comparative statements is fairly stated in all material respects in relation to the financial statements from which they have been derived.

Yeo & Yeo, P.C.

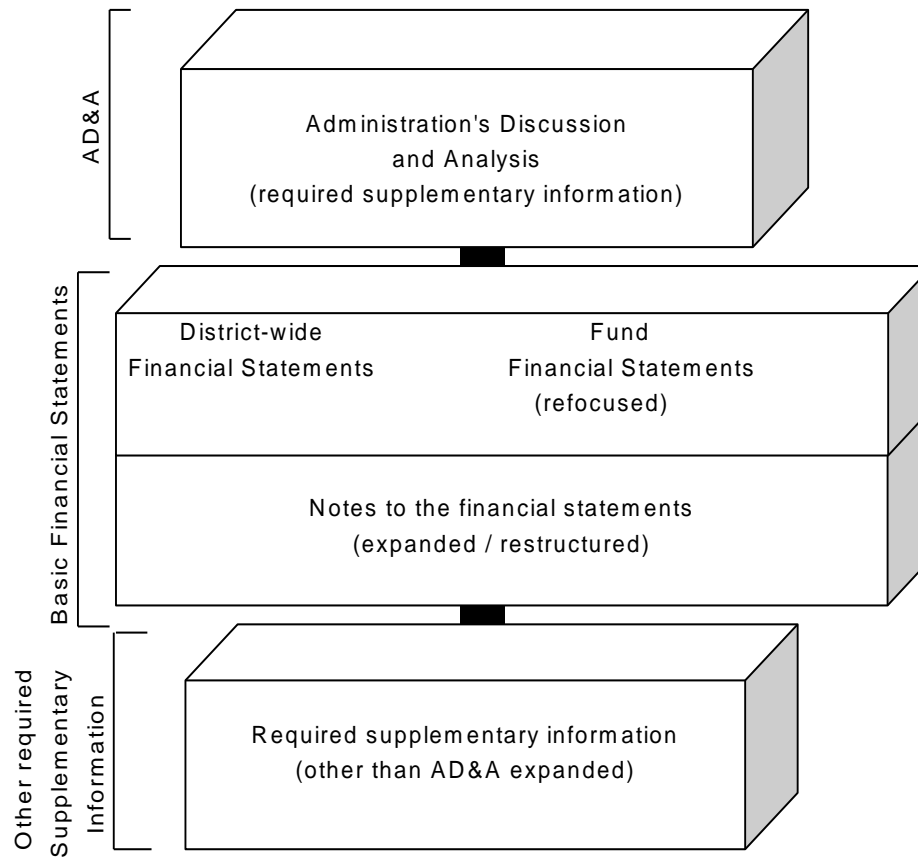
Saginaw, Michigan
October 5, 2012

ADMINISTRATION'S DISCUSSION AND ANALYSIS

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2012**

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, 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, 2012.

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



Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2012

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.

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 Assets and the Statement of Activities.

The Statement of Net Assets 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 revenue.

Fund types utilized by the District include the General Fund, Internal Service Fund, School Service Fund, Debt Retirement Fund, Capital Projects Fund, 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 and 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 Fund is used to account for financial resources to be used for the acquisition, construction or improvement of major capital facilities. 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, 2012

Financial Analysis of the District as a Whole

Assets

	<u>2011-2012</u>	<u>2010-2011</u>	<u>Change</u>
Current assets	\$ 32,672,863	\$ 34,853,470	\$ (2,180,607)
Capital assets	237,300,777	237,022,268	278,509
Less: accumulated depreciation	<u>(96,513,427)</u>	<u>(90,027,720)</u>	<u>(6,485,707)</u>
Capital assets, net book value	<u>140,787,350</u>	<u>146,994,548</u>	<u>(6,207,198)</u>
Total assets	<u>173,460,213</u>	<u>181,848,018</u>	<u>(8,387,805)</u>

Liabilities

Current liabilities	35,670,568	35,201,446	469,122
Long-term liabilities	<u>77,754,063</u>	<u>87,966,300</u>	<u>(10,212,237)</u>
Total liabilities	113,424,631	123,167,746	(9,743,115)

Net Assets

Invested in capital assets, net of related debt	53,137,868	49,098,190	4,039,678
Restricted	1,514,566	1,412,107	102,459
Unrestricted	<u>5,383,148</u>	<u>8,169,975</u>	<u>(2,786,827)</u>
Total net assets	<u>\$ 60,035,582</u>	<u>\$ 58,680,272</u>	<u>\$ 1,355,310</u>

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2012

As indicated by the statement above, total fiscal year 2011-2012 and 2010-2011 net assets are \$60,035,582 and \$58,680,272, respectively. Net assets can be separated into three categories: capital assets net of related debt, restricted assets, and unrestricted assets.

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 2011-2012 and 2010-2011 are \$237,300,777 and \$237,022,268, 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 2011-2012 and 2010-2011 is \$96,513,427 and \$90,027,720, 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 2011-2012 and 2010-2011 was \$87,928,545 and \$98,183,765, respectively.

Restricted net assets for fiscal year 2011-2012 consist of Food Service \$1,024,916 and Debt Retirement of \$489,650 totaling \$1,514,566. The remaining net assets of \$5,383,148 and \$8,169,975 for fiscal year 2011-2012 and 2010-2011, respectively, are unrestricted. The unrestricted fund balance is an accumulation of prior years' operating results. This balance is directly affected each year by the District's operating results.

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

- Current assets decreased \$2,180,607 mainly due to a decrease in general accounts receivable as a result of the timing of Medicaid payments after year end for 2010-11, Federal Receivables decreased as a result of the 2010-11 completion of ARRA Stabilization grant and the significant decline in Ed Jobs funding for 2011-12, offset by prepaid funding of an employee healthcare contribution plan that is repaid to the district through a payroll deduction.
- Net Capital assets decreased \$6,207,198 as a result of scheduled depreciation for the 2011-2012 school year.
- Current liabilities increased by \$469,122 as compared to prior year due to a greater amount of short-term borrowing.
- Long-term liabilities decreased \$10,212,237 as compared to prior year mainly due to the normally scheduled repayment of debt.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2012**

	<u>2011-2012</u>	<u>2010-2011</u>	<u>Change</u>
Program revenue:			
Charges for services local and intermediate	\$ 7,267,380	\$ 7,118,295	\$ 149,085
Operating grants - federal and state	31,083,734	31,414,129	(330,395)
Capital grants and contributions	-	1,753,779	(1,753,779)
Total revenue	<u>38,351,114</u>	<u>40,286,203</u>	<u>(1,935,089)</u>
General revenue:			
Property taxes, levied for general purposes	13,010,764	13,816,257	(805,493)
State of Michigan aid, unrestricted	67,442,629	71,697,539	(4,254,910)
State of Michigan aid, Durant	277,079	277,093	(14)
Total foundation allowance	<u>80,730,472</u>	<u>85,790,889</u>	<u>(5,060,417)</u>
Property taxes, levied for debt service	12,763,882	12,863,573	(99,691)
Other	74,388	152,397	(78,009)
Total revenues	<u>12,838,270</u>	<u>13,015,970</u>	<u>(177,700)</u>
Total revenues	<u>131,919,856</u>	<u>139,093,062</u>	<u>(7,173,206)</u>
Expenses:			
Instruction	71,256,510	73,284,898	(2,028,388)
Support services	38,842,708	39,123,236	(280,528)
Food service	5,051,261	5,202,606	(151,345)
Pool & Fitness centers	1,044,597	992,140	52,457
Performing arts center	194,267	172,607	21,660
Childcare	1,452,742	1,317,355	135,387
Senior citizens	706,814	782,766	(75,952)
Special education center programs	6,849,739	6,815,044	34,695
Unallocated depreciation expense	1,399,794	1,362,621	37,173
Interest on long-term debt	3,766,114	4,234,319	(468,205)
Total expenses	<u>130,564,546</u>	<u>133,287,592</u>	<u>(2,723,046)</u>
Change in net assets	<u>\$ 1,355,310</u>	<u>\$ 5,805,470</u>	<u>\$ (4,450,160)</u>

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2012

As indicated above fiscal year 2011-2012 and 2010-2011 the change net assets increased \$1,355,310 and \$5,805,470, respectively.

The 2011-2012 increase in net assets as compared to fiscal year 2010-2011 is due to the following factors:

Revenues:

- Capital grants and contributions decreased \$1,753,779 from 2010-11 as 2010-2011 was the final capital improvement revenue for the Kingsley Montgomery School renovation project.
- Property taxes for operations declined \$805,493 as a result of declining property values.
- Unrestricted State aid decreased \$4,254,910 as a result of a net (prior year included a \$287 per student adjustment) decrease of \$183 per student in the State provided Foundation Allowance and a decline of 232 students.

Expenses:

- Instructional expenses decreased \$2,028,388 from prior year as a result of a change in healthcare providers and increased contributions from employees for healthcare benefits plus a decrease in staffing as a result of 232 fewer students.
- Support services decreased by \$280,528 from prior year due mainly to employee healthcare contributions offset by higher costs in fuel and repairs and maintenance.
- Interest expenditure decreases of \$468,205 are a result of further repayment of outstanding debt.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2012**

Capital Assets and Debt Administration

Capital Assets

At June 30, 2012, the District had \$140,787,350 invested in a broad range of capital assets, including land, buildings, furniture and equipment.

	2012	2011
Capital assets		
Land	\$ 1,177,339	\$ 1,177,339
Building & additions	225,308,192	225,135,777
Buses and other vehicles	4,897,099	4,885,349
Furniture and equipment	5,884,072	5,823,803
Construction in progress	34,075	-
Subtotal	237,300,777	237,022,268
Less: accumulated depreciation	96,513,427	90,027,720
Net capital assets	\$ 140,787,350	\$ 146,994,548

This is a decrease in net capital assets of \$6,207,198 from last year. Depreciation expense for the year is \$6,485,707. The District has \$589 set aside for future capital projects plus an additional \$55 million available in voter approved future bond issuances.

Debt

At the end of this fiscal year, the District had \$87,385,000 in General Obligation Bonds outstanding. This is a decrease of \$9,965,000 compared to last year, based on scheduled principal payments.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2012

Governmental Fund Revenues

Sources of Revenues:

Local sources of revenues total \$32,535,433. This is an increase of \$1,557,601 as compared to prior year. Included in local revenues are General Fund, Internal Service Fund, Debt Fund, Special Education Center Programs Fund, Childcare Fund, Senior Citizen Fund, Pool & Fitness Fund, Performing Arts Centers Fund, Food Service Fund, and Capital Project Fund revenues. The General Fund revenues of \$15,097,453 decreased \$1,482,986 from prior year as a result of declines in property taxes (property values) and Medicaid funding as 2010-11 had one time only multiple year payments. The Debt Fund local revenues of \$12,763,882 decreased \$99,691 from prior year which was a result of a millage increase from 5.22 to 5.85 to cover debt payment obligations offset by a decrease in property tax values (homestead and non-homestead properties). Special Education Center Programs revenues of \$60,415 increased \$16,318 over prior year. The Childcare Fund of \$1,452,742 increased \$135,387 over prior year as a result of increased participation. The Senior Citizen Fund of \$488,992 decreased \$13,599 from prior year. The Pool & Fitness Center Fund of \$803,475 increased \$7,118. The Performing Arts Centers Fund had revenue of \$92,767 which was a decrease of \$10,130 from prior year. The Food Service Fund of \$1,775,709 decreased \$41,971 from prior year as a result of a shift from paid breakfast and lunches to free and reduced sales (federally funded).

State sources of revenue total \$77,462,595. This is an increase of \$1,083,132 as compared to prior year. Included in State Sources of Funding are General Fund, Special Education Center Programs Fund, Debt Fund, and Food Service Fund revenues. General Fund revenues of \$75,492,501 increased \$680,896 over prior year. This increase was based on state funding to cover increased property tax refunds, Best Practice Incentive, MPERS cost offset (retirement funding), Special Education Non-Membership funding (Special Education Headlee Obligation), and no State adjustment for ARRA Stabilization (Federal) funding as in 2010-2011. This was all offset by 232 fewer students and a reduction in the foundation allowance. The Special Education Center Programs Fund of \$1,409,042 increased \$366,952 from prior year due to an increase in special education Headlee obligation. The Debt Fund of \$277,079 is consistent with prior year. The Food Service Fund of \$283,973 increased \$35,298 from prior year. Included in the state sources of revenue is the membership foundation allowance of \$65,982,346 in the General Fund, a decrease of \$4,781,995 from prior year as explained above in regards to the 232 fewer students and a decrease in the foundation allowance. State sources of revenue make up 72.7% of General Fund revenues. This ties the District directly to the State's overall economy.

Federal sources of revenue total \$12,748,062, a decrease of \$4,499,817 from prior year mainly due to a decrease in Ed Jobs funding of \$2,148,497, ARRA Stabilization funding of \$1,321,880, Title I of \$454,218 as ARRA grants are complete, and Headstart of \$149,962

Interdistrict sources of revenue total \$9,173,766, a decrease of \$2,247,133 from prior year mainly due to a decrease in funding of \$1,753,779 for the Kingsley Montgomery School (Special Education Center) renovation project as that project is now complete and declining PA-18 revenues derived from property values. The Interdistrict funding is primarily for special education.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2012

Property Taxes

A significant portion of local revenue is provided from property taxes for the General Fund and Debt Retirement Fund. Property tax revenue totaled \$25,774,646 a decrease of \$905,184 from prior year. This decrease is due to continued declines in property values. The Debt Retirement millage was increased from 5.22 mills to 5.85 mills over prior year to cover scheduled debt payments. This amount 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 5.85-mill levy (increased from the initial 3.67 mills) on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments.

Unrestricted State Aid Foundation Allowance

A significant portion of state funding to the District is through the foundation allowance. The foundation allowance is funding from the state for each student. The District's foundation allowance is \$7,175 and \$7,645 per student for the 2011-2012 and 2010-2011 fiscal years respectively. This is a decrease of \$470 per student from the 2010-2011 fiscal year. Not included in the 2011-2012 foundation allowance is a discretionary adjustment of \$1,321,881 (\$117 per student) and a Categorical pupil deduct of \$1,918,933 (\$170 per student). The number of students to be funded is calculated by student enrollment blended at 90% of current year September count and 10% of prior year February count. Total blended student enrollment for this fiscal year is 11,056, a decrease of 232 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, Internal Service Fund, School Service Funds, Federal Programs, Debt, and Capital Projects. Instruction expenses of \$56,927,039 increased \$2,618,001 as a result of 2010-2011 instructional expenditures being categorized under Federal Programs through Ed Jobs and ARRA Stabilization offset by current year reductions with 232 fewer students to serve. Support Services expenditures of \$38,693,158 decreased \$288,807. Federal Programs decreased \$4,790,836 from last year as explained above under Federal Revenues mainly due to 2010-2011 completion of ARRA funds for Stabilization and less Ed Jobs funds. School Service Fund expenses of \$15,230,094 increased \$16,315. The Capital Projects fund decreased \$1,959,739 as a result of completing all capital projects in 2010-2011. Debt Service of \$13,085,613 increased \$12,441 due to normally scheduled debt payments.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2012**

Economic Factors and Next Year's Budgets and Rates

The Board of Education and administration consider many factors when setting the School District's 2013 fiscal year budget. Three major factors affecting the budget this year are the student count, State funding of the unrestricted foundation allowance, and contract settlements with all bargaining units.

As of the date of this report the state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2013 fiscal year is 10 percent and 90 percent of the February 2012 and September 2012 student counts respectively. The 2013 budget was adopted in June 2012, based on an estimate of students that will be enrolled in September 2012. As a result, district funding is heavily dependent on the state's ability to fund local school operations. Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations. Since the District's revenue is heavily dependent upon state funding, actual funding depends on the state's ability to collect revenues to fund its appropriations to school districts.

The District has a contract with all bargaining groups. For the 2011-2012 school year the agreements reflect a continuation of the salary schedules in place as of 2010-11. The District also has an agreement for 2012-2013 with all bargaining groups to continue the salary schedule that was in place for 2011-2012 except the WFSP bargaining group who have a 2% wage reduction on schedule and a 1% off schedule to reflect the concessions the other groups accepted in previous years. The contracts also include employee contributions to health benefits for those who qualify. The contribution on a per pay basis is \$36 for single, \$66 for 2 person, and \$96 for full family coverage.

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 2011-2012, the budget was amended in March of 2012, The General Fund budget revenues for the final budget increased by 5.26% as compared to the original budget.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2012**

General Fund Revenues:

General Fund Revenues

Total revenues final budget	\$ 105,636,904
Total revenues original budget	<u>100,360,560</u>
Increase in budget revenues	<u>\$ 5,276,344</u>

Increase in Revenue Budget:

Significant revised budget adjustments for the year include:

- \$100 per student payment for qualifying for the Best Practice Incentive totaling \$1,105,713
- \$115 per student payment to offset the cost of retirement contributions totaling \$1,276,137
- \$42 per student in additional state special education funding totaling \$467,080
- \$80 per student increase in Oakland Schools PA-18 funding for special education and more revenue allocated to General Fund special education versus Center Programs totaling \$885,616
- \$54 per student in tax tribunal refunds (state makes up the difference) totaling \$600,000
- \$28 per student in increased court placed (adjudicated students) funding totaling \$308,514
- Revenue offset by a decline of 35 students totaling a reduction of \$200,545
- Federal awards increased \$549,946, and of that amount increases were in the Michigan Works program, IDEA carryover, Title I programs, and Headstart programs

Actual General Fund Revenues vs. Final Budget:

The District's actual general fund revenues were less than the final budget by \$1,792,592, a variance of 1.7%. This is a result of the following factors:

- Local revenues decreased from the final budget by \$1,053,783 as a result of decreased revenues in property taxes, preschool tuition, timing of the reimbursement of Medicaid funds and the COPS grant. Additionally Food Service contribution was lowered by a lowered indirect rate, less revenues in facility use and erate.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2012**

- State sourced revenues increased by \$812,003 mostly as a result of higher than anticipated membership funding for special education, property tax refunds, At Risk students, offset by decreases in general education membership, preschool enrichment, and court placed students.
- Interdistrict funds were lower by \$601,510 due to an increased allocation of PA-18 funds to the Special Education Center Program Fund and PA-18 equity payment offset by increases in the vocational education millage and Oakland County revenues for Children's Village School.
- Federal programs were lower by \$949,302 as a result of carrying over federal funds (two year rolling grants) into the next fiscal year to assist in offsetting any future financial declines from the State of Michigan.

General Fund Expenditures:

The District's budget for expenditures increased by 3.74% for the year ended June 30, 2012:

General Fund Expenditures	
Total expenditures final budget	\$ 108,725,311
Total expenditures original budget	<u>104,803,332</u>
Increase in budget revenues	<u><u>\$ 3,921,979</u></u>

Increase in Expenditure Budget:

Some of the revised budget adjustments for the year include:

- The change in teaching staff for 2011-2012 can be summarized:

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2012**

2011-2012 General Fund	FTE Final Budget	FTE Original Budget	FTE Increase (Decrease)
Regular education teachers	487.30	483.50	3.80
Special education teachers	122.98	118.61	4.37
	<u>610.28</u>	<u>602.11</u>	<u>8.17</u>

- \$50 per student for a teaching staff increase of 8.17 fte due to class size adjustments and special education student mix totaling \$560,875
- \$51 per student in healthcare tax and premium costs increases totaling \$568,000
- \$35 per student for the Cyber Academy K-12 curriculum totaling \$385,000
- \$25 per student for licensing agreements with Microsoft, Zangle, and Comcast totaling \$274,800
- \$50 per student increased Federal awards, as mentioned above under the changes in revenue totaling \$549,946
- \$17 per student increased transportation costs such as fuel, and repairs and maintenance totaling \$192,216
- \$12 per student COPS grant totaling \$136,083
- \$64 per student increase in property tax refunds totaling \$709,707

Actual General Fund Expenditures vs. Final Budget:

The District's actual general fund expenditures were less than the final budget by 1.95%. This decrease of \$2,120,270 is a result of deferral of Federal program expenditures of \$1,030,569 into the 2012-2013 fiscal year as explained above, plus a change in healthcare with implementation of the hard cap resulting in savings of \$1,861,227, offset by \$771,526 mainly in bus repairs, fuel costs, and tax refunds.

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 Assets
June 30, 2012

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 13,300,937
Accounts receivable	891,308
Due from other governmental units	17,816,159
Inventory	25,477
Prepaid items	638,982
Capital assets not being depreciated	1,211,414
Capital assets - net of accumulated depreciation	<u>139,575,936</u>
Total assets	<u>173,460,213</u>
Liabilities	
Accounts payable	1,494,476
State aid anticipation note payable	12,500,000
Payroll deductions and withholdings	2,989,271
Accrued expenditures	1,487,951
Accrued salaries payable	6,842,255
Deferred revenue	152,133
Noncurrent liabilities	
Due within one year	10,204,482
Due in more than one year	<u>77,754,063</u>
Total liabilities	<u>113,424,631</u>
Net assets	
Invested in capital assets, net of related debt	53,137,868
Restricted	
Debt service	489,650
Food service	1,024,916
Unrestricted	<u>5,383,148</u>
Total net assets	<u>\$ 60,035,582</u>

See Accompanying Notes to Financial Statements

Waterford School District
Statement of Activities
For the Year Ended June 30, 2012

	Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
Functions/Programs					
Governmental activities					
Instruction	\$ 71,256,510	\$ 2,593,282	\$ 14,569,880	\$ -	\$ (54,093,348)
Supporting services	38,842,708	-	6,153,369	-	(32,689,339)
Food services	5,051,261	1,775,707	3,422,665	-	147,111
Pool and fitness centers	1,044,597	803,475	-	-	(241,122)
Performing Arts Centers	194,267	92,767	-	-	(101,500)
Child care	1,452,742	1,452,742	-	-	-
Senior citizens	706,814	488,992	216,414	-	(1,408)
Special education center program	6,849,739	60,415	6,721,406	-	(67,918)
Unallocated depreciation expense	1,399,794	-	-	-	(1,399,794)
Interest on long-term debt	3,766,114	-	-	-	(3,766,114)
Total governmental activities	\$ 130,564,546	\$ 7,267,380	\$ 31,083,734	\$ -	(92,213,432)
General revenues					
Property taxes, levied for general purposes					13,010,764
Property taxes, levied for debt service					12,763,882
State aid - unrestricted					67,442,629
State aid - Durant					277,079
Other					74,388
Total general revenues					93,568,742
Change in net assets					1,355,310
Net assets - beginning					58,680,272
Net assets - ending					\$ 60,035,582

See Accompanying Notes to Financial Statements

Waterford School District
Governmental Funds
Balance Sheet
June 30, 2012

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 12,323,034	\$ 977,903	\$ 13,300,937
Accounts receivable	889,281	2,027	891,308
Due from other funds	-	426,956	426,956
Due from other governmental units	17,660,221	155,938	17,816,159
Inventory	-	25,477	25,477
Prepaid items	<u>638,982</u>	<u>-</u>	<u>638,982</u>
Total assets	<u>\$ 31,511,518</u>	<u>\$ 1,588,301</u>	<u>\$ 33,099,819</u>
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 1,464,633	\$ 29,843	\$ 1,494,476
State aid anticipation note payable	12,500,000	-	12,500,000
Due to other funds	995,520	-	995,520
Payroll deductions and withholdings	2,989,271	-	2,989,271
Accrued expenditures	47,725	-	47,725
Accrued salaries payable	6,842,255	-	6,842,255
Deferred revenue	<u>108,830</u>	<u>43,303</u>	<u>152,133</u>
Total liabilities	<u>24,948,234</u>	<u>73,146</u>	<u>25,021,380</u>

See Accompanying Notes to Financial Statements

**Waterford School District
Governmental Funds
Balance Sheet
June 30, 2012**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balance			
Non-spendable			
Inventory	\$ -	\$ 25,477	\$ 25,477
Prepaid costs	638,982	-	638,982
Restricted			
Debt service	-	489,650	489,650
Food service	-	999,439	999,439
Assigned			
Capital projects	-	589	589
Unassigned	<u>5,924,302</u>	<u>-</u>	<u>5,924,302</u>
Total fund balance	<u>6,563,284</u>	<u>1,515,155</u>	<u>8,078,439</u>
Total liabilities and fund balance	<u><u>\$ 31,511,518</u></u>	<u><u>\$ 1,588,301</u></u>	<u><u>\$ 33,099,819</u></u>

See Accompanying Notes to Financial Statements

Waterford School District
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2012

Total fund balances for governmental funds	\$ 8,078,439
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	1,211,414
Capital assets - net of accumulated depreciation	139,575,936
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(582,162)
Incurred but not reported benefit claims	(289,500)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(279,063)
Bonds payable	<u>(87,679,482)</u>
Net assets of governmental activities	<u><u>\$ 60,035,582</u></u>

See Accompanying Notes to Financial Statements

Waterford School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2012

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 15,097,453	\$ 17,437,980	\$ 32,535,433
State sources	75,492,501	1,970,094	77,462,595
Federal sources	9,392,956	3,355,106	12,748,062
Interdistrict sources	3,861,402	5,312,364	9,173,766
Total revenues	<u>103,844,312</u>	<u>28,075,544</u>	<u>131,919,856</u>
Expenditures			
Current			
Education			
Instruction	56,927,039	-	56,927,039
Supporting services	38,693,158	-	38,693,158
Federal programs	9,692,198	-	9,692,198
Food services	-	5,051,261	5,051,261
Pool and fitness centers	-	1,044,597	1,044,597
Performing Arts Centers	-	194,267	194,267
Child care	-	1,452,742	1,452,742
Senior citizens	-	705,406	705,406
Special education center program	-	6,781,821	6,781,821
Debt service			
Principal	525,000	9,692,465	10,217,465
Interest and other expenditures	425,022	3,393,148	3,818,170
Total expenditures	<u>106,262,417</u>	<u>28,315,707</u>	<u>134,578,124</u>

See Accompanying Notes to Financial Statements

Waterford School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2012

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Deficiency of revenues under expenditures	\$ (2,418,105)	\$ (240,163)	\$ (2,658,268)
Other financing sources (uses)			
Transfers in	-	342,622	342,622
Transfers out	(342,622)	-	(342,622)
Total other financing sources (uses)	(342,622)	342,622	-
Net change in fund balance	(2,760,727)	102,459	(2,658,268)
Fund balance - beginning	9,324,011	1,412,696	10,736,707
Fund balance - ending	\$ 6,563,284	\$ 1,515,155	\$ 8,078,439

See Accompanying Notes to 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, 2012

Net change in fund balances - Total governmental funds \$ (2,658,268)

Total change in net assets reported for governmental activities in the statement of activities is different because:

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	(6,485,708)
Capitalized capital outlay	278,510

Expenses are recorded when incurred in the statement of activities.

Interest	52,056
Benefit claims	(56,500)
Compensated absences	7,755

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 assets, 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Repayments of long-term debt	<u>10,217,465</u>
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Change in net assets of governmental activities \$ 1,355,310

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Assets & Liabilities
June 30, 2012

	Internal Service Fund
Assets	
Due from other funds	<u>\$ 568,564</u>
Liabilities	
Workers' compensation	\$ 289,500
Compensated absences	<u>279,064</u>
Total liabilities	<u>\$ 568,564</u>

See Accompanying Notes to Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2012

	<u>Internal Service Fund</u>
Revenues	
Employee contributions	\$ 1,893,396
Fee for service	<u>34,402,305</u>
Total revenues	<u>36,295,701</u>
Expenses	
Health, dental and vision	16,072,546
Retirement	14,930,915
Social security	4,723,676
Compensated absences	279,064
Workers compensation	<u>289,500</u>
Total expenses	<u>36,295,701</u>
Net income	<u>-</u>
Net assets - beginning	<u>-</u>
Net assets - ending	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Cash Flows
For the Year Ended June 30, 2012

	<u>Internal Service Fund</u>
Cash flows from operating activities	
Employee contributions	\$ 1,893,396
Fee for service	34,402,305
Health, dental and vision	(16,072,546)
Retirement	(14,930,915)
Social security	(4,723,676)
Compensated absences	(279,064)
Workers compensation	<u>(289,500)</u>
Net cash used by operating activities	<u>-</u>
Cash and cash equivalents - beginning of year	<u>-</u>
Cash and cash equivalents - end of year	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

Waterford School District
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2012

	<u>Agency Funds</u>
Assets	
Cash	<u>\$ 1,773,247</u>
Liabilities	
Due to student activities	<u>\$ 1,773,247</u>

Waterford School District
Notes to Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the 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 assets 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 assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

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 assets resulting from current year activities.

Fund Financial Statements

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

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

Waterford School District
Notes to Financial Statements
June 30, 2012

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

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

The School District reports the following major governmental funds:

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

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, building, 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 medical coverage, workers’ compensation, and accrued vacation pay. It is funded through transfers primarily from the General Fund in amounts equal to normal estimated risk management and compensated absence claims.

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 Equity

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 collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2012, 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	5.85000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries. Approximately 88% of the School District’s tax roll lies within Waterford Township.

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

Waterford School District
Notes to Financial Statements
June 30, 2012

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 their estimated fair market 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	5-8 years
Buses and other vehicles	5-20 years

Compensated Absences – Secretaries, maintenance, operation, and warehouse workers employed by the District throughout the year (12 months) receive 15 vacation days annually. Vacation time for these groups is earned during the preceding fiscal year and available for use in the following fiscal year.

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 assets.

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

Non-spendable - assets 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 constrained on use imposed by the District's highest level of decision-making, its board of education. A fund balance commitment may be established, modified, or rescinded by a resolution of the board of education.

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the 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 District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Waterford School District
Notes to Financial Statements
June 30, 2012

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets 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.

Upcoming Accounting and Reporting Changes

The Government Accounting Standards Board has issued Statements 63 and 65, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and Items Previously Reported as Assets and Liabilities*. The new standards provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related disclosures. These statements will be adopted for the fiscal year ending June 30, 2013.

The Government Accounting Standards Board has also issued *Statements 67, Financial Reporting for Pension Plans and 68 Accounting and Financial Reporting for Pensions*. Statement 67 changes how public employee pension plans calculate and report their total pension liability. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The effect of these changes has not been determined. Statement 67 is effective for the year ending June 30, 2014 and Statement 68 is effective for the year ending June 30, 2015.

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. Individual amendments were not material in relation to the original appropriations.

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			
Added needs	\$ 10,168,789	\$ 10,384,312	\$ 215,523
Pupil	6,108,494	6,358,992	250,498
Business	11,467,958	12,552,064	1,084,106
Central	2,403,383	2,532,040	128,657

Waterford School District
Notes to Financial Statements
June 30, 2012

Compliance Bond Proceeds

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. The following is a summary of the revenue and expenditures in the Building Maintenance and 2007 Energy from the inception of the funds through the current fiscal year:

Revenues	\$	432,450
Expenditures		12,142,861
Proceeds from the sale of bonds		11,711,000

Note 3 - Deposits and Investments

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and cash equivalents	<u>\$ 13,300,937</u>	<u>\$ 1,773,247</u>	<u>\$ 15,074,184</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 15,068,185
Petty cash and cash on hand	<u>5,999</u>
Total	<u>\$ 15,074,184</u>

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

Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of

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

Concentration of credit risk – The District's investment policy does not allow for an investment in any one issuer that is in excess of five percent of the 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 District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, \$ 14,141,539 of the District's bank balance of \$ 16,023,519 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.

Waterford School District
Notes to Financial Statements
June 30, 2012

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,177,339	\$ -	\$ -	\$ 1,177,339
Construction in progress	-	34,075	-	34,075
Total capital assets not being depreciated	<u>1,177,339</u>	<u>34,075</u>	<u>-</u>	<u>1,211,414</u>
Capital assets being depreciated				
Buildings and additions	225,135,776	172,416	-	225,308,192
Equipment and furniture	4,885,349	11,750	-	4,897,099
Buses and other vehicles	<u>5,823,803</u>	<u>60,269</u>	<u>-</u>	<u>5,884,072</u>
Total capital assets being depreciated	<u>235,844,928</u>	<u>244,435</u>	<u>-</u>	<u>236,089,363</u>
Less accumulated depreciation for				
Buildings and additions	81,642,714	6,013,993	-	87,656,707
Equipment and furniture	3,408,248	228,619	-	3,636,867
Buses and other vehicles	<u>4,976,757</u>	<u>243,096</u>	<u>-</u>	<u>5,219,853</u>
Total accumulated depreciation	<u>90,027,719</u>	<u>6,485,708</u>	<u>-</u>	<u>96,513,427</u>
Net capital assets being depreciated	<u>145,817,209</u>	<u>(6,241,273)</u>	<u>-</u>	<u>139,575,936</u>
Net capital assets	<u>\$ 146,994,548</u>	<u>\$ (6,207,198)</u>	<u>\$ -</u>	<u>\$ 140,787,350</u>

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

Governmental activities	
Instruction	\$ 4,886,536
Support services	130,052
Senior citizens	1,408
Special education center program	67,918
Unallocated	<u>1,399,794</u>
Total governmental activities	<u>\$ 6,485,708</u>

Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
General	Non major governmental	\$ 426,956
General	Internal Service Fund	<u>568,564</u>
		<u>\$ 995,520</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.

Waterford School District
Notes to Financial Statements
June 30, 2012

Interfund transfers consist of the following:

	<u>Transfers Out</u>
	General Fund

Transfers in	
Nonmajor governmental funds	\$ 342,622

These transfers were made to cover the costs of School District programs that were in excess of revenues generated from those activities.

Note 6 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unearned</u>
Prepayment of student meals	\$ 43,303
Grant and categorical aid payments received prior to meeting all eligibility requirements	108,830
Total	\$ 152,133

Note 7 - State Aid 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.

Short-term debt activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	\$ 11,750,000	\$ 12,500,000	\$ 11,750,000	\$ 12,500,000

The state aid anticipation note agreement includes an irrevocable set-aside of \$118,125 at year end that is considered defeased debt and not included in the ending balance.

Waterford School District
Notes to Financial Statements
June 30, 2012

Note 8 - 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:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 97,380,000	\$ -	\$ 9,995,000	\$ 87,385,000	\$ 9,940,000
Durant bonds	516,947	-	252,465	264,482	264,482
Compensated absences	<u>286,818</u>	-	<u>7,755</u>	<u>279,063</u>	-
Total	<u>\$ 98,183,765</u>	<u>\$ -</u>	<u>\$ 10,255,220</u>	<u>\$ 87,928,545</u>	<u>\$ 10,204,482</u>

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

\$30,030,000 serial bond due in annual installments ranging from \$3,020,000 to \$3,630,000 through 2023, interest ranging from 3.63% to 5.00%	\$ 6,310,000
\$22,680,000 serial bond due in annual installments ranging from \$250,000 to \$5,120,000 through 2017, interest ranging from 2.0% to 4.0%	20,530,000
\$15,000,000 serial bond (callable beginning 2014) due in annual installments ranging from \$1,000,000 to \$2,000,000 through 2020, interest ranging from 2.50% to 4.30%	9,500,000
\$20,000,000 serial bond (callable beginning 2015) due in annual installments ranging from \$500,000 to \$2,600,000 through 2022, interest ranging from 2.25% to 4.13%	17,100,000
\$25,000,000 serial bond (callable beginning 2014) due in annual installments ranging from \$500,000 to \$3,575,000 through 2020, interest ranging from 3.75% to 4.40%	22,575,000
\$11,950,000 serial bond (callable beginning 2016) due in annual installments ranging from \$525,000 to \$995,000 through 2022, interest of 4.40%	9,400,000
\$7,395,000 serial bond (callable beginning 2013) due in annual installments ranging from \$1,805,000 to \$2,520,000 through 2013, interest ranging from 2.75% to 2.95%	<u>1,970,000</u>
Total general obligation bonded debt	<u>\$ 87,385,000</u>

Waterford School District
Notes to Financial Statements
June 30, 2012

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

Year Ending June 30,	Principal	Interest	Total
2013	\$ 9,940,000	\$ 3,457,374	\$ 13,397,374
2014	10,050,000	3,117,240	13,167,240
2015	9,535,000	2,661,890	12,196,890
2016	10,080,000	2,299,340	12,379,340
2017	10,045,000	1,889,440	11,934,440
2018-2022	33,445,000	5,104,740	38,549,740
2023	4,290,000	173,030	4,463,030
Total	<u>\$ 87,385,000</u>	<u>\$ 18,703,054</u>	<u>\$ 106,088,054</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$489,650 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

\$3,945,891 Durant Refunding serial bonds due in annual installments through 5/15/2013; interest 4.76% due annually	<u>\$ 264,482</u>
---	-------------------

These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 264,482	\$ 12,593	\$ 277,075

Interest expenditures for the fiscal year were and \$4,747,845.

Compensated Absences

Accrued compensated absences at year end, consists of \$279,063 of vacation hours earned and vested. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by vacation time earned for the year.

Note 9 - Operating Lease

In the current year the District entered into leasing arrangements for 15 busses. Under the lease agreements the District paid \$136,906 in the current year.

The future minimum leases payments for the year ended June 30, 2012 were as follows:

Year ending June 30,	
2013	\$ 118,463
2014	<u>118,463</u>
Total	<u>\$ 236,926</u>

Waterford School District
Notes to Financial Statements
June 30, 2012

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 \$300,000 for each annual policy period, to a maximum of \$1,000,000. This excess insurance also applies to individual occurrences exceeding \$300,000, with a statutory maximum for those individual occurrences. The expenditures for the year were \$182,908

	<u>2012</u>	<u>2011</u>
Estimated liability at the beginning of the year	\$ 233,000	\$ 194,000
Estimated claims incurred including changes in estimates	239,408	332,197
Claim payments	<u>(182,908)</u>	<u>(293,197)</u>
Estimated liability end of year	<u>\$ 289,500</u>	<u>\$ 233,000</u>

The School District was self-insured for some employee benefits until April 2012. The expenditures for the year were \$4,287,137

	<u>2012</u>	<u>2011</u>
Estimated liability at the beginning of the year	\$ -	\$ -
Estimated claims incurred including changes in estimates	4,287,137	5,418,476
Claim payments	<u>(4,287,137)</u>	<u>(5,418,476)</u>
Estimated liability end of year	<u>\$ -</u>	<u>\$ -</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. The School District had no unemployment compensation expense for the year. No provision has been made for possible future claims.

Note 11 - Pension Plans and Post Employment Benefits

Plan Description

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPSERS), which is a cost-sharing multiple-employer public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPSERS operates within the Michigan Department of Technology, Management and Budget, Office of Retirement Services who has the authority to establish and amend benefit provisions. The Michigan

Waterford School District
Notes to Financial Statements
June 30, 2012

Department of Technology, Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. The report provides information for the plan as a whole and information helpful for understanding the scale of the information presented relative to the School. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671, calling 800-381-5111 or on the web at <http://www.michigan.gov/orsschools>.

In 2010 MPSERS created a new Pension Plus plan. All Michigan public school employees who begin work on or after July 1, 2010, are enrolled in the Pension Plus plan. The Pension Plus plan includes two components: (a) a defined benefit pension component, and (b) a defined contribution savings component.

Funding Policy

The School is required by the School Finance Reform Act to contribute to MPSERS an actuarially determined percentage of payroll for all participating employees. The School's actual contributions match the required contributions. Additionally, employees participating in the Member Investment Plan contributed 3.0% to 6.4% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPSERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPSERS funding for the three-year period beginning July 1, 2009 through June 30, 2012.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Funding percentage range	10.66-15.46%	8.63 - 12.16%	9.73 -10.13%
Total payroll	\$64,038,668	\$63,340,811	\$67,829,710
Total covered payroll	63,529,062	63,014,820	67,480,815
School pension contributions	9,504,578	9,926,584	6,747,347
Employee MIP contributions	4,115,888	3,767,948	2,177,133
Tax deferred payment program	374,629	439,480	499,706

Defined Contribution Savings Plan

For the Pension Plus savings plan, participants are automatically enrolled and 2% of their pay is withheld and deposited into the account. Participants may elect to not contribute, or may elect to increase their personal contribution up to the annual limits established by the IRS. The District matches 50 percent of the employee contributions into the Pension Plus savings plan, up to 1 percent. Participants opting to not contribute receive no employer matching contribution. Contributions by the District and participants during the year ended June 30, 2012, were:

	<u>School District</u>	<u>Participants</u>
Contributions to the Pension Plus Savings Plan	\$ 26,242	\$ 53,921

Post Employment Benefits

In addition to the pension benefits described above, the School Finance Reform Act requires the School District to provide post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPSERS). Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health care, dental and vision coverage at the time of receiving the benefits. The School's actual contributions match the required contributions.

Waterford School District
Notes to Financial Statements
June 30, 2012

The following table discloses pertinent information relative to MPERS post employment benefits funding for the three-year period beginning July 1, 2009 through June 30, 2012.

	2012	2011	2010
Funding percentage range	8.5%	6.81 - 8.50%	6.81%
School post employment benefit contributions	\$ 5,399,970	\$ 6,784,837	\$4,627,334

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year ended June 30, 2011.

Note 13 - Subsequent Event

Subsequent to year end, the School District repaid the state aid anticipation note of \$12,500,000 that was outstanding at the end of the year. In addition, the District borrowed \$10,000,000 in state aid anticipation notes that is due September 2013.

REQUIRED SUPPLEMENTAL INFORMATION

Waterford School District
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenues				
Local sources	\$ 16,018,078	\$ 16,151,236	\$ 15,097,453	\$ (1,053,783)
State sources	70,972,874	74,680,498	75,492,501	812,003
Federal sources	9,792,312	10,342,258	9,392,956	(949,302)
Interdistrict sources	3,577,296	4,462,912	3,861,402	(601,510)
	<u>100,360,560</u>	<u>105,636,904</u>	<u>103,844,312</u>	<u>(1,792,592)</u>
Expenditures				
Current				
Instruction				
Basic programs	31,839,681	32,231,337	32,129,984	(101,353)
Added needs	9,967,368	10,168,789	10,384,312	215,523
Adult and continuing education	92,681	90,300	60,807	(29,493)
Employee benefits	14,127,164	14,467,964	14,351,936	(116,028)
Supporting services				
Pupil	6,067,309	6,108,494	6,358,992	250,498
Instructional staff	2,479,959	2,636,474	2,522,927	(113,547)
General administration	1,158,065	1,179,618	1,106,467	(73,151)
School administration	4,603,672	4,601,176	4,551,274	(49,902)
Business	10,391,198	11,467,958	12,552,064	1,084,106
Central	1,833,266	2,403,383	2,532,040	128,657
Athletics	1,466,005	1,459,535	1,087,202	(372,333)
Civil	109,997	107,577	82,081	(25,496)
Employee benefits	9,418,110	9,645,310	7,900,111	(1,745,199)

Waterford School District
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Federal programs	\$ 10,172,548	\$ 10,722,767	\$ 9,692,198	\$ (1,030,569)
Retirement savings	(300,000)	-	-	-
Debt service				
Principal	525,000	525,000	525,000	-
Interest and fiscal charges	425,150	425,150	425,022	(128)
	<u>104,377,173</u>	<u>108,240,832</u>	<u>106,262,417</u>	<u>(1,978,415)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(4,016,613)</u>	<u>(2,603,928)</u>	<u>(2,418,105)</u>	<u>185,823</u>
Other financing sources (uses)				
Transfers out	<u>(426,159)</u>	<u>(484,479)</u>	<u>(342,622)</u>	<u>141,857</u>
Net change in fund balance	(4,442,772)	(3,088,407)	(2,760,727)	327,680
Fund balance - beginning	<u>9,324,011</u>	<u>9,324,011</u>	<u>9,324,011</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,881,239</u>	<u>\$ 6,235,604</u>	<u>\$ 6,563,284</u>	<u>\$ 327,680</u>

OTHER SUPPLEMENTAL INFORMATION

Waterford School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

	Special Revenue Funds/School Service Funds					
	Special Education Center Programs	Child Care	Senior Citizens	Pool and Fitness Centers	Performing Arts Centers	Food Service
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 487,664
Accounts receivable	-	-	-	-	-	2,027
Due from other governmental units	-	-	-	-	-	155,938
Due from other funds	-	-	-	-	-	426,956
Inventory	-	-	-	-	-	25,477
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,098,062</u>
Liabilities and fund balance						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,843
Deferred revenue	-	-	-	-	-	43,303
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,146</u>
Fund balance						
Non-spendable						
Inventory	-	-	-	-	-	25,477
Restricted						
Debt retirement	-	-	-	-	-	-
Food service	-	-	-	-	-	999,439
Assigned						
Capital projects	-	-	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,024,916</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,098,062</u>

Waterford School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

	Debt Service Funds						Capital Projects		Total Non Major Funds
	1997 Refunding	1999	1999 Series II & III Refunding	1999 Series IV	2003 Series I	2003 Series II	Durant Package	Building Maintenance	
Assets									
Cash and cash equivalents	\$ 96,371	\$ 34,691	\$ 263,521	\$ 33,282	\$ 27,469	\$ 34,316	\$ -	\$ 589	\$ 977,903
Accounts receivable	-	-	-	-	-	-	-	-	2,027
Due from other governmental units	-	-	-	-	-	-	-	-	155,938
Due from other funds	-	-	-	-	-	-	-	-	426,956
Inventory	-	-	-	-	-	-	-	-	25,477
Total assets	<u>\$ 96,371</u>	<u>\$ 34,691</u>	<u>\$ 263,521</u>	<u>\$ 33,282</u>	<u>\$ 27,469</u>	<u>\$ 34,316</u>	<u>\$ -</u>	<u>\$ 589</u>	<u>\$ 1,588,301</u>
Liabilities and fund balance									
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,843
Deferred revenue	-	-	-	-	-	-	-	-	43,303
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,146</u>
Fund balance									
Non-spendable									
Inventory	-	-	-	-	-	-	-	-	25,477
Restricted									
Debt retirement	96,371	34,691	263,521	33,282	27,469	34,316	-	-	489,650
Food service	-	-	-	-	-	-	-	-	999,439
Assigned									
Capital projects	-	-	-	-	-	-	-	589	589
Total fund balance	<u>96,371</u>	<u>34,691</u>	<u>263,521</u>	<u>33,282</u>	<u>27,469</u>	<u>34,316</u>	<u>-</u>	<u>589</u>	<u>1,515,155</u>
Total liabilities and fund balance	<u>\$ 96,371</u>	<u>\$ 34,691</u>	<u>\$ 263,521</u>	<u>\$ 33,282</u>	<u>\$ 27,469</u>	<u>\$ 34,316</u>	<u>\$ -</u>	<u>\$ 589</u>	<u>\$ 1,588,301</u>

Waterford School District
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
June 30, 2012

	Special Revenue Funds/School Service Funds					
	Special Education Center Programs	Child Care	Senior Citizens	Pool and Fitness Centers	Performing Arts Centers	Food Service
Revenues						
Local sources	\$ 60,415	\$ 1,452,742	\$ 488,992	\$ 803,475	\$ 92,767	\$ 1,775,707
State sources	1,409,042	-	-	-	-	283,973
Federal sources	-	-	216,414	-	-	3,138,692
Interdistrict sources	5,312,364	-	-	-	-	-
Total revenues	<u>6,781,821</u>	<u>1,452,742</u>	<u>705,406</u>	<u>803,475</u>	<u>92,767</u>	<u>5,198,372</u>
Expenditures						
Current						
Instruction	6,162,026	-	-	-	-	-
Supporting services	619,795	1,452,742	488,992	1,044,597	194,267	1,912,569
Federal programs	-	-	216,414	-	-	3,138,692
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>6,781,821</u>	<u>1,452,742</u>	<u>705,406</u>	<u>1,044,597</u>	<u>194,267</u>	<u>5,051,261</u>
Excess (deficiency) of revenues over expenditures	-	-	-	(241,122)	(101,500)	147,111
Other financing sources						
Transfers in	-	-	-	241,122	101,500	-
Net change in fund balance	-	-	-	-	-	147,111
Fund balance - beginning	-	-	-	-	-	877,805
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,024,916</u>

Waterford School District
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
June 30, 2012

	Debt Service Funds						Capital Projects		Total Non Major Funds
	1997 Refunding	1999	1999 Series II & III Refunding	1999 Series IV	2003 Series I	2003 Series II	Durant Package	Building Maintenance	
Revenues									
Local sources	\$ 3,413,757	\$ 2,619,691	\$ 2,624,021	\$ 1,420,282	\$ 1,201,297	\$ 1,484,834	\$ -	\$ -	\$ 17,437,980
State sources	-	-	-	-	-	-	277,079	-	1,970,094
Federal sources	-	-	-	-	-	-	-	-	3,355,106
Interdistrict sources	-	-	-	-	-	-	-	-	5,312,364
Total revenues	<u>3,413,757</u>	<u>2,619,691</u>	<u>2,624,021</u>	<u>1,420,282</u>	<u>1,201,297</u>	<u>1,484,834</u>	<u>277,079</u>	<u>-</u>	<u>28,075,544</u>
Expenditures									
Current									
Instruction	-	-	-	-	-	-	-	-	6,162,026
Supporting services	-	-	-	-	-	-	-	-	5,712,962
Federal programs	-	-	-	-	-	-	-	-	3,355,106
Debt service									
Principal	3,020,000	2,520,000	1,900,000	1,000,000	500,000	500,000	252,465	-	9,692,465
Interest	405,700	108,856	733,200	425,250	705,500	990,028	24,614	-	3,393,148
Total expenditures	<u>3,425,700</u>	<u>2,628,856</u>	<u>2,633,200</u>	<u>1,425,250</u>	<u>1,205,500</u>	<u>1,490,028</u>	<u>277,079</u>	<u>-</u>	<u>28,315,707</u>
Excess (deficiency) of revenues over expenditures	(11,943)	(9,165)	(9,179)	(4,968)	(4,203)	(5,194)	-	-	(240,163)
Other financing sources									
Transfers in	-	-	-	-	-	-	-	-	342,622
Net change in fund balance	(11,943)	(9,165)	(9,179)	(4,968)	(4,203)	(5,194)	-	-	102,459
Fund balance - beginning	108,314	43,856	272,700	38,250	31,672	39,510	-	589	1,412,696
Fund balance - ending	<u>\$ 96,371</u>	<u>\$ 34,691</u>	<u>\$ 263,521</u>	<u>\$ 33,282</u>	<u>\$ 27,469</u>	<u>\$ 34,316</u>	<u>\$ -</u>	<u>\$ 589</u>	<u>\$ 1,515,155</u>

**Waterford School District
Other Supplemental Information
General Fund
Comparative Balance Sheet
June 30, 2012**

	2012	2011
Assets		
Cash and cash equivalents	\$ 12,323,034	\$ 12,332,317
Accounts receivable	889,281	1,652,610
Due from other funds	-	74,168
Due from other governmental units	17,660,221	19,566,152
Prepaid items	638,982	1,491
Total assets	\$ 31,511,518	\$ 33,626,738
Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 1,464,633	\$ 2,171,884
State aid anticipation note payable	12,500,000	11,750,000
Due to other funds	995,520	742,556
Payroll deductions and withholdings	2,989,271	2,601,243
Accrued expenditures	47,725	102,768
Accrued salaries payable	6,842,255	6,721,591
Deferred revenue	108,830	212,685
Total liabilities	24,948,234	24,302,727

**Waterford School District
 Other Supplemental Information
 General Fund
 Comparative Balance Sheet
 June 30, 2012**

	2012	2011
Fund balance		
Non-spendable		
Prepaid costs	\$ 638,982	\$ 1,491
Unassigned	5,924,302	9,322,520
Total fund balance	6,563,284	9,324,011
Total liabilities and fund balance	\$ 31,511,518	\$ 33,626,738

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2012

	Final Budget	Actual	Actual Over (Under) Budget
Local sources			
Property Taxes	\$ 13,009,805	\$ 12,912,200	\$ (97,605)
Other Taxes & Penalties	85,000	98,564	13,564
Adult Ed Tuition and Rentals	35,000	40,659	5,659
Adult Ed Non-Credit	34,000	22,972	(11,028)
Preschool	507,452	273,082	(234,370)
Earnings On Investments	10,000	-	(10,000)
Outdoor Education	113,500	140,915	27,415
Summer Academy	104,453	86,175	(18,278)
Mail Services	57,700	16,503	(41,197)
Waterford Foundation	75,000	73,421	(1,579)
Apex	39,780	48,960	9,180
Cyber Academy	-	730	730
Summer SLAM	3,220	4,065	845
Metro North grants	4,463	4,194	(269)
eRate	200,000	141,451	(58,549)
Facility Use	142,827	62,708	(80,119)
Sale of Fixed Assets	25,000	409	(24,591)
University Stipends	-	1,810	1,810
Fingerprinting	3,500	-	(3,500)
Video Services	500	-	(500)
School & Community Services	72,000	14,999	(57,001)
Transportation	40,000	6,022	(33,978)

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2012

	Final Budget	Actual	Actual Over (Under) Budget
Local sources (continued)			
Food Service Contribution	\$ 437,466	\$ 345,641	\$ (91,825)
Vending	30,000	56,714	26,714
Child Care Contribution	190,000	232,118	42,118
Senior Center Contribution	50,000	-	(50,000)
High school parking passes	15,000	14,081	(919)
Medicaid	500,000	294,180	(205,820)
Athletics	98,000	112,470	14,470
Hockey	67,040	50,731	(16,309)
Building Healthy Communities - BCBS	24,447	32,218	7,771
Waterford Community Garden Grant	15,000	-	(15,000)
COPS Grant	136,083	-	(136,083)
Rental	-	216	216
Miscellaneous	25,000	9,245	(15,755)
Total local sources	16,151,236	15,097,453	(1,053,783)

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2012

	Final Budget	Actual	Actual Over (Under) Budget
State sources			
Membership	\$ 63,136,829	\$ 62,750,585	\$ (386,244)
Membership-Special Education	2,086,017	3,113,637	1,027,620
Membership-Adult Ed-Participants	105,000	118,124	13,124
Property Tax Refunds	600,000	869,067	269,067
Best Practice Incentive	1,105,713	1,105,550	(163)
MPSERS Cost Offset	1,276,137	1,276,235	98
At-Risk	1,991,000	2,293,513	302,513
Special Education, Non-membership	2,141,054	2,231,810	90,756
Vocation Education	295,470	299,298	3,828
Preschool Enrichment	597,100	484,752	(112,348)
Court Placed	1,105,651	709,340	(396,311)
Data Collection	240,527	240,590	63
 Total state sources	 <u>74,680,498</u>	 <u>75,492,501</u>	 <u>812,003</u>
Interdistrict sources			
Oakland Schools	3,823,654	2,869,921	(953,733)
Oakland Schools - PA 18 Equity	320,440	-	(320,440)
Oakland Schools - Promoting Youth	-	2,842	2,842
Oakland Schools - PA 18 Transportation	-	46,769	46,769
Oakland Schools - Vocational Education	-	57,774	57,774

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Interdistrict sources (continued)			
Vocational Millage	\$ 68,818	\$ 189,217	\$ 120,399
C.V.S. Oakland County	<u>250,000</u>	<u>694,879</u>	<u>444,879</u>
Total interdistrict sources	<u>4,462,912</u>	<u>3,861,402</u>	<u>(601,510)</u>
Total revenue before federal sources	<u>95,294,646</u>	<u>94,451,356</u>	<u>(843,290)</u>
Federal sources	<u>10,342,258</u>	<u>9,392,956</u>	<u>(949,302)</u>
Total revenues	<u>\$ 105,636,904</u>	<u>\$ 103,844,312</u>	<u>\$ (1,792,592)</u>

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2012

	Salaries	Actual Supplies and Expenses	Total	Final Budget	Actual Over (Under) Budget
Basic program - elementary					
General education	\$ 10,954,704	\$ 509,846	\$ 11,464,550	\$ 11,527,295	\$ (62,745)
Science	-	16,479	16,479	37,305	(20,826)
Physical education	580,087	14,250	594,337	597,462	(3,125)
Fine arts - music	571,646	23,756	595,402	689,453	(94,051)
Fine arts - art	599,921	26,418	626,339	514,613	111,726
31A	330,168	213,830	543,998	649,186	(105,188)
FAST - Donelson Hills	-	-	-	3,500	(3,500)
Youth Mini Grant - Oakland Schools	-	25,072	25,072	24,447	625
Building Healthy Communities - BCBS	-	498	498	-	498
FAST-Burt	-	-	-	3,700	(3,700)
Total elementary	<u>13,036,526</u>	<u>830,149</u>	<u>13,866,675</u>	<u>14,046,961</u>	<u>(180,286)</u>
Basic program - middle school					
General Ed	5,358,449	150,726	5,509,175	5,471,494	37,681
Music-Fine Arts	494,713	21,470	516,183	496,557	19,626
Art-Fine Arts	130,551	8,797	139,348	138,422	926
Physical Ed	255,554	6,527	262,081	259,246	2,835
31A	364,736	240,136	604,872	633,932	(29,060)
Outdoor Ed	8,331	102,163	110,494	113,500	(3,006)
Total middle school	<u>6,612,334</u>	<u>529,819</u>	<u>7,142,153</u>	<u>7,113,151</u>	<u>29,002</u>
Basic program - high school					
General Ed	5,429,262	668,252	6,097,514	5,878,903	218,611
Federal - Ed Jobs	132,894	42,671	175,565	172,681	2,884
Alt. H.S.-Manley	721,739	431,881	1,153,620	1,155,114	(1,494)
Cyber Academy	-	752,240	752,240	806,000	(53,760)
Music-Fine Arts	500,592	20,045	520,637	457,440	63,197
Art-Fine Arts	333,230	10,007	343,237	346,836	(3,599)

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2012

	Salaries	Actual Supplies and Expenses	Total	Final Budget	Actual Over (Under) Budget
Basic program - high school					
Physical Ed	\$ 338,329	\$ 4,194	\$ 342,523	\$ 341,229	\$ 1,294
31A	330,801	307,392	638,193	614,730	23,463
WAY Program - Oakland Schools	-	20,052	20,052	-	20,052
International Academy	39,843	124,803	164,646	239,525	(74,879)
Total high school	<u>7,826,690</u>	<u>2,381,537</u>	<u>10,208,227</u>	<u>10,012,458</u>	<u>195,769</u>
Basic program - summer school					
Summer Success - Lit & Math	-	290	290	3,220	(2,930)
Summer Academy	78,235	42,422	120,657	104,453	16,204
Total summer school	<u>78,235</u>	<u>42,712</u>	<u>120,947</u>	<u>107,673</u>	<u>13,274</u>
Basic program - Pre-K programs					
Preschool	192,471	102,068	294,539	415,204	(120,665)
Preschool enrichment	311,671	149,538	461,209	496,110	(34,901)
Apex I	26,430	9,804	36,234	39,780	(3,546)
Total Pre-K programs	<u>530,572</u>	<u>261,410</u>	<u>791,982</u>	<u>951,094</u>	<u>(159,112)</u>
Added needs - special education programs					
Emot Impaired	99,161	52,075	151,236	152,172	(936)
Educ Ment Imp	139,691	78,312	218,003	221,499	(3,496)
General Special Education	288	25	313	-	313
CI - Local	182,116	86,919	269,035	286,601	(17,566)
CI (TMI)	189,822	141,163	330,985	339,298	(8,313)
AI	333,513	188,527	522,040	514,818	7,222
AI - Summer	12,625	7,650	20,275	52,668	(32,393)
AI - Pierce	120,694	59,799	180,493	191,822	(11,329)
AI - H.S.	106,222	40,327	146,549	176,449	(29,900)
AI - Post Secondary	93,755	50,789	144,544	145,817	(1,273)
Early Intervention - POHI	102,721	63,086	165,807	156,684	9,123
CVS Reg	531,271	336,917	868,188	779,600	88,588

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2012

	Salaries	Actual Supplies and Expenses	Total	Final Budget	Actual Over (Under) Budget
Added needs - special education programs (continued)					
CVS EI	\$ 689,612	\$ 485,064	\$ 1,174,676	\$ 1,207,050	\$ (32,374)
CVS Summer School	36,644	29,451	66,095	59,380	6,715
Sec Res Teacher	1,527,792	883,919	2,411,711	2,305,553	106,158
EI Teacher	729,765	386,187	1,115,952	1,114,561	1,391
EI Middle School	55,312	27,269	82,581	72,380	10,201
EI High School	79,440	38,539	117,979	145,495	(27,516)
Resource/Speech	17,110	5,712	22,822	23,116	(294)
IDEA local	457,261	333,768	791,029	619,097	171,932
Total special education programs	<u>5,504,815</u>	<u>3,295,498</u>	<u>8,800,313</u>	<u>8,564,060</u>	<u>236,253</u>
Added needs - compensatory education					
Extended school year - secondary	6,880	8,949	15,829	26,029	(10,200)
English as a Second Language	123,751	76,945	200,696	190,659	10,037
Total compensatory education	<u>130,631</u>	<u>85,894</u>	<u>216,525</u>	<u>216,688</u>	<u>(163)</u>
Added needs - vocational education					
Gen Voc Ed	1,188,740	130,030	1,318,770	1,332,472	(13,702)
Vocational Millage	-	3,652	3,652	3,816	(164)
Aviation	-	37,089	37,089	41,853	(4,764)
Cosmetology	-	7,963	7,963	9,900	(1,937)
Total vocational education	<u>1,188,740</u>	<u>178,734</u>	<u>1,367,474</u>	<u>1,388,041</u>	<u>(20,567)</u>
Adult education					
Adult Credit - State 107, Basic	19,649	5,180	24,829	36,692	(11,863)
Adult Credit - State 107, Secondary	11,472	2,700	14,172	21,510	(7,338)
Adult Credit	15,607	6,199	21,806	32,098	(10,292)
Total adult education	<u>46,728</u>	<u>14,079</u>	<u>60,807</u>	<u>90,300</u>	<u>(29,493)</u>
Total Instruction	<u>34,955,271</u>	<u>7,619,832</u>	<u>42,575,103</u>	<u>42,490,426</u>	<u>84,677</u>

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2012

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
Pupils					
Guidance-Mid	\$ 610,128	\$ 456	\$ 610,584	\$ 581,039	\$ 29,545
Guidance-HS	788,078	486	788,564	733,060	55,504
Alt. H.S.-Manley - Counselors	30,626	9,595	40,221	38,500	1,721
Alt. H.S.-Manley - Hall Monitors	59,496	39,592	99,088	84,312	14,776
Adult Ed Tuition Based	2,977	90	3,067	3,308	(241)
Adult Credit - State 107, Basic	12,186	3,802	15,988	26,653	(10,665)
Adult Credit	31,223	10,110	41,333	39,830	1,503
Other Pupil Serv	519,866	19,241	539,107	535,809	3,298
Gen Spec Ed	117,825	137,408	255,233	273,773	(18,540)
LD - Teacher Consultant	57,616	38,758	96,374	86,424	9,950
CI Local - O.T.	8,470	10,448	18,918	18,440	478
CI Local - Psych	6,439	3,917	10,356	9,659	697
CI Local - Speech	17,345	11,533	28,878	26,018	2,860
CI Local - Social Worker	17,420	8,399	25,819	31,470	(5,651)
CI Local - Adaptive P.E.	6,640	2,340	8,980	9,735	(755)
CI (TMI) - O.T.	7,830	9,151	16,981	13,380	3,601
CI (TMI) - Psych	7,960	3,373	11,333	11,940	(607)
CI (TMI) - Speech	5,001	3,367	8,368	7,446	922
CI (TMI) - Social Worker	4,918	2,636	7,554	7,377	177
CI (TMI) - Adaptive P.E.	6,640	2,340	8,980	9,735	(755)
AI - O.T.	36,445	16,719	53,164	48,524	4,640
AI - Psych	6,370	4,125	10,495	9,555	940
AI - Speech	37,938	25,659	63,597	56,907	6,690
AI - Social Worker	31,829	19,786	51,615	47,743	3,872
AI M.S. - O.T.	4,556	3,522	8,078	7,204	874
AI M.S. - Psych	2,459	1,616	4,075	3,689	386
AI M.S. - Speech	17,683	11,015	28,698	26,524	2,174
AI M.S. - Social Worker	11,198	6,520	17,718	16,038	1,680
AI H.S. - O.T.	13,667	12,372	26,039	24,161	1,878
AI H.S. - Psych	1,617	64	1,681	3,899	(2,218)
AI H.S. - Speech	6,909	3,944	10,853	10,363	490
AI H.S. - Social Worker	2,090	1,540	3,630	3,198	432

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2012

	Salaries	Actual Supplies and Expenses	Total	Final Budget	Actual Over (Under) Budget
Pupils (continued)					
AI Post Secondary- O.T.	\$ 6,525	\$ 9,299	\$ 15,824	\$ 9,787	\$ 6,037
AI Post Secondary- Speech	7,073	4,331	11,404	10,610	794
AI Post Secondary- Social Worker	3,587	2,220	5,807	6,161	(354)
Early Intervention - O.T. & P.T.	-	19,378	19,378	21,147	(1,769)
Early Intervention - Psych	19,111	12,667	31,778	28,667	3,111
CVS - EI , Psychologist	1,627	26,411	28,038	37,240	(9,202)
CVS - EI , Speech	2,459	1,678	4,137	3,817	320
CVS - EI , Social Worker	28,807	19,093	47,900	44,711	3,189
Resource/Speech	99,853	52,212	152,065	151,779	286
Preschool Enrichment - Speech	18,591	6,291	24,882	23,370	1,512
Preschool Enrichment - Social Worker	7,960	4,281	12,241	10,200	2,041
Sub Abuse Prevention	129,026	70,213	199,239	225,286	(26,047)
Speech Serv	735,242	450,024	1,185,266	1,103,695	81,571
Social Serv	645,722	407,909	1,053,631	1,035,617	18,014
Psychologist	285,503	229,445	514,948	471,937	43,011
Educable Mentally Impaired	-	12,668	12,668	-	12,668
31A	-	98,282	98,282	93,602	4,680
Summer Academy	399	128	527	-	527
Voc Ed Millage	18,011	7,597	25,608	25,155	453
Total pupils	4,500,941	1,858,051	6,358,992	6,108,494	250,498
Instructional staff					
Staff Development	142,389	70,961	213,350	164,176	49,174
Cyber Academy	140,539	74,584	215,123	214,307	816
Math Categorical	13,777	10,333	24,110	19,835	4,275
Secondary Ed Curriculum	57,288	-	57,288	57,288	-
Voc Ed Millage	37,763	32,217	69,980	68,818	1,162
Voc Ed Millage Admin	-	6,250	6,250	8,784	(2,534)
Vocational	119,673	3,140	122,813	106,208	16,605
Science Adm	12,010	-	12,010	12,916	(906)
Music -Fine Arts Adm	41,500	18,675	60,175	62,025	(1,850)
Art-Fine Arts Adm	-	-	-	7,011	(7,011)

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2012

	Salaries	Actual Supplies and Expenses	Total	Final Budget	Actual Over (Under) Budget
Instructional staff (continued)					
Sub Abuse Prevention	\$ -	\$ 3,533	\$ 3,533	\$ 3,300	\$ 233
Preschool Enrichment - Library Tech	-	-	-	7,300	(7,300)
Preschool Enrichment - Instr Support	42,482	23,712	66,194	60,120	6,074
Adult Educ	4,865	13,453	18,318	61,495	(43,177)
Adult Credit	1,073	26,283	27,356	23,368	3,988
Physical Ed - Adm	-	853	853	3,400	(2,547)
Special Ed Adm	285,568	165,030	450,598	485,532	(34,934)
CI (TMI)	-	6,612	6,612	30,200	(23,588)
Libr Elementary	279,714	17,593	297,307	301,955	(4,648)
Libr Middle school	144,670	14,209	158,879	155,354	3,525
Libr High school	158,385	15,700	174,085	172,912	1,173
Library Services	-	61,837	61,837	62,072	(235)
Wtfd Found Grant	-	59,566	59,566	74,353	(14,787)
Talent Development Program	7,836	17,791	25,627	45,288	(19,661)
North Central Association	9,045	26,961	36,006	70,000	(33,994)
Durant Foundation	20,901	276,451	297,352	295,000	2,352
Metro North Grants	-	3,805	3,805	4,463	(658)
Vocational Millage	32,759	20,679	53,438	53,860	(422)
Waterford Success - Local	-	-	-	5,134	(5,134)
Summer Success-Lit. & Math	-	462	462	-	462
Total instructional staff	<u>1,552,237</u>	<u>970,690</u>	<u>2,522,927</u>	<u>2,636,474</u>	<u>(113,547)</u>
General administration					
Board of Education	73,597	217,710	291,307	338,688	(47,381)
Executive administration	242,712	16,881	259,593	276,218	(16,625)
Elementary school director	340,662	51,424	392,086	393,639	(1,553)
Middle school and high school director	123,747	39,734	163,481	171,073	(7,592)
Total general administration	<u>780,718</u>	<u>325,749</u>	<u>1,106,467</u>	<u>1,179,618</u>	<u>(73,151)</u>

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2012

	Salaries	Actual Supplies and Expenses	Total	Final Budget	Actual Over (Under) Budget
School administration					
Elementary principals	\$ 1,775,001	\$ 99,874	\$ 1,874,875	\$ 1,903,021	\$ (28,146)
Middle school principals	686,276	48,679	734,955	751,884	(16,929)
Senior high principals	1,031,267	156,480	1,187,747	1,208,555	(20,808)
Pre-school principal	44,859	27,058	71,917	92,248	(20,331)
CVS principal	214,119	157,712	371,831	339,795	32,036
Alternative H.S. - Manley	180,999	105,534	286,533	290,413	(3,880)
Summer SLAM	-	-	-	1,000	(1,000)
Summer Academy	12,098	11,318	23,416	14,260	9,156
	<u>3,944,619</u>	<u>606,655</u>	<u>4,551,274</u>	<u>4,601,176</u>	<u>(49,902)</u>
Total school administration					
Business					
Fiscal Services	424,368	52,039	476,407	480,199	(3,792)
Utilities	-	2,405,190	2,405,190	2,488,750	(83,560)
Operations	2,746,737	903,438	3,650,175	3,485,876	164,299
Maintenance	711,809	1,069,103	1,780,912	1,495,171	285,741
Transportation	2,227,929	710,079	2,938,008	2,262,215	675,793
Transportation - Field Trips	-	84,129	84,129	57,100	27,029
Transportation - SpEd Work Experience	-	15,028	15,028	94,254	(79,226)
Purchasing	38,523	12	38,535	44,053	(5,518)
Warehouse	3,364	116	3,480	42,247	(38,767)
Print & Copy	-	95,794	95,794	14,581	81,213
Mail Services	-	51,495	51,495	57,700	(6,205)
Other Services	-	893,299	893,299	722,807	170,492
Safety & Security	40,507	75,702	116,209	86,922	29,287
COPS Grant	-	3,403	3,403	136,083	(132,680)
	<u>6,193,237</u>	<u>6,358,827</u>	<u>12,552,064</u>	<u>11,467,958</u>	<u>1,084,106</u>
Total business					

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2012

	Actual				Actual
	Salaries	Supplies and Expenses	Total	Final Budget	Over (Under) Budget
Central					
Computer Services	\$ 431,528	\$ 103,272	\$ 534,800	\$ 493,615	\$ 41,185
Central Enrollment/Pupil Accounting	76,366	6,197	82,563	86,785	(4,222)
Adult Ed	9,900	2,904	12,804	11,365	1,439
Research & Evaluation	135,528	171,966	307,494	190,013	117,481
School Community Services	124,381	94,837	219,218	211,734	7,484
Human Resources	175,546	10,408	185,954	174,830	11,124
M.I.S.	204,538	417,540	622,078	733,029	(110,951)
M.I.S. - Communication	-	269,954	269,954	428,483	(158,529)
Voc Ed Millage	18,582	11,494	30,076	33,529	(3,453)
Other Services	29,435	237,664	267,099	40,000	227,099
Employee Benefits	191,072	22,060,975	22,252,047	24,113,274	(1,861,227)
	<u>1,396,876</u>	<u>23,387,211</u>	<u>24,784,087</u>	<u>26,516,657</u>	<u>(1,732,570)</u>
Total central					
	<u>18,368,628</u>	<u>33,507,183</u>	<u>51,875,811</u>	<u>52,510,377</u>	<u>(634,566)</u>
Total supporting services					
	<u>53,323,899</u>	<u>41,127,015</u>	<u>94,450,914</u>	<u>95,000,803</u>	<u>(549,889)</u>
Total local share of expenditures					
Athletics					
Athletics	427,041	618,562	1,045,603	1,392,495	(346,892)
Hockey	2,000	39,599	41,599	67,040	(25,441)
	<u>429,041</u>	<u>658,161</u>	<u>1,087,202</u>	<u>1,459,535</u>	<u>(372,333)</u>
Total athletics					
Civic Activity					
Facility Use	40,953	22,403	63,356	65,739	(2,383)
Building Healthy Communities - BCBS	-	5,416	5,416	7,580	(2,164)
Waterford Community Garden Grant	80	3,107	3,187	15,000	(11,813)
Community Education	11	10,111	10,122	19,258	(9,136)
	<u>41,044</u>	<u>41,037</u>	<u>82,081</u>	<u>107,577</u>	<u>(25,496)</u>
Total civic activity					

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2012

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
Federal programs	\$ 4,772,701	\$ 4,444,689	\$ 9,217,390	\$ 10,342,258	\$ (1,124,868)
Debt service					
Principal	-	525,000	525,000	525,000	-
Interest	-	425,022	425,022	425,150	(128)
Total debt service	-	950,022	950,022	950,150	(128)
Other local match					
Headstart	190,463	215,411	405,874	303,858	102,016
Medicaid	44,759	24,175	68,934	76,651	(7,717)
Total other local match	235,222	239,586	474,808	380,509	94,299
Interfund Transfers					
School service fund	-	342,622	342,622	484,479	(141,857)
Total expenditures	\$ 58,801,907	\$ 47,803,132	\$ 106,605,039	\$ 108,725,311	\$ (2,120,272)

Waterford School District
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2012

Year Ending June 30,	March 1, 2006 Issue	April 16, 2009 Issue	May 1, 2011 Series 2011	June 1, 1999 Series IV	June 1, 2003 Series I	March 24, 2005 Series II	Energy Bonds	Durant	Total
2013	\$ 3,060,000	\$ 1,970,000	\$ 2,370,000	\$ 1,000,000	\$ 500,000	\$ 500,000	\$ 540,000	\$ 264,482	\$ 10,204,482
2014	3,250,000	-	2,700,000	1,000,000	1,500,000	1,000,000	600,000	-	10,050,000
2015	-	-	5,160,000	1,000,000	1,500,000	1,000,000	875,000	-	9,535,000
2016	-	-	5,180,000	1,000,000	1,500,000	1,500,000	900,000	-	10,080,000
2017	-	-	5,120,000	1,000,000	1,500,000	1,500,000	925,000	-	10,045,000
2018	-	-	-	1,000,000	2,000,000	2,000,000	955,000	-	5,955,000
2019	-	-	-	1,500,000	2,000,000	2,500,000	975,000	-	6,975,000
2020	-	-	-	2,000,000	2,000,000	3,000,000	995,000	-	7,995,000
2021	-	-	-	-	2,000,000	3,000,000	995,000	-	5,995,000
2022	-	-	-	-	2,600,000	3,000,000	925,000	-	6,525,000
2023	-	-	-	-	-	3,575,000	715,000	-	4,290,000
Total	<u>\$ 6,310,000</u>	<u>\$ 1,970,000</u>	<u>\$ 20,530,000</u>	<u>\$ 9,500,000</u>	<u>\$ 17,100,000</u>	<u>\$ 22,575,000</u>	<u>\$ 9,400,000</u>	<u>\$ 264,482</u>	<u>\$ 87,649,482</u>
Principal payments due the first day of	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	August and February	May	
Interest rate	3.63% - 5.00%	2.75% - 2.95%	2.00% - 4.00%	2.50% - 4.30%	2.25% - 4.13%	3.75% - 4.40%	4.40%	4.76%	
Original issue	<u>\$ 30,030,000</u>	<u>\$ 15,000,000</u>	<u>\$ 22,680,000</u>	<u>\$ 15,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 25,000,000</u>	<u>\$ 11,950,000</u>	<u>\$ 3,945,891</u>	

Waterford School District

Waterford, Michigan

Single Audit Report

June 30, 2012

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

Members of the Board of Education
Waterford School District
Waterford, Michigan

We have audited the 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, 2012, which collectively comprise the Waterford School District's basic financial statements and have issued our report thereon dated October 5, 2012. 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.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Waterford School District's financial statements are free of 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.

We noted certain matters that we reported to management of the Waterford School District in a separate letter dated October 5, 2012.

This report is intended solely for the information and use of the Board of Education, management and others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 5, 2012

**Independent Auditors' Report on Compliance With
Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control
Over Compliance in Accordance With OMB Circular A-133**

Members of the Board of Education
Waterford School District
Waterford, Michigan

Compliance

We have audited Waterford School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2012. Waterford School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Waterford School District's management. Our responsibility is to express an opinion on Waterford School District's compliance based on our audit.

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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* 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. Our audit does not provide a legal determination of Waterford School District's compliance with those requirements.

In our opinion, Waterford School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of Waterford School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Waterford School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, 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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the 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, 2012, and have issued our report thereon dated October 5, 2012. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 5, 2012

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2011	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2012
U.S. Department of Agriculture									
Passed through Michigan Department of Education									
Nutrition Cluster									
Non-cash assistance (commodities)									
Entitlement Commodities	10.555	N/A	\$ 241,881	\$ -	\$ -	\$ 241,881	\$ 241,881	\$ -	\$ -
Bonus Commodities		N/A	15,746	-	-	15,746	15,746	-	-
National School Lunch Program				-	-	257,627	257,627	-	-
Cash assistance									
National School Breakfast Program	10.553	121970	857,871	51,706	-	858,522	857,871	-	51,055
National School Lunch Program	10.555	121960	2,023,194	110,660	-	2,028,971	2,023,194	-	104,883
				162,366	-	2,887,493	2,881,065	-	155,938
Total Nutrition Cluster				162,366	-	3,145,120	3,138,692	-	155,938
Total U.S. Department of Agriculture				162,366	-	3,145,120	3,138,692	-	155,938
U.S. Department of Justice									
Direct Program									
Mentoring Program	16.726	2011-JU-FX-0111	97,378	47,737	-	47,737	97,378	-	97,378
Site Based Mentoring Program			46,027	-	-	-	46,027	-	46,027
Total U.S. Department of Justice				47,737	-	47,737	143,405	-	143,405
U.S. Department of Labor									
Passed through Oakland County Department of Health									
Workforce Investment Act	17.259	11/12-219	1,463,647	145,029	-	974,411	1,189,031	-	359,649
Total U.S. Department of Labor				145,029	-	974,411	1,189,031	-	359,649

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2011	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2012
U.S. Department of Education									
Passed through Michigan Department of Education									
Adult Education - ABE Instruction	84.002	1111 3011 1597	\$ 58,500	\$ 29,250	\$ 58,500	\$ 29,250	\$ -	\$ -	\$ -
Adult Education - ABE Instruction		1211 3010 1597	66,275	-	-	-	41,576	-	41,576
Adult Education - English Literacy/Civics		1111 2011 1597	18,000	9,000	18,000	9,000	-	-	-
Adult Education - English Literacy/Civics		1211 2011 1597	20,000	-	-	-	18,024	-	18,024
				<u>38,250</u>	<u>76,500</u>	<u>38,250</u>	<u>59,600</u>	<u>-</u>	<u>59,600</u>
Passed through Michigan Department of Education									
Title I - Part A	84.010	11 1530 1011	1,434,687	335,778	1,162,928	579,006	271,759	-	28,531
Title I - Part A		12 1530 1112	1,574,457	-	-	1,182,341	1,348,200	-	165,859
Title I - ARRA	84.389	10 1535 1112	996,395	(33,907)	962,488	-	33,907	-	-
Title I - Part D ARRA	84.389	10 1535 1112	362,010	(99,056)	262,954	-	30,453	-	(68,603)
Total Title I Cluster				<u>202,815</u>	<u>2,388,370</u>	<u>1,761,347</u>	<u>1,684,319</u>	<u>-</u>	<u>125,787</u>
Title I - Part D	84.013	11 1700 1011	508,176	(38,150)	215,939	254,087	292,237	-	-
Title I - Part D		12 1700 1112	508,176	-	-	464,771	278,908	(185,863)	-
				<u>(38,150)</u>	<u>215,939</u>	<u>718,858</u>	<u>571,145</u>	<u>(185,863)</u>	<u>-</u>
Special Education Cluster									
Passed through Oakland Schools									
IDEA Flowthrough 09-11	84.027	100450	2,506,917	99,635	2,506,917	99,635	-	-	-
IDEA Flowthrough 10-12		110450	2,510,349	667,341	1,987,564	999,172	522,782	-	190,951
IDEA Flowthrough 11-13		120450	2,492,307	-	-	1,738,872	2,398,433	-	659,561
IDEA ARRA Flowthrough	84.391	100455	3,072,143	1,385,883	3,072,143	1,385,883	-	-	-
				<u>2,152,859</u>	<u>7,566,624</u>	<u>4,223,562</u>	<u>2,921,215</u>	<u>-</u>	<u>850,512</u>
Passed through Oakland Schools									
Preschool Incentive, 09-11	84.173	110460	82,716	30,119	26,730	30,119	-	-	-
Preschool Incentive, 10-12		120460	91,138	60,176	60,176	60,176	30,962	-	30,962
Preschool Incentive, 11-13		120460	84,689	-	-	18,026	54,021	-	35,995
				<u>90,295</u>	<u>86,906</u>	<u>108,321</u>	<u>84,983</u>	<u>-</u>	<u>66,957</u>
Total Special Education Cluster				<u>2,243,154</u>	<u>7,653,530</u>	<u>4,331,883</u>	<u>3,006,198</u>	<u>-</u>	<u>917,469</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2011	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2012
U.S. Department of Education									
Direct Program									
Safe Schools/ Healthy Students	84.184	Q184L080310	\$ 2,102,591	\$ 237,387	\$ 1,186,741	\$ 237,387	\$ -	\$ -	\$ -
Safe Schools/ Healthy Students		Q184L080310	1,411,459	-	-	-	1,159,061	-	1,159,061
				<u>237,387</u>	<u>1,186,741</u>	<u>237,387</u>	<u>1,159,061</u>	<u>-</u>	<u>1,159,061</u>
Passed through Michigan Department of Education									
Historians & Teachers Together	84.215X	U215X090374	499,689	<u>34,221</u>	<u>171,875</u>	<u>34,221</u>	<u>150,210</u>	<u>-</u>	<u>150,210</u>
Title III - Immigrant Students									
Title III - English Language	84.365A	1105801011	90,708	1,932	47,210	45,430	43,498	-	-
Title III - English Language		1205801011	78,662	-	-	60,377	31,728	(28,649)	-
				<u>1,932</u>	<u>47,210</u>	<u>105,807</u>	<u>75,226</u>	<u>(28,649)</u>	<u>-</u>
Passed through Michigan Department of Education									
Teacher/Principal Training & Recruiting	84.367	1105201011	407,490	33,758	237,478	203,770	170,012	-	-
Teacher/Principal Training & Recruiting		1205201011	342,313	-	-	342,313	342,313	-	-
				<u>33,758</u>	<u>237,478</u>	<u>546,083</u>	<u>512,325</u>	<u>-</u>	<u>-</u>
ARRA - State Fiscal Stabilization Fund									
ARRA - State Fiscal Stabilization Fund	84.394	102525-0910	1,321,880	<u>660,940</u>	<u>1,321,880</u>	<u>660,940</u>	<u>-</u>	<u>-</u>	<u>-</u>
Direct Program									
Education Jobs Funds	84.410	112545	175,565	<u>1,162,031</u>	<u>2,324,062</u>	<u>1,337,596</u>	<u>175,565</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Education				<u>4,576,338</u>	<u>15,623,585</u>	<u>9,772,372</u>	<u>7,393,649</u>	<u>(214,512)</u>	<u>2,412,127</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2011	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2012
U.S. Department of Health and Human Services									
Passed through Regional Area of Aging:									
Title III - Nutrition	93.045	11-9052-03	\$ 277,288	\$ 17,588	\$ 277,288	\$ 17,588	\$ -	\$ -	\$ -
Title III - Nutrition		12-9052-03	248,742	-	-	211,758	216,414	-	4,656
				<u>17,588</u>	<u>277,288</u>	<u>229,346</u>	<u>216,414</u>	<u>-</u>	<u>4,656</u>
Passed through Oakland Livingston Human Services Agency (OLHSA)									
O.E.O. Headstart	93.600	H5011-520	710,850	507,549	507,549	710,850	203,301	-	-
O.E.O. Headstart		H5012-520	715,968	-	-	-	404,948	-	404,948
Total Head Start Cluster				<u>507,549</u>	<u>507,549</u>	<u>710,850</u>	<u>608,249</u>	<u>-</u>	<u>404,948</u>
Passed through Oakland County Department of Health Success									
	93.959		66,026	(17,825)	-	53,982	58,622	-	(13,185)
Total U.S. Department of Health and Human Services				<u>507,312</u>	<u>784,837</u>	<u>994,178</u>	<u>883,285</u>	<u>-</u>	<u>396,419</u>
				<u>\$ 5,438,782</u>	<u>\$ 16,408,422</u>	<u>\$ 14,933,818</u>	<u>\$ 12,748,062</u>	<u>\$ (214,512)</u>	<u>\$ 3,467,538</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Waterford School District
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2012

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2012.
3. The federal amounts reported on the Grant Auditor Report (GAR) are in agreement with the Schedule of Expenditures of Federal Awards (SEFA), except for the following awards:

	Receipts per GAR	Receipts per SEFA	Difference
Adult Education - ABE Instruction	\$ -	\$ 9,000	\$ 9,000
Adult Education - English Literacy/Civics	-	29,250	29,250
ARRA - State Fiscal Stabilization Fund	-	660,940	660,940
Ed Jobs Funds	<u>175,565</u>	<u>1,337,596</u>	<u>1,162,031</u>
	<u>\$ 175,565</u>	<u>\$ 2,036,786</u>	<u>\$ 1,861,221</u>

Differences due to the payments on the GAR recorded in payments as of June 30, 2011; however, the school district received the amounts after June 30, 2011. These amounts are properly recorded as receipts on the SEFA for the year ending June 30, 2012.

4. 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.
5. The deferred revenue for Title I – Part D ARRA was due to the school district submitting an incorrect cash request. The school district caught this error immediately after submission; however, it was too late to reverse the request. The amount has subsequently been paid and corrected in fiscal year 2013.

Waterford School District
Schedule of Findings and Questioned Costs
June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes X no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.553 & 10.555	Nutrition Cluster
84.184	Safe Schools Healthy Students
84.367	Teacher/Principal Training & Recruiting
84.410	EduJobs

Dollar threshold used to distinguish between type A and type B programs: \$382,442

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

Waterford School District
Schedule of Findings and Questioned Costs
June 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2012.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2012.

Waterford School District
Summary Schedule of Prior Audit Findings
June 30, 2011

SECTION IV- PRIOR AUDIT FINDINGS

Finding 11-01 Noncompliance

Title I Cluster (84.389) & Title I Part D (84.013)

Cash Requests

Specific Requirement: Federal and state guidelines require funds to be requested after cash has been paid.

Condition: The School District requested funds based on estimated expenditures at year end and when final expenditures were completed excess funds had been drawn in two programs.

Status: This issue has been addressed in the current year and is no longer a finding for year ending June 30, 2012.

Finding 11-02 Noncompliance

Title I Cluster (84.389)

Indirect Costs

Specific Requirement: Federal and state guidelines require that indirect charges are not applied to exclusions, such as equipment.

Condition: The School District calculated indirect costs using equipment expenditures.

Status: Indirect charges were calculated properly for year ending June 30, 2012.



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October 5, 2012

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

We have completed our audit of the financial statements of Waterford School District as of and for the year ended June 30, 2012 and have issued our report dated October 5, 2012. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

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

II Management Comments

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

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

Yeo & Yeo, P.C.

Saginaw, Michigan

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

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 1, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies are described in Note 1 of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. The most sensitive estimate affecting the financial statements was incurred but not reported claims and teacher's severance which are based on historical trends and past experience. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Disclosures in the financial statements are neutral, consistent and clear.
Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were more than trivial.

There were no uncorrected misstatements that were more than trivial.

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

District Wide Statements

Prior Year Unadjusted

Net Income Effect\$ (717,340)**General Fund**

Prior Year Unadjusted

Net Income Effect\$ (455,146)*Disagreements with Management*

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

Management Representations

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

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Other Reports

Other information that is required to be reported to you is included in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, and the Schedule of Findings and Questioned Costs. Please read all information included in that those reports to ensure you are aware of relevant information.

Other Information in Documents Containing Audited Financial Statements

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

Appendix II
Management Comments

In planning and performing our audit of the financial statements of Waterford School District as of and for the year ended June 30, 2012, we considered Waterford School District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls. This letter does not affect our report dated October 5, 2012, on the financial statements of Waterford School District. Our comments and recommendations regarding those matters are:

CURRENT YEAR COMMENTS

Athletic Activities Procedures

During our testing of athletic in the prior year, we noted there was no formal policy in place for cash handling at athletic events. In the current year, a policy was established to track the number of people attending each event and the amount of revenue that should have been collected; however, that policy is not being enforced.

We recommend that management enforce the policy to account for athletic events. Pre-numbered tickets should be given out at each game, and there should be a reconciliation of the number of tickets sold to the revenue collected. These are procedures documented in the policy, but the policy must be enforced at every game. This will provide better safeguard of athletic funds and protect those that are handling cash at the games.

PRIOR YEAR COMMENTS

Employee Benefits Accrual

Follow-up: Recommendation has been implemented during the current year.

Student Activity Accounts

Follow-up: Recommendation has been implemented during the current year.

Outstanding Checks

Follow-up: Recommendation has been implemented during the current year.

Athletic Activities Procedures

Follow-up: Remains an issue in the current year.

1441 Gov Letter Supporting Schedules

District Wide Statements

Prior Year Unadjusted

Net Income Effect

\$ (717,340)

General Fund

Prior Year Unadjusted

Net Income Effect

\$ (455,146)