

Waterford School District

Financial Statements

June 30, 2016

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Waterford School District
Members of the Board of Education and Administration
June 30, 2016

Members of the Board of Education

Robert Seeterlin	President
Bob Piggott	Vice President
Heather Halls	Secretary
John Himmelspach	Treasurer
Robert Pertrusha, Jr.	Trustee
Joan Sutherland	Trustee
John Paul Torres	Trustee

Administration

Dr. Keith Wunderlich	Superintendent
William D. Holbrook, CPA	Executive Director, Business & Operations



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Independent Auditors' Report

Management and the Board of Education
Waterford School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Waterford School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Waterford School District, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2016, the School District adopted GASB Statements No. 72, 76, 79, and 82, *Fair Value Measurement and Application*, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, *Certain External Investment Pools and Pool Participants*, and *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73, respectively*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

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

Other Information

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

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

Prior Year Supplementary Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Waterford School District's basic financial statements as of and for the year ended June 30, 2015, which are not presented with the accompanying financial statements. In our report dated October 20, 2015, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Waterford School District's financial statements as a whole. The 2015 information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2015 information in the comparative supplementary schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2016 on our consideration of the Waterford School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterford School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

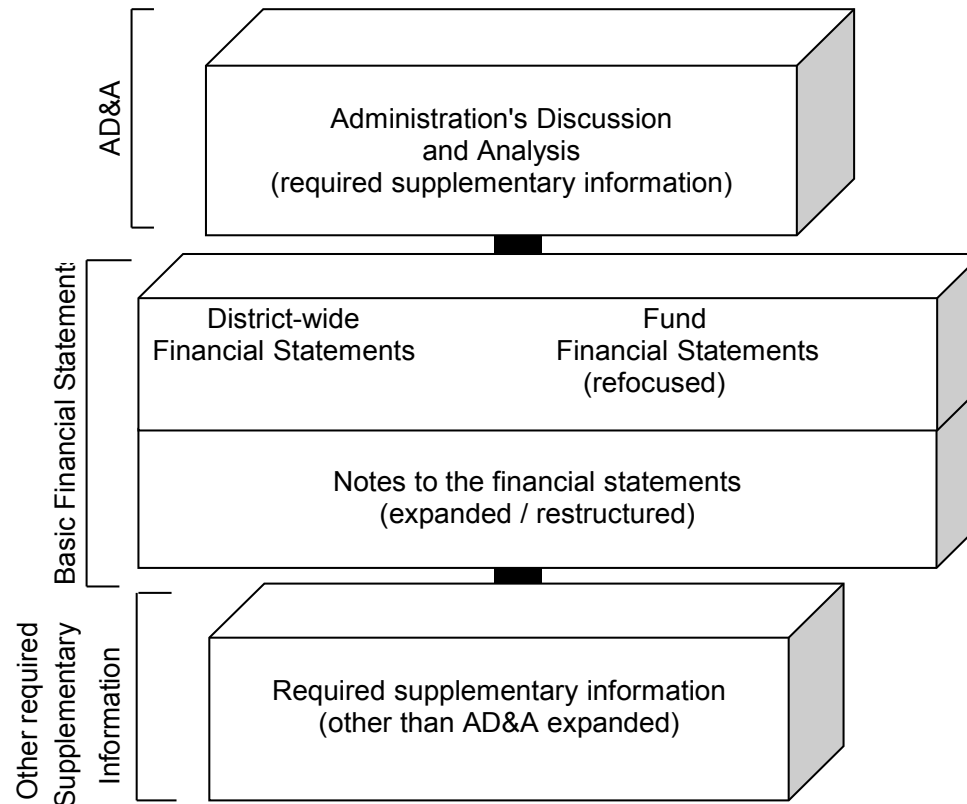
Saginaw, MI
October 18, 2016

ADMINISTRATION'S DISCUSSION AND ANALYSIS

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2016**

Waterford School District's (the District) Administration discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position and its ability to address the next and subsequent year challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Managements Discussion Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2016.

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



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

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2016

District Wide Financial Statements

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

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

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

Fund Financial Statements

The fund statements are similar to financial presentations of years past, with the focus on the District's major funds rather than fund types. Consistent with previous years, the fund statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received except where they are measurable and currently available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period that goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures and Bond proceeds are recorded as 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 and equipment. The Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent for various student groups and related activities.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2016

Financial Analysis of the District as a Whole:

	<u>2015-2016</u>	<u>2014-2015</u>	<u>Change</u>
Assets			
Current assets	\$ 42,770,854	\$ 45,359,032	\$ (2,588,178)
Capital assets	260,463,864	245,957,309	14,506,555
Less: accumulated depreciation	<u>(114,900,760)</u>	<u>(107,356,380)</u>	<u>(7,544,380)</u>
Capital assets, net book value	<u>145,563,104</u>	<u>138,600,929</u>	<u>6,962,175</u>
Total assets	<u>188,333,958</u>	<u>183,959,961</u>	<u>4,373,997</u>
Deferred outflows of resources			
Deferred amount on refunding	159,005	181,720	(22,715)
Deferred amount of pension expense related to net pension liability	<u>17,988,222</u>	<u>15,933,749</u>	<u>2,054,473</u>
Total deferred outflows of resources	<u>18,147,227</u>	<u>16,115,469</u>	<u>2,031,758</u>
Total assets and deferred outflows of resources	<u>206,481,185</u>	<u>200,075,430</u>	<u>6,405,755</u>
Liabilities			
Current liabilities	42,116,487	43,343,466	(1,226,979)
Long-term liabilities	<u>250,143,683</u>	<u>242,728,594</u>	<u>7,415,089</u>
Total liabilities	292,260,170	286,072,060	6,188,110
Deferred inflows of resources			
Deferred amount of net pension liability	<u>12,992,940</u>	<u>17,743,729</u>	<u>(4,750,789)</u>
Total liabilities and deferred inflows of resources	<u>305,253,110</u>	<u>303,815,789</u>	<u>1,437,321</u>
Net position			
Net investment in capital assets	58,676,235	55,030,344	3,645,891
Restricted	1,246,156	1,409,301	(163,145)
Unrestricted (deficit)	<u>(158,694,316)</u>	<u>(160,180,004)</u>	<u>1,485,688</u>
Total net position	<u>\$ (98,771,925)</u>	<u>\$ (103,740,359)</u>	<u>\$ 4,968,434</u>

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2016

As indicated by the statement above, total fiscal year 2015-2016 and 2014-2015 net position is (\$98,771,925) and (\$103,740,359) respectively. Net position can be separated into three categories: net investment in capital assets, restricted net position, and unrestricted net position.

Net capital assets are a combination of funds available for capital assets, plus capital assets at original cost less accumulated depreciation and related debt. The original cost of capital assets for fiscal year 2015-2016 and 2014-2015 is \$260,463,864 and \$245,957,309, 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 2015-2016 and 2014-2015 is \$114,900,760 and \$107,356,380, 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 2015-2016 and 2014-2015 was \$95,693,047 and \$94,225,142, respectively.

Restricted net position for fiscal year 2015-2016 consist of Debt Service of \$1,246,156. The remaining net position of (\$158,694,316) and (\$160,180,004) for fiscal year 2015-2016 and 2014-2015, respectively, are unrestricted. The unrestricted net position 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 Position is a result of the following factors:

- Current assets decreased \$2,588,178, mainly due to a decrease in funds available for capital improvements (Capital Improvement Bonds) totaling \$4,793,471 offset by an increase in Federal receivables of \$2,204,306.
- Net Capital assets increased \$6,962,175 as a result of \$14,506,555 in capital improvements, offset by \$7,544,380 in normally scheduled depreciation. Note: during the fiscal year the district issued \$15,000,000 in 2003 Series V Bonds.
- Current liabilities decreased by \$1,226,979 mainly due to a decrease in accounts payable in the Capital Projects funds and short term borrowing, offset by an increase in accrued salaries.
- Long-term liabilities increased \$7,415,089 as a result of the issuance of 2003 Series V bonds, offset by scheduled principal payments netting to \$689,511 (net of change in amount due within one year) and the increase of \$6,751,406 in the district's pension liability.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2016

	<u>2015-2016</u>	<u>2014-2015</u>	<u>Change</u>
Program revenue:			
Charges for services local and intermediate	\$ 6,118,313	\$ 6,734,406	\$ (616,093)
Operating grants - federal and state	<u>39,296,396</u>	<u>34,551,801</u>	<u>4,744,595</u>
Total revenue	<u>45,414,709</u>	<u>41,286,207</u>	<u>4,128,502</u>
General revenue:			
Property taxes, levied for general purposes	11,816,342	11,853,446	(37,104)
State of Michigan aid, unrestricted	<u>58,108,966</u>	<u>60,085,874</u>	<u>(1,976,908)</u>
Total foundation allowance	<u>69,925,308</u>	<u>71,939,320</u>	<u>(2,014,012)</u>
Property taxes, levied for debt service	15,303,503	14,993,252	310,251
Interest and investment earnings	50,025	22,245	27,780
Other	<u>251,179</u>	<u>406,093</u>	<u>(154,914)</u>
	<u>15,604,707</u>	<u>15,421,590</u>	<u>183,117</u>
Total revenues	<u>130,944,724</u>	<u>128,647,117</u>	<u>2,297,607</u>
Expenses:			
Instruction	67,944,734	66,639,456	1,305,278
Support services	39,207,052	39,971,892	(764,840)
Food service	5,051,683	5,402,078	(350,395)
Pool & Fitness centers	784,968	1,105,584	(320,616)
Performing arts center	222,341	211,786	10,555
Childcare	1,118,467	1,198,251	(79,784)
Senior Citizens	672,894	717,587	(44,693)
Special education center programs	5,155,460	5,052,678	102,782
Unallocated depreciation expense	2,808,796	2,045,558	763,238
Tax tribunal refunds	62,439	151,169	(88,730)
Building and site	-	2,829,563	(2,829,563)
Interest on long-term debt	<u>2,947,456</u>	<u>2,743,511</u>	<u>203,945</u>
Total expenses	125,976,290	128,069,113	(2,092,823)
Change in net position	<u>\$ 4,968,434</u>	<u>\$ 578,004</u>	<u>\$ 4,390,430</u>

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2016

As indicated above, fiscal year 2015-2016 and 2014-2015, the change in net position was \$4,968,434 and \$578,004, respectively.

The 2015-2016 increase in net position as compared to fiscal year 2014-2015 is due to the following factors:

Revenues:

- Local charges for services decreased \$616,093, primarily due to a decrease in eRate funding.
- Operating grants increased \$4,744,595, primarily due to an increase in Federal grants of \$851,733, MPERS 147c (retirement) categorical funding of \$1,058,120, GSRP (Great Start Readiness Program) of \$562,304, At Risk funding of \$238,686, Oakland Schools PA-18 Special Education funding of \$1,273,153 and Oakland County funds for Children's Village School of \$244,097.
- Unrestricted State Aid decreased \$1,976,908 as a result of a decrease of 248 students, as well as a prior year Headlee Obligation adjustment offset by a \$139 per student increase in foundation allowance.

Expenses:

- Instructional expenses increased \$1,305,278 over prior year as a result increased wages and benefits, offset by reductions due to fewer students.
- Support services decreased by \$764,840 from last year due to fewer support staff and school administrators as a result of budget cuts.
- Food Service decreased \$350,395 from last year due to lower labor and food costs.
- Childcare decreased due to fewer students participating in the program and increased labor cost; including benefits.
- Unallocated depreciation expense increased by \$763,248 due to bonded construction projects.
- Tax tribunal refunds decreased \$88,730 due to fewer tax tribunal appeals.
- Building and Site decreased \$2,829,563 as a result of current bond construction projects being capitalized.
- Interest on long term debt increased by \$203,945 due to additional bonded debt.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2016

Capital Assets and Debt Administration

Capital Assets

At June 30, 2016, the District had \$145,563,104 invested in a broad range of capital assets, including land, buildings, furniture and equipment.

	2016	2015
Capital assets		
Land	\$ 1,177,339	\$ 1,177,339
Building & additions	246,661,376	229,219,714
Buses and other vehicles	5,876,397	5,208,250
Furniture and equipment	5,381,353	5,333,187
Construction in progress	1,367,399	5,018,819
Subtotal	260,463,864	245,957,309
Less: accumulated depreciation	114,900,760	107,356,380
Net capital assets	\$ 145,563,104	\$ 138,600,929

This is an increase in net capital assets of \$6,962,175 over last year. Depreciation expense for the year is \$7,544,380. During the fiscal year the District expended the remaining \$10,840,526 of Series IV bonds and issued \$15,000,000 in Series V Bonds, of which \$6,295,855 was expended. Note that not all expenditures meet the district's \$10,000 capitalization threshold to be recorded in this schedule. Construction in progress decreased \$3,651,420 due to the completion of the prior year science room renovations at the high schools and the HVAC (air conditioning) work at the elementary buildings. The District has \$10,548,916 remaining of Series V bonds set aside for future capital projects.

Debt

At the end of this fiscal year, the District had \$90,225,000 in General Obligation Bonds outstanding. This is an increase of \$2,300,000 compared to last year due to the \$15,000,000 bond issuance mentioned above offset by scheduled principal payments.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2016

Governmental Fund Revenues

Sources of Revenues:

Local sources of revenues total \$33,721,036. This is a decrease of \$366,016 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 \$14,161,071 decreased \$841,131 from prior year as a result of a significant decrease in eRate. The Debt Fund local revenues of \$15,303,503 increased \$310,251 over prior year as a result of higher taxable property values. Special Education Center Programs revenues of \$0 decreased \$11,570 from prior year. The Childcare Fund revenues of \$1,118,467 decreased \$79,784 from prior year as a result of fewer students. The Senior Citizen Fund revenues of \$513,297 decreased \$18,102 from prior year. The Pool & Fitness Center Fund of \$784,968 increased \$34,293. The Performing Arts Centers Fund had revenue of \$222,341 which was an increase of \$22,462 over prior year. The Food Service Fund revenues of \$1,567,364 increased \$189,785 over prior year as a result of an increase in catering and menu options for students (note: prior year was an implementation year for the smart snacks in school rule).

State sources of revenue total \$75,755,597. This is a decrease of \$15,647 as compared to prior year. Included in State Sources of Funding are General Fund, Special Education Center Programs Fund, and Food Service Fund revenues. General Fund revenues of \$74,250,075 increased \$45,409 over prior year. This increase is due to the foundation grant increasing \$139 per student totaling \$1,320,194, increased participation in the Great Start Readiness Program (GSRP) by \$562,304, increase in the MPSERS 147c UAAL Rate Stabilization funding by \$1,058,120, offset by a decrease in the number of students of 248 fte totaling \$1,838,850, elimination of Best Practices totaling \$474,890 and the net Special Education Headlee Obligation from 2015 prior year adjustment of \$480,148 as compared to 2016 prior year adjustment.

The Special Education Center Programs Fund of \$1,262,369 decreased \$51,335 from prior year. The Food Service Fund of \$243,153 decreased \$9,721 from prior year. Included in the state sources of revenue is the membership foundation allowance of \$57,864,710 in the General Fund, a decrease of \$1,003,395 from prior year as explained above in regards to increased foundation allowance offset by fewer General Fund students. State sources of revenue make up 72.5% of General Fund revenues. This ties the District directly to the State's overall economy.

Federal sources of revenue total \$11,563,219, an increase of \$851,733 over prior year. This was mainly due to an increase in free and reduced meals served totaling \$215,507, Head Start funds totaling \$188,280, and Title I funds spent of \$394,057 .

Interdistrict sources of revenue total \$9,904,872, an increase of \$1,273,153 from prior year. The increase is largely due to increased funding from Oakland County of \$244,097 for Children's Village and an increase in funding from Oakland Schools of \$837,332 for the Center Program. The Interdistrict funding is primarily for special education.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2016

Property Taxes

A significant portion of local revenue is provided by property taxes for the General Fund and Debt Retirement Fund. Property tax revenue totaled \$27,119,845, an increase of \$273,147 over prior year. Total property tax revenue is obtained through a voter approved 18-mill levy on the taxable value of non-homestead properties for the District's operations and a voter approved 7.00-mill levy on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments.

Unrestricted State Aid Foundation Allowance

A significant portion of state funding to the District is through the foundation allowance. The foundation allowance is funding from the state for each student. The District's foundation allowance is \$7,421 for 2015-2016 and \$7,282 for 2014-2015 fiscal years. The number of students to be funded is calculated by student enrollment blended at 90% of the Fall 2016 count and 10% Supplemental Count (February 2016). Total blended student enrollment for this fiscal year is 9,498, a decrease of 248 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 expenditures of \$52,498,969 increased \$418,810 and Support Services expenditures of \$39,145,259 decreased \$273,352. The changes in Instruction were primarily due to an increase in teacher wages (1% on schedule 2% steps) offset by reductions related to decreased enrollment. Support Services decreased in General Administration, Maintenance, Transportation and Interfund Transfers for the Pool & Fitness Centers, offset by increases in Pupil Support and Central Services. Federal Program expenditures of \$8,297,214 increased \$667,305 due to an increase in the Head Start grant and the Title I A grant. School Service Fund expenses of \$12,938,431 decreased \$1,665,480 from prior year mainly due to less food, labor, and capital improvement costs in Food Service and less labor costs in the Pool & Fitness Centers. The Capital Projects fund of \$17,136,381 increased \$8,038,768 due to the completion of the 2003 Series IV bond improvements with the additional issuance of \$15,000,000 in 2003 Series V bonds. The Debt Service Fund with expenditures of \$15,218,682 increased \$1,086,160 mainly as a result of scheduled principal and interest payments.

Economic Factors and Next Year's Budgets and Rates

The Board of Education and administration consider many factors when setting the School District's 2017 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.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2016**

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 2017 fiscal year is 90 percent and 10 percent of the Fall 2016 and Supplemental (February) 2016 student counts, respectively. The 2017 budget was adopted in June 2016, based on an estimate of students that will be enrolled in September 2016, as well as State Aid funding. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations. Since the District's revenue is heavily dependent upon state funding, actual funding depends on the state's ability to collect revenues to fund its appropriations to school districts.

The District is in negotiations with all bargaining groups for the 2017 fiscal year. Benefit agreements are on a calendar year basis. The current letter of agreement for benefits include employee contributions to healthcare for those who qualify and extends through December 31, 2016. Additionally, any cost above the hard cap after July 1st of each year is burdened by the employee.

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 2015-2016, the budget was amended in June of 2016 to reflect the changes since the Original Budget adopted in June of 2015. The General Fund budget revenues for the final budget increased by 3.20% as compared to the original budget.

General Fund Revenues:

Total revenues final budget	\$ 103,743,066
Total revenues original budget	<u>100,531,041</u>
Increase in budget revenues	<u><u>\$ 3,212,025</u></u>

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2016**

Increase in Revenue Budget:

Significant final budget adjustments for the year include:

- Increase in Membership of 280 fte totaling \$1,999,418
- Increase in the Foundation Allowance of \$139 per student totaling \$1,317,209
- Increase in MPSERS UAAL of \$374,114
- Increase in At Risk funds of \$198,342
- Increase in GSRP (Great Start Readiness Program) funding of \$452,298
- Increase in Targeted Literacy of \$111,540
- Increase in Title I D Children's Village funds of \$134,696
- Decrease in local revenues (Childcare Contribution, E-Rate, and Facility use) of \$600,424
- Elimination of Best Practice Incentive of \$484,840
- Decrease in Special Education Non Membership of \$161,516
- Decrease in Intermediate funds for PA-18 Special Education of \$117,956

Actual General Fund Revenues vs. Final Budget:

The District's actual general fund revenues were less than the final budget by \$1,394,224, a variance of 1.34%. This is a result of local revenues declining by \$965,663. This decrease is mainly due to a decrease in Summer Academy of \$101,507, eRate of \$270,335, Childcare contribution of \$117,583, and Cell Tower of \$220,000. State Sources declined by \$985,421 due to a decrease in Property Tax Refunds of \$568,683, GSRP (Great Start Readiness Program) of \$186,141, Court Placed (Children's Village) of \$280,063 and Targeted Literacy of \$111,540 (deferred), offset by an increase of Special Education Non Membership of \$163,615. Additionally, Interdistrict Sources increased \$692,249 mainly as a result of increased PA-18 funding of \$549,471. Finally, a decrease in Federal Sources of \$135,389 that are deferred into the 2016-17 fiscal year.

General Fund Expenditures:

The District's budget for expenditures increased by 5.29% for the year ended June 30, 2016:

Total expenditures final budget	\$ 102,885,465
Total expenditures original budget	<u>97,713,555</u>
 Increase in budget expenditures	 <u><u>\$ 5,171,910</u></u>

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2016**

Increase in Expenditure Budget:

Some of the final budget adjustments for the year include:

- The change in teaching staff can be summarized:

2015-2016 General Fund	FTE Final Budget	FTE Original Budget	FTE Increase (Decrease)
Regular education teachers	393.67	387.10	6.57
Special education teachers	151.30	137.20	14.10
	<u>544.97</u>	<u>524.30</u>	<u>20.67</u>

- Increase in Staffing \$422,500
- Increase in Negotiated wages (1% on schedule, 2% steps, enrollment bonus) totaling \$2,010,832
- Increase in 174c MPSERS of \$374,114
- Increase in Targeted Literacy \$111,540
- Increase in GSRP \$452,298
- Increase in Technology Infrastructure Grant of \$74,229
- Increase in Federal grants (Including local share) \$135,406
- Increase in At Risk funds of \$198,342
- Increase in Technology and Central Services of \$1,000,000

Actual General Fund Expenditures vs. Final Budget:

The District's actual general fund expenditures were less than the final budget by 1.76%. This decrease of \$1,813,123 is a result of a decrease in Employee Benefits of \$1,153,361 (less participants), Contingency of \$400,000, Federal programs of \$135,386 and School Service Fund transfer of \$154,300.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2016**

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

Waterford School District
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 21,625,638
Accounts receivable	2,601,138
Due from other governmental units	18,329,729
Inventory	204,399
Prepaid items	9,950
Capital assets not being depreciated	2,544,738
Capital assets - net of accumulated depreciation	<u>143,018,366</u>
Total assets	<u>188,333,958</u>
Deferred outflows of resources	
Deferred amount on refunding	159,005
Deferred amount relating to net pension liability	<u>17,988,222</u>
Total deferred outflows	<u>18,147,227</u>
Total assets and deferred outflows of resources	<u>206,481,185</u>
Liabilities	
Accounts payable	2,976,054
State aid and tax anticipation notes	15,000,000
Payroll deductions and withholdings	3,143,738
Accrued expenditures	1,156,964
Accrued salaries payable	6,757,822
Unearned revenue	294,487
Noncurrent liabilities	
Net pension liability	167,238,058
Debt due within one year	12,787,422
Debt due in more than one year	<u>82,905,625</u>
Total liabilities	<u>292,260,170</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>
Deferred inflow of resources	
Deferred amount relating to net pension liability	\$ 12,992,940
Total liabilities and deferred inflows of resources	<u>305,253,110</u>
Net position	
Net investment in capital assets	58,676,235
Restricted	
Debt service	1,246,156
Unrestricted (deficit)	<u>(158,694,316)</u>
Total net position	<u>\$ (98,771,925)</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Statement of Activities
For the Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs					
Governmental activities					
Instruction	\$ 67,944,734	\$ 365,355	\$ 24,175,337	\$ -	\$ (43,404,042)
Supporting services	39,207,052	1,546,521	6,085,142	-	(31,575,389)
Food services	5,051,683	1,567,364	3,788,242	-	303,923
Pool and fitness centers	784,968	784,968	-	-	-
Performing arts centers	222,341	222,341	-	-	-
Child care	1,118,467	1,118,467	-	-	-
Senior citizens	672,894	513,297	158,189	-	(1,408)
Special education center program	5,155,460	-	5,089,486	-	(65,974)
Unallocated depreciation expense	2,808,796	-	-	-	(2,808,796)
Tax tribunals refunds	62,439	-	-	-	(62,439)
Interest and fiscal charges on long-term debt	2,947,456	-	-	-	(2,947,456)
Total governmental activities	\$ 125,976,290	\$ 6,118,313	\$ 39,296,396	\$ -	(80,561,581)
General revenues					
Property taxes, levied for general purposes					11,816,342
Property taxes, levied for debt service					15,303,503
State aid - unrestricted					58,108,966
Interest and investment earnings					50,025
Other					251,179
Total general revenues					<u>85,530,015</u>
Change in net position					4,968,434
Net position - beginning					<u>(103,740,359)</u>
Net position - ending					<u>\$ (98,771,925)</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Balance Sheet
June 30, 2016

	General Fund	2003 Series V	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 9,173,371	\$ 10,548,916	\$ 1,903,351	\$ 21,625,638
Accounts receivable	2,589,401	-	11,737	2,601,138
Due from other funds	170,543	-	262,931	433,474
Due from other governmental units	18,109,672	-	220,057	18,329,729
Inventory	182,967	-	21,432	204,399
Prepaid items	9,950	-	-	9,950
	<u>9,950</u>	<u>-</u>	<u>-</u>	<u>9,950</u>
Total assets	<u>\$ 30,235,904</u>	<u>\$ 10,548,916</u>	<u>\$ 2,419,508</u>	<u>\$ 43,204,328</u>
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 1,207,304	\$ 1,737,571	\$ 31,179	\$ 2,976,054
State aid and tax anticipation note	15,000,000	-	-	15,000,000
Due to other funds	502,931	164,172	6,371	673,474
Payroll deductions and withholdings	3,143,738	-	-	3,143,738
Accrued expenditures	76,170	-	-	76,170
Accrued salaries payable	6,757,822	-	-	6,757,822
Unearned revenue	270,251	-	24,236	294,487
	<u>270,251</u>	<u>-</u>	<u>24,236</u>	<u>294,487</u>
Total liabilities	<u>26,958,216</u>	<u>1,901,743</u>	<u>61,786</u>	<u>28,921,745</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Balance Sheet
June 30, 2016

	<u>General Fund</u>	<u>2003 Series V</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balance				
Non-spendable				
Inventory	\$ 182,967	\$ -	\$ 21,432	\$ 204,399
Prepaid items	9,950	-	-	9,950
Restricted				
Debt service	-	-	1,846,950	1,846,950
Food service	-	-	489,340	489,340
Capital projects	-	8,647,173	-	8,647,173
Unassigned	<u>3,084,771</u>	<u>-</u>	<u>-</u>	<u>3,084,771</u>
 Total fund balance	 <u>3,277,688</u>	 <u>8,647,173</u>	 <u>2,357,722</u>	 <u>14,282,583</u>
 Total liabilities and fund balance	 <u>\$ 30,235,904</u>	 <u>\$ 10,548,916</u>	 <u>\$ 2,419,508</u>	 <u>\$ 43,204,328</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016

Total fund balances for governmental funds	\$ 14,282,583
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	2,544,738
Capital assets - net of accumulated depreciation	143,018,366
Other long-term assets are not deferred in the governmental funds.	
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from net pension liability	(12,992,940)
Deferred outflows of resources resulting from net pension liability	17,988,222
Deferred outflows of resources resulting from debt refunding	159,005
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(600,794)
Incurred but not reported benefit claims	(240,000)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Bonds payable	(95,665,625)
Net pension liability	(167,238,058)
Capital lease payable	<u>(27,422)</u>
Net position of governmental activities	<u>\$ (98,771,925)</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016

	General Fund	2003 Series V	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 14,161,071	\$ 45,776	\$ 19,514,189	\$ 33,721,036
State sources	74,250,075	-	1,505,522	75,755,597
Federal sources	7,859,941	-	3,703,278	11,563,219
Interdistrict sources	6,077,755	-	3,827,117	9,904,872
Total revenues	<u>102,348,842</u>	<u>45,776</u>	<u>28,550,106</u>	<u>130,944,724</u>
Expenditures				
Current				
Education				
Instruction	52,498,969	-	-	52,498,969
Supporting services	39,145,259	-	-	39,145,259
Federal programs	8,297,214	-	-	8,297,214
Food services	-	-	5,051,683	5,051,683
Pool and fitness centers	-	-	784,968	784,968
Performing arts centers	-	-	222,341	222,341
Child care	-	-	1,118,467	1,118,467
Senior citizens	-	-	671,486	671,486
Special education center program	-	-	5,089,486	5,089,486
Building and site	-	6,295,855	10,840,526	17,136,381

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016

	General Fund	2003 Series V	Nonmajor Governmental Funds	Total Governmental Funds
Debt service				
Principal	\$ 835,000	\$ -	\$ 11,865,000	\$ 12,700,000
Interest and fiscal charges	295,900	-	3,291,243	3,587,143
Tax tribunals refunds	-	-	62,439	62,439
Total expenditures	<u>101,072,342</u>	<u>6,295,855</u>	<u>38,997,639</u>	<u>146,365,836</u>
Excess (deficiency) of revenues over expenditures	<u>1,276,500</u>	<u>(6,250,079)</u>	<u>(10,447,533)</u>	<u>(15,421,112)</u>
Other financing sources (uses)				
Proceeds from sale of bonds	-	15,000,000	-	15,000,000
Discount on issuance of bonds	-	(102,748)	-	(102,748)
Total other financing sources (uses)	<u>-</u>	<u>14,897,252</u>	<u>-</u>	<u>14,897,252</u>
Net change in fund balance	1,276,500	8,647,173	(10,447,533)	(523,860)
Fund balance - beginning	<u>2,001,188</u>	<u>-</u>	<u>12,805,255</u>	<u>14,806,443</u>
Fund balance - ending	<u><u>\$ 3,277,688</u></u>	<u><u>\$ 8,647,173</u></u>	<u><u>\$ 2,357,722</u></u>	<u><u>\$ 14,282,583</u></u>

See Accompanying Notes to the Financial Statements

Waterford School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Net change in fund balances - Total governmental funds	\$ (523,860)
Total change in net position 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	(7,544,380)
Capitalized capital outlay	14,506,555
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions	
Net change in pension liability	(6,751,406)
Net change in the deferrals of resources related to the net pension liability	8,305,408
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	(1,500,146)
Expenses are recorded when incurred in the statement of activities.	
Interest	(41,117)
Benefit claims	8,000
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	12,700,000
Proceeds from issuance of bonds	(15,000,000)
Repayment of capital lease	25,828
Amortization of premiums	806,267
Amortization of deferred amount on refunding	<u>(22,715)</u>
Change in net position of governmental activities	<u>\$ 4,968,434</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Assets and Liabilities
June 30, 2016

	<u>Internal Service Fund</u>
Assets	
Due from other funds	<u>\$ 240,000</u>
Liabilities	
Workers' compensation claims payable	<u>\$ 240,000</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2016

	<u>Internal Service Fund</u>
Revenues	
Employee contributions	\$ 4,024,854
Charges for services	<u>33,896,138</u>
Total revenues	<u>37,920,992</u>
Expenses	
Health, dental and vision	13,114,841
Retirement	20,512,350
Social security	3,755,392
Workers compensation	<u>538,409</u>
Total expenses	<u>37,920,992</u>
Net income	-
Net position - beginning	<u>-</u>
Net position - ending	<u><u>\$ -</u></u>

See Accompanying Notes to the Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Cash Flows
For the Year Ended June 30, 2016

	Internal Service Fund
Cash flows from operating activities	
Employee contributions	\$ 4,024,854
Charges for services	33,896,138
Health, dental and vision	(13,114,841)
Retirement	(20,512,350)
Social security	(3,755,392)
Workers' compensation	(538,409)
Net cash used by operating activities	-
Cash and cash equivalents - beginning of year	-
Cash and cash equivalents - end of year	\$ -

See Accompanying Notes to the Financial Statements

Waterford School District
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2016

	<u>Agency Funds</u>
Assets	
Cash	<u>\$ 1,100,099</u>
Liabilities	
Due to student activities	<u>\$ 1,100,099</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Notes to the Financial Statements
June 30, 2016

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

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

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

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

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

Fund Financial Statements

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

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

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of

Waterford School District
Notes to the Financial Statements
June 30, 2016

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.

2003 Series V – Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The funds are kept open until the purpose for which the funds were created has been accomplished.

Additionally, the School District reports the following fund types:

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

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

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

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

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

Assets, Liabilities and Net Position Equity

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

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

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2016, the rates are as follows per \$1,000 of assessed value.

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

Waterford School District
Notes to the Financial Statements
June 30, 2016

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

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

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

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

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

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

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net

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

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

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

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

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

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

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may

be established, modified, or rescinded by a resolution of the Board of Education.

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

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

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

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

Use of Estimates

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

Eliminations and Reclassifications

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

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Adoption of New Accounting Standards

The Governmental Accounting Standards Board (“The GASB”) has issued Statement No. 72 *Fair Value Measurements and Applications*. Statement 72 provides guidance for accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. *The guidance establishes a three level hierarchy of inputs for valuation of fair value. Statement 72 is effective for the year ending June 30, 2016.*

GASB No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement 76 is effective for the year ending June 30, 2016.

GASB No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria that, if met, permit external investment pools to elect to measure all of their investments at amortized cost for financial reporting purposes. Also, it establishes additional disclosure requirements for qualifying external investment pools that make that election and for governments that participate in such external investment pools. Statement 79 is effective for the year ending June 30, 2016.

GASB No. 82, *Pension Issues*—an amendment of GASB Statements No. 67, No. 68, and No. 73 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement 82 is effective for the year ending June 30, 2016.

Upcoming Accounting and Reporting Changes

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary

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information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

GASB Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

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

Note 2 - Stewardship, Compliance, and Accountability
Budgetary Information

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

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

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

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year.

Excess of Expenditures over Appropriations

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Instruction			
Added needs	\$ 12,831,594	\$ 12,924,227	\$ 92,633
Support			
Pupil	8,211,666	8,427,057	215,391
School administration	3,896,019	3,906,886	10,867
Athletics	1,508,675	1,627,878	119,203
Special Education Center	4,646,640	5,089,486	442,846
Performing Arts Center	211,906	222,341	10,435

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District-Wide Deficits

The School District has an unrestricted net position deficit for District-Wide activities in the amount of \$158,694,316 as of June 30, 2016. There are no other individual funds with a deficit.

Compliance Bond Proceeds

The Capital Projects 2003 Series IV and 2003 Series V includes capital project activities funded with bonds issued after June 9, 2003. For these capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures from the inception of the funds through the current fiscal year:

2003 Series IV

Proceeds from issuance of bonds	\$ 20,000,000
Discount on bond	(88,355)
Interest revenue	26,494
Expenditures	<u>(19,938,139)</u>
	<u>\$ -</u>

2003 Series V

Proceeds from issuance of bonds	\$ 15,000,000
Discount on bond	(102,748)
Interest revenue	45,776
Expenditures	<u>(6,295,855)</u>
	<u>\$ 8,647,173</u>

Note 3 - Deposits and Investments

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and cash equivalents	<u>\$ 21,625,638</u>	<u>\$ 1,100,099</u>	<u>\$ 22,725,737</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 22,714,511
Petty cash and cash on hand	<u>11,226</u>
Total	<u>\$ 22,725,737</u>

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

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

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

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$21,646,410 of the School District’s bank balance of \$23,026,775 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,177,339	\$ -	\$ -	\$ 1,177,339
Construction-in-progress	5,018,819	1,367,399	5,018,819	1,367,399
Total capital assets not being depreciated	<u>6,196,158</u>	<u>1,367,399</u>	<u>5,018,819</u>	<u>2,544,738</u>
Capital assets being depreciated				
Buildings and additions	229,219,714	17,441,662	-	246,661,376
Equipment and furniture	5,333,187	48,166	-	5,381,353
Buses and other vehicles	5,208,250	668,147	-	5,876,397
Total capital assets being depreciated	<u>239,761,151</u>	<u>18,157,975</u>	<u>-</u>	<u>257,919,126</u>
Less accumulated depreciation for				
Buildings and additions	99,255,942	7,015,839	-	106,271,781
Equipment and furniture	4,337,266	209,375	-	4,546,641
Buses and other vehicles	3,763,172	319,166	-	4,082,338
Total accumulated depreciation	<u>107,356,380</u>	<u>7,544,380</u>	<u>-</u>	<u>114,900,760</u>
Net capital assets being depreciated	<u>132,404,771</u>	<u>10,613,595</u>	<u>-</u>	<u>143,018,366</u>
Net capital assets	<u>\$ 138,600,929</u>	<u>\$ 11,980,994</u>	<u>\$ 5,018,819</u>	<u>\$ 145,563,104</u>

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

Governmental activities

Instruction	\$ 4,555,839
Support services	112,363
Senior citizens	1,408
Special education center program	65,974
Unallocated	<u>2,808,796</u>
 Total governmental activities	 <u>\$ 7,544,380</u>

Construction Contracts

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

	Remaining Construction Commitment at Year End	Contract Payable at Year End
	<u> </u>	<u> </u>
Capital Projects	<u>\$ 5,680,746</u>	<u>\$ 1,737,571</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.

Note 6 - Unearned Revenue

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

	<u>Unearned</u>
Prepayment of student meals	\$ 24,236
Computer deposits	2,700
Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>267,551</u>
 Total	 <u>\$ 294,487</u>

Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

<u>Due From Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
2003 Series V Fund	General Fund	\$ 164,172
Nonmajor governmental funds	General Fund	6,371
General Fund	Nonmajor governmental funds	262,931
General Fund	Internal Service Fund	<u>240,000</u>
		<u>\$ 673,474</u>

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Note 7 - Leases

Capital Lease

The School District has a capital lease for copy machines. The future lease payments are as follows:

Year ending June 30,	
2017	\$ <u>28,280</u>
Total minimum lease payments	28,280
Less amount representing interest	<u>858</u>
Present value of minimum lease payments	<u>\$ 27,422</u>
Assets	
Equipment	\$ 122,500
Less accumulated depreciation	<u>97,196</u>
Total	<u>\$ 25,304</u>

Typically, the majority of the liability is liquidated in the General Fund.

Note 8 - State Aid and Tax Anticipation Note

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

Activity for the state aid anticipation note was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	<u>\$ 14,440,000</u>	<u>\$ 15,000,000</u>	<u>\$ 14,440,000</u>	<u>\$ 15,000,000</u>

The School District issued a tax anticipation notes in advance of tax collections, depositing the proceeds in the General Fund. This note was necessary for the School District to cover its cash flow from reduction in state aid.

Activity for the year for the tax anticipation note was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
Tax anticipation note	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>

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.

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Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 87,925,000	\$ 15,000,000	\$ 12,700,000	\$ 90,225,000	\$ 12,760,000
Capital lease	53,250	-	25,828	27,422	27,422
Premium on bonds	<u>6,246,892</u>	<u>-</u>	<u>806,267</u>	<u>5,440,625</u>	<u>-</u>
Total	<u>\$ 94,225,142</u>	<u>\$ 15,000,000</u>	<u>\$ 13,532,095</u>	<u>\$ 95,693,047</u>	<u>\$ 12,787,422</u>

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

\$22,680,000 serial bond due in annual installments ranging from \$250,000 to \$5,120,000 through 2017, interest ranging from 2.00% to 4.00%	\$ 5,120,000
\$20,000,000 serial bond due in annual installments ranging from \$1,000,000 to \$1,500,000 through 2027, interest ranging from 2.00% to 3.00%	15,500,000
\$26,150,000 serial bond due in annual installments ranging from \$1,530,000 to \$4,560,000 through 2023, interest ranging from 2.00% to 5.00%	21,005,000
\$20,000,000 serial bond due in annual installments ranging from \$1,100,000 to \$1,600,000 through 2029, interest ranging from 2.00% to 3.10%	17,550,000
\$13,455,000 serial bond due in annual installments ranging from \$1,280,000 to \$2,395,000 through 2022, interest ranging from 2.00% to 5.00%	10,875,000
\$15,000,000 serial bond due in annual installments ranging from \$840,000 to \$1,245,000 through 2030, interest ranging from 2.00% to 3.125%	14,255,000
\$6,755,000 serial bond due in annual installments ranging from \$640,000 to \$915,000 through 2023, interest ranging from 2.00% to 5.00%	<u>5,920,000</u>
Total general obligation bonded debt	<u>\$ 90,225,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2017	\$ 12,760,000	\$ 3,228,744	\$ 15,988,744
2018	8,745,000	2,749,494	11,494,494
2019	9,815,000	2,417,944	12,232,944
2020	10,920,000	2,034,119	12,954,119
2021	9,005,000	1,597,019	10,602,019
2022-2026	28,595,000	3,745,981	32,340,981
2027-2030	10,385,000	684,077	11,069,077
Total	<u>\$ 90,225,000</u>	<u>\$ 16,457,378</u>	<u>\$ 106,682,378</u>

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of \$1,846,950 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest expenditures for the fiscal year were and \$3,587,143.

Deferred Amount on Refunding

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

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred amount on refunding	<u>\$ 181,720</u>	<u>\$ -</u>	<u>\$ 22,715</u>	<u>\$ 159,005</u>

Note 9 - Risk Management

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

The School District is self-insured under the Michigan Worker's Disability Compensation Act. Workers' compensation excess insurance has been retained for the aggregate claims exceeding \$400,000 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. For governmental activities, the liability for workers' compensation benefits is primarily liquidated by the General Fund.

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

	2016	2015
Estimated liability at the beginning of the year	\$ 240,000	\$ 221,625
Estimated claims incurred including changes in estimates	319,783	306,860
Claim payments	<u>(319,783)</u>	<u>(288,485)</u>
Estimated liability end of year	<u>\$ 240,000</u>	<u>\$ 240,000</u>

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The School District is subject to Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had \$90,674 in unemployment compensation expense for the year. No provision has been made for possible future claims.

Note 10 - Pension Plans and Post-Employment Benefits

Organization

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

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

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for DB plan members are determined by final average compensation and years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to

receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Contributions and Funding Status

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the plan's 2015 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

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Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	22.52 - 23.07%
Member Investment Plan	3.0 - 7.0	22.52 - 23.07
Pension Plus	3.0 - 6.4	21.99
Defined Contribution	0.0	17.72 - 18.76

Required contributions to the pension plan from the School District were \$13,208,744 for the year ending September 30, 2015.

Net Pension Liability

June 30, 2016, the School District reported a liability of \$167,238,058 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2015, the School District's proportionate share percent was .6847 percent, which was a decrease of .0439 percent since the prior measurement date.

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

For the year ended June 30, 2016, the School District recognized total pension expense of \$11,999,848. The School District's actual contributions for the years ended June 30, 2016, 2015, and 2014 and were approximately \$8,900,000, \$11,700,000, and \$13,400,000, respectively.

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 553,941
Changes in assumptions	4,117,755	-
Net difference between projected and actual earnings on pension plan investments	853,615	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	248,961	8,183,097
Employer contributions subsequent to the measurement date	<u>12,767,891</u>	<u>4,255,902</u>
	<u>\$ 17,988,222</u>	<u>\$ 12,992,940</u>

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\$12,767,891 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. \$4,255,902 reported as deferred inflows of resources relating to pensions resulting from employer contributions subsequent to the measurement date are 147c revenues received that will be recognized in the year ended June 30, 2017 when the related payments reduce the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30	Amount:
2016	\$ (1,666,064)
2017	(1,666,064)
2018	(1,889,261)
2019	<u>1,704,682</u>
Total	<u>\$ (3,516,707)</u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2014
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of returns:
 - MIP and Basic Plans (Non-Hybrid): 8.0%
 - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5-12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Healthcare Cost Trend Rate: 8.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.7158 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report (CAFR) (www.michigan.gov/mpsers-cafr).

Waterford School District
Notes to the Financial Statements
June 30, 2016

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.9%
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
	<u>100.0%</u>	

*Long term rate of return does not include 2.1% inflation

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially-determined contribution rates and the member rate.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
\$ 215,612,728	\$ 167,238,058	\$ 126,456,231

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

Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR. See the 2015 MPERS CAFR (www.michigan.gov/mpers-cafr).

Payables to the Pension Plan

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

Waterford School District
Notes to the Financial Statements
June 30, 2016

Post-Employment Benefits

In addition to the pension benefits described above, state law requires the School District to provide post-employment healthcare benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPERS).

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes up to 2% of their salary, and receives up to a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2015 through September 30, 2015, and October 1, 2015 through June 30, 2016, the employer contribution rate ranged from 2.20% to 2.71% and 6.40% to 6.83%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2016, 2015, and 2014 and were approximately \$3,400,000, \$1,800,000, and \$4,300,000 respectively.

Unfunded Accrued Liability

During the year ending June 30, 2016, the School District had contributions in the amount of \$6,552,582 to the MPERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 10.53% for the year ending June 30, 2016.

Note 11 - 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, 2016.

Note 12 - Subsequent Events

Subsequent to year end, the School District issued a bond in the amount of \$20,000,000 with interest ranging from 2.00-3.00%.

Subsequent to year end, the School District issued a State Aid Note for \$15,000,000 plus interest at 1.01%.

REQUIRED SUPPLEMENTARY INFORMATION

Waterford School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenues				
Local sources	\$ 15,727,158	\$ 15,126,734	\$ 14,161,071	\$ (965,663)
State sources	71,402,939	75,235,496	74,250,075	(985,421)
Federal sources	7,898,967	7,995,330	7,859,941	(135,389)
Interdistrict sources	5,501,977	5,385,506	6,077,755	692,249
Total revenues	<u>100,531,041</u>	<u>103,743,066</u>	<u>102,348,842</u>	<u>(1,394,224)</u>
Expenditures				
Current				
Instruction				
Basic programs	24,601,744	25,752,611	25,741,861	(10,750)
Added needs	12,702,223	12,831,594	12,924,227	92,633
Employee benefits	13,171,684	14,012,534	13,832,881	(179,653)
Supporting services				
Pupil	7,643,313	8,211,666	8,427,057	215,391
Instructional staff	2,058,616	2,126,842	1,911,480	(215,362)
General administration	1,120,906	1,222,793	1,164,925	(57,868)
School administration	3,884,895	3,896,019	3,906,886	10,867
Business	9,900,298	10,149,335	9,936,595	(212,740)
Central	3,026,377	4,068,947	3,703,908	(365,039)
Athletics	1,487,328	1,508,675	1,627,878	119,203
Civic	104,033	102,171	98,548	(3,623)
Employee benefits	8,781,123	9,341,690	8,367,982	(973,708)

Waterford School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Federal programs	\$ 8,239,982	\$ 8,375,388	\$ 8,297,214	\$ (78,174)
Teacher retirement savings	(300,000)	-	-	-
Debt service				
Principal	1,130,900	835,000	835,000	-
Interest and fiscal charges	-	295,900	295,900	-
 Total expenditures	 <u>97,553,422</u>	 <u>102,731,165</u>	 <u>101,072,342</u>	 <u>(1,658,823)</u>
 Excess of revenues over expenditures	 <u>2,977,619</u>	 <u>1,011,901</u>	 <u>1,276,500</u>	 <u>264,599</u>
 Other financing sources (uses)				
Transfers out	<u>(160,133)</u>	<u>(154,300)</u>	<u>-</u>	<u>154,300</u>
 Net change in fund balance	 2,817,486	 857,601	 1,276,500	 418,899
Fund balance - beginning	<u>2,001,188</u>	<u>2,001,188</u>	<u>2,001,188</u>	<u>-</u>
 Fund balance - ending	 <u><u>\$ 4,818,674</u></u>	 <u><u>\$ 2,858,789</u></u>	 <u><u>\$ 3,277,688</u></u>	 <u><u>\$ 418,899</u></u>

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

	June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
A. School District's proportion of net pension liability (%)	0.68%	0.73%								
B. School District's proportionate share of net pension liability	\$ 167,238,058	\$ 160,486,652								
C. School District's covered-employee payroll	\$ 57,421,142	\$ 61,986,820								
D. School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	291.25%	258.90%								
E. Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%								

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

	For the Years Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
A. Statutorily required contributions	\$ 8,926,955	\$ 11,660,435								
B. Contributions in relation to statutorily required contributions	<u>8,926,955</u>	<u>11,660,435</u>								
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
D. School District's covered employee payroll	\$ 53,717,246	\$ 58,630,710								
E. Contributions as a percentage of covered-employee payroll	16.62%	19.89%								

Note: Benefit Changes - There were no changes of benefit terms in 2016. Changes in Assumptions - There were no changes of benefit assumptions in 2016.

OTHER SUPPLEMENTARY INFORMATION

Waterford School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	Special Revenue Funds/School Service Funds						Total Special Revenue Funds
	Special Education Center Programs	Child Care	Senior Citizens	Pool and Fitness Centers	Performing Arts Centers	Food Service	
Assets							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,030	\$ 50,030
Accounts receivable	-	-	-	-	-	11,737	11,737
Due from other governmental units	-	-	-	-	-	220,057	220,057
Due from other funds	-	-	-	-	-	262,931	262,931
Inventory	-	-	-	-	-	21,432	21,432
	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 566,187</u>	<u>\$ 566,187</u>
Liabilities and fund balance							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,179	\$ 31,179
Due to other funds	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	24,236	24,236
	-	-	-	-	-	55,415	55,415
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,415</u>	<u>55,415</u>
Fund balance							
Non-spendable							
Inventory	-	-	-	-	-	21,432	21,432
Restricted							
Debt retirement	-	-	-	-	-	-	-
Food service	-	-	-	-	-	489,340	489,340
	-	-	-	-	-	510,772	510,772
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>510,772</u>	<u>510,772</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 566,187</u>	<u>\$ 566,187</u>

Waterford School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	Debt Service Funds						Total Debt Service Funds
	1999 Series II & III Refunding	2003 Series III	2013 Refunding	2014 Series IV	2014 Refunding	2003 Series V	
Assets							
Cash and cash equivalents	\$ 671,663	\$ 321,796	\$ 431,609	\$ 108,641	\$ 313,410	\$ 6,202	\$ 1,853,321
Accounts receivable	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Total assets	<u>\$ 671,663</u>	<u>\$ 321,796</u>	<u>\$ 431,609</u>	<u>\$ 108,641</u>	<u>\$ 313,410</u>	<u>\$ 6,202</u>	<u>\$ 1,853,321</u>
Liabilities and fund balance							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	2,350	791	1,350	657	790	433	6,371
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	<u>2,350</u>	<u>791</u>	<u>1,350</u>	<u>657</u>	<u>790</u>	<u>433</u>	<u>6,371</u>
Fund balance							
Non-spendable							
Inventory	-	-	-	-	-	-	-
Restricted							
Debt retirement	669,313	321,005	430,259	107,984	312,620	5,769	1,846,950
Food service	-	-	-	-	-	-	-
Total fund balance	<u>669,313</u>	<u>321,005</u>	<u>430,259</u>	<u>107,984</u>	<u>312,620</u>	<u>5,769</u>	<u>1,846,950</u>
Total liabilities and fund balance	<u>\$ 671,663</u>	<u>\$ 321,796</u>	<u>\$ 431,609</u>	<u>\$ 108,641</u>	<u>\$ 313,410</u>	<u>\$ 6,202</u>	<u>\$ 1,853,321</u>

Waterford School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	<u>Capital Projects</u>	
	2003 Series IV	Total Non Major Funds
Assets		
Cash and cash equivalents	\$ -	\$ 1,903,351
Accounts receivable	-	11,737
Due from other governmental units	-	220,057
Due from other funds	-	262,931
Inventory	-	21,432
	-	21,432
Total assets	\$ -	\$ 2,419,508
Liabilities and fund balance		
Liabilities		
Accounts payable	\$ -	\$ 31,179
Due to other funds	-	6,371
Unearned revenue	-	24,236
	-	24,236
Total liabilities	-	61,786
Fund balance		
Non-spendable		
Inventory	-	21,432
Restricted		
Debt retirement	-	1,846,950
Food service	-	489,340
	-	489,340
Total fund balance	-	2,357,722
Total liabilities and fund balance	\$ -	\$ 2,419,508

Waterford School District
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2016

	Special Revenue Funds/School Service Funds						Total
	Special Education Center Programs	Child Care	Senior Citizens	Pool and Fitness Centers	Performing Arts Centers	Food Service	
Revenues							
Local sources	\$ -	\$ 1,118,467	\$ 513,297	\$ 784,968	\$ 222,341	\$ 1,567,364	\$ 4,206,437
State sources	1,262,369	-	-	-	-	243,153	1,505,522
Federal sources	-	-	158,189	-	-	3,545,089	3,703,278
Interdistrict sources	3,827,117	-	-	-	-	-	3,827,117
Total revenues	<u>5,089,486</u>	<u>1,118,467</u>	<u>671,486</u>	<u>784,968</u>	<u>222,341</u>	<u>5,355,606</u>	<u>13,242,354</u>
Expenditures							
Current							
Instruction	2,243,319	-	-	-	-	-	2,243,319
Supporting services	2,846,167	1,118,467	513,297	784,968	222,341	1,506,594	6,991,834
Federal programs	-	-	158,189	-	-	3,545,089	3,703,278
Building and site	-	-	-	-	-	-	-
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Tax tribunal refunds	-	-	-	-	-	-	-
Total expenditures	<u>5,089,486</u>	<u>1,118,467</u>	<u>671,486</u>	<u>784,968</u>	<u>222,341</u>	<u>5,051,683</u>	<u>12,938,431</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>303,923</u>	<u>303,923</u>
Net change in fund balance	-	-	-	-	-	303,923	303,923
Fund balance - beginning	-	-	-	-	-	206,849	206,849
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 510,772</u>	<u>\$ 510,772</u>

Waterford School District
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2016

	Debt Service Funds						
	1999 Series II & III Refunding	2003 Series III	2013 Refunding	2014 Series IV	2014 Refunding	2003 Series V	Total Debt Service
Revenues							
Local sources	\$ 5,645,933	\$ 1,900,824	\$ 3,239,047	\$ 1,578,800	\$ 1,898,199	\$ 1,040,700	\$ 15,303,503
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Interdistrict sources	-	-	-	-	-	-	-
Total revenues	<u>5,645,933</u>	<u>1,900,824</u>	<u>3,239,047</u>	<u>1,578,800</u>	<u>1,898,199</u>	<u>1,040,700</u>	<u>15,303,503</u>
Expenditures							
Current							
Instruction	-	-	-	-	-	-	-
Supporting services	-	-	-	-	-	-	-
Federal programs	-	-	-	-	-	-	-
Building and site	-	-	-	-	-	-	-
Debt service							
Principal	5,180,000	1,500,000	2,055,000	1,100,000	1,285,000	745,000	11,865,000
Interest	412,000	382,500	1,153,000	463,288	595,150	285,305	3,291,243
Tax tribunal refunds	22,641	7,788	13,095	6,761	7,528	4,626	62,439
Total expenditures	<u>5,614,641</u>	<u>1,890,288</u>	<u>3,221,095</u>	<u>1,570,049</u>	<u>1,887,678</u>	<u>1,034,931</u>	<u>15,218,682</u>
Excess (deficiency) of revenues over expenditures	<u>31,292</u>	<u>10,536</u>	<u>17,952</u>	<u>8,751</u>	<u>10,521</u>	<u>5,769</u>	<u>84,821</u>
Net change in fund balance	31,292	10,536	17,952	8,751	10,521	5,769	84,821
Fund balance - beginning	<u>638,021</u>	<u>310,469</u>	<u>412,307</u>	<u>99,233</u>	<u>302,099</u>	<u>-</u>	<u>1,762,129</u>
Fund balance - ending	<u>\$ 669,313</u>	<u>\$ 321,005</u>	<u>\$ 430,259</u>	<u>\$ 107,984</u>	<u>\$ 312,620</u>	<u>\$ 5,769</u>	<u>\$ 1,846,950</u>

Waterford School District
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2016

	<u>Capital Projects</u>	
	2003 Series IV	Total Non Major Funds
Revenues		
Local sources	\$ 4,249	\$ 19,514,189
State sources	-	1,505,522
Federal sources	-	3,703,278
Interdistrict sources	-	3,827,117
	<u>4,249</u>	<u>28,550,106</u>
Total revenues		
Expenditures		
Current		
Instruction	-	2,243,319
Supporting services	-	6,991,834
Federal programs	-	3,703,278
Building and site	10,840,526	10,840,526
Debt service		
Principal	-	11,865,000
Interest	-	3,291,243
Tax tribunal refunds	-	62,439
	<u>10,840,526</u>	<u>38,997,639</u>
Total expenditures		
Excess (deficiency) of revenues over expenditures	<u>(10,836,277)</u>	<u>(10,447,533)</u>
Net change in fund balance	(10,836,277)	(10,447,533)
Fund balance - beginning	<u>10,836,277</u>	<u>12,805,255</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 2,357,722</u>

Waterford School District
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 9,173,371	\$ 9,186,972
Accounts receivable	2,589,401	2,814,647
Due from other funds	170,543	773,207
Due from other governmental units	18,109,672	15,734,403
Inventory	182,967	-
Prepaid items	9,950	15,085
Total assets	\$ 30,235,904	\$ 28,524,314
Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 1,207,304	\$ 617,890
State aid anticipation note payable	15,000,000	16,440,000
Due to other funds	502,931	240,000
Payroll deductions and withholdings	3,143,738	3,716,629
Accrued expenditures	76,170	76,170
Accrued salaries payable	6,757,822	5,226,088
Unearned revenue	270,251	206,349
Total liabilities	26,958,216	26,523,126
Fund balance		
Non-spendable		
Inventory	182,967	-
Prepaid items	9,950	15,085
Unassigned	3,084,771	1,986,103
Total fund balance	3,277,688	2,001,188
Total liabilities and fund balance	\$ 30,235,904	\$ 28,524,314

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2016

	Final Budget	Actual	Actual Over (Under) Budget
Local sources			
Property Taxes	\$ 11,719,931	\$ 11,753,189	\$ 33,258
Other Taxes & Penalties	85,000	63,153	(21,847)
Preschool	243,151	230,357	(12,794)
Outdoor Education	79,101	75,940	(3,161)
Summer Academy	130,609	29,102	(101,507)
Mail Services	18,419	13,675	(4,744)
Waterford Foundation	76,514	76,514	-
Summer SLAM	-	4,680	4,680
eRate	631,384	361,049	(270,335)
Facility Use	150,000	66,226	(83,774)
Sale of Fixed Assets	25,000	-	(25,000)
School & Community Services	60,000	98,103	38,103
Transportation	40,000	-	(40,000)
Food Service Contribution	280,000	341,590	61,590
Vending	55,000	-	(55,000)
Child Care Contribution	200,000	82,417	(117,583)
High school parking passes	15,000	20,090	5,090
Medicaid	550,000	499,126	(50,874)
Athletics	120,000	116,486	(3,514)
Hockey	38,483	34,075	(4,408)
Rental	16,000	16,000	-
Cell Tower Lease	9,000	5,907	(3,093)

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Local sources (continued)			
Cell Tower Sale	\$ 220,000	\$ -	\$ (220,000)
Robotics (WIRED)	7,500	5,107	(2,393)
PEGS	120,000	100,053	(19,947)
MiWorks	63,965	63,955	(10)
Jordan Development	25,000	-	(25,000)
New Gateway Lease	67,677	99,091	31,414
GSRP Tuition	-	5,186	5,186
Miscellaneous	<u>80,000</u>	<u>-</u>	<u>(80,000)</u>
Total local sources	<u>15,126,734</u>	<u>14,161,071</u>	<u>(965,663)</u>

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2016

	Final Budget	Actual	Actual Over (Under) Budget
State sources			
Membership	\$ 55,242,617	\$ 55,209,972	\$ (32,645)
Membership-Special Education	2,596,883	2,654,738	57,855
Property Tax Refunds	600,000	31,317	(568,683)
MPSERS Cost Offset 147a	811,290	811,290	-
MPSERS UAAL Rate Stabilization 147c	6,552,582	6,552,582	-
At-Risk	2,881,988	2,846,569	(35,419)
Special Education, Non-membership	2,551,838	2,715,453	163,615
Vocation Education	188,640	189,989	1,349
GSRP	1,876,489	1,690,348	(186,141)
Court Placed	1,292,720	1,012,657	(280,063)
Data Collection	238,892	239,143	251
Technology Infrastructure	74,229	74,229	-
Graduation Alliance	207,788	207,788	-
Targeted Literacy	111,540	-	(111,540)
First Robotics	8,000	14,000	6,000
	<u>75,235,496</u>	<u>74,250,075</u>	<u>(985,421)</u>
Total state sources			

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2016

	Final Budget	Actual	Actual Over (Under) Budget
Interdistrict sources			
Oakland Schools	\$ 4,929,667	\$ 5,479,138	\$ 549,471
Oakland Schools - Foreign Exchange Students	-	19,000	19,000
Oakland Schools - PA 18 Transportation	50,000	102,755	52,755
Vocational Millage	155,839	154,354	(1,485)
C.V.S. Oakland County	250,000	322,508	72,508
 Total interdistrict sources	 <u>5,385,506</u>	 <u>6,077,755</u>	 <u>692,249</u>
 Total revenue before federal sources	 95,747,736	 94,488,901	 (1,258,835)
Federal sources	<u>7,995,330</u>	<u>7,859,941</u>	<u>(135,389)</u>
 Total revenues	 <u>\$ 103,743,066</u>	 <u>\$ 102,348,842</u>	 <u>\$ (1,394,224)</u>

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Salaries	Actual Supplies and Expenses	Total	Final Budget	Actual Over (Under) Budget
Basic program - elementary					
General Ed	\$ 9,275,747	\$ 353,350	\$ 9,629,097	\$ 9,503,597	\$ 125,500
Spanish	194,741	906	195,647	204,855	(9,208)
Science	-	37,822	37,822	49,321	(11,499)
Phys Ed	328,400	4,530	332,930	339,101	(6,171)
Music-Fine Arts	234,781	6,837	241,618	250,199	(8,581)
Art-Fine Arts	203,026	20,447	223,473	226,343	(2,870)
31A	6,593	7,768	14,361	-	14,361
Total elementary	<u>10,243,288</u>	<u>431,660</u>	<u>10,674,948</u>	<u>10,573,416</u>	<u>101,532</u>
Basic program - middle school					
General Ed	4,039,136	147,397	4,186,533	4,312,123	(125,590)
Music-Fine Arts	439,690	10,546	450,236	421,929	28,307
Art-Fine Arts	140,789	6,342	147,131	147,752	(621)
Physical Ed	230,570	5,246	235,816	236,323	(507)
31A	71,992	37,361	109,353	-	109,353
Outdoor Ed	6,338	67,144	73,482	79,101	(5,619)
Total middle school	<u>4,928,515</u>	<u>274,036</u>	<u>5,202,551</u>	<u>5,197,228</u>	<u>5,323</u>
Basic program - high school					
General Ed	4,950,634	230,858	5,181,492	5,126,923	54,569
Durant High School	685,485	454,369	1,139,854	1,253,823	(113,969)
Cyber Academy	89,332	130,022	219,354	220,408	(1,054)
Robotics - Best Buy Grant	1,526	-	1,526	7,190	(5,664)
Music-Fine Arts	454,349	11,702	466,051	436,910	29,141
Art-Fine Arts	284,426	14,408	298,834	340,000	(41,166)
Physical Ed	204,224	2,571	206,795	202,087	4,708

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Actual			Actual	
	Salaries	Supplies and Expenses	Total	Final Budget	Over (Under) Budget
Basic program - high school (continued)					
Graduation Alliance (formerly WAY O/S)	\$ -	\$ 92,400	\$ 92,400	\$ 100,000	\$ (7,600)
International Academy	37,890	346,258	384,148	333,146	51,002
Total high school	<u>6,707,866</u>	<u>1,282,588</u>	<u>7,990,454</u>	<u>8,020,487</u>	<u>(30,033)</u>
Basic program - summer school					
Summer Success - Lit & Math	-	49	49	1,300	(1,251)
Summer Slam/Success - Lit & Math	-	-	-	300	(300)
Summer Academy	79,280	42,684	121,964	118,096	3,868
Total summer school	<u>79,280</u>	<u>42,733</u>	<u>122,013</u>	<u>119,696</u>	<u>2,317</u>
Basic program - Pre-K programs					
Preschool	180,449	103,493	283,942	246,321	37,621
GSRP	829,368	638,585	1,467,953	1,595,463	(127,510)
Total Pre-K programs	<u>1,009,817</u>	<u>742,078</u>	<u>1,751,895</u>	<u>1,841,784</u>	<u>(89,889)</u>
Added needs - special education programs					
Emot Impaired	135,229	80,924	216,153	194,775	21,378
Educ Ment Imp	119,903	84,288	204,191	162,988	41,203
CI - Local	354,725	208,601	563,326	581,484	(18,158)
CI (TMI)	433,048	285,137	718,185	669,149	49,036
AI	381,291	243,072	624,363	584,798	39,565
AI - Summer	1,506	3,934	5,440	22,925	(17,485)
AI - Pierce	165,579	95,243	260,822	277,991	(17,169)
AI - H.S.	149,914	90,247	240,161	229,145	11,016

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Salaries	Actual Supplies and Expenses	Total	Final Budget	Actual Over (Under) Budget
Added needs - special education programs (continued)					
SCI	\$ 56,875	\$ 35,130	\$ 92,005	\$ 97,167	\$ (5,162)
Early Intervention - POHI	-	425	425	-	425
CVS Reg	607,727	422,720	1,030,447	1,066,824	(36,377)
CVS EI	614,996	438,694	1,053,690	1,033,648	20,042
CVS Summer School	31,327	21,927	53,254	62,617	(9,363)
Sec Res Teacher	1,278,644	846,252	2,124,896	1,930,900	193,996
Elementary Teacher	677,935	446,688	1,124,623	1,058,478	66,145
EI Middle School	80,732	38,394	119,126	144,405	(25,279)
EI High School	125,698	73,963	199,661	194,383	5,278
Resource/Speech	12,629	5,949	18,578	19,441	(863)
IDEA local	494,132	501,181	995,313	871,045	124,268
SXI local	304,559	185,921	490,480	493,438	(2,958)
Visual Impaired	94	62	156	-	156
	<u>6,026,543</u>	<u>4,108,752</u>	<u>10,135,295</u>	<u>9,695,601</u>	<u>439,694</u>
Added needs - compensatory education					
31A	896,761	684,214	1,580,975	1,615,649	(34,674)
Targeted Literacy	-	-	-	112,549	(112,549)
Northwest Evaluation Association	-	1,454	1,454	6,800	(5,346)
Ext Sch Yr- Secondary	38	8	46	26,866	(26,820)
Eng/Second Language	144,178	74,121	218,299	366,209	(147,910)
	<u>1,040,977</u>	<u>759,797</u>	<u>1,800,774</u>	<u>2,128,073</u>	<u>(327,299)</u>

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Actual				Actual
	Salaries	Supplies and Expenses	Total	Final Budget	Over (Under) Budget
Added needs - vocational education					
Gen Voc Ed	\$ 928,100	\$ 34,872	\$ 962,972	\$ 993,419	\$ (30,447)
Vocational Millage	-	4,820	4,820	1,500	3,320
Robotics	3,000	17,366	20,366	13,001	7,365
Total vocational education	931,100	57,058	988,158	1,007,920	(19,762)
Total Instruction	30,967,386	7,698,702	38,666,088	38,584,205	81,883
Pupils					
Guidance-Mid	432,740	318	433,058	469,630	(36,572)
Guidance-HS	600,697	773	601,470	563,909	37,561
31A Counselors	288,797	190,325	479,122	456,884	22,238
Alt. H.S.-Durant - Hall Monitors	31,873	14,924	46,797	46,745	52
Alt. H.S.-Durant - Counselors	84,010	68,083	152,093	126,684	25,409
Other Pupil Serv	424,640	166,678	591,318	654,538	(63,220)
SXI Local - Nurse	20,288	30,695	50,983	37,966	13,017
SXI Local - Psych	13,343	8,680	22,023	22,891	(868)
SXI Local - Speech	14,996	10,165	25,161	22,198	2,963
SXI Local - Social Worker	9,351	5,172	14,523	17,062	(2,539)
SXI Local - Adaptive PE	12,451	6,199	18,650	18,439	211
EI	104,315	70,346	174,661	119,776	54,885
CI Health	15,438	20,359	35,797	73,048	(37,251)
CI Psych	3,982	2,233	6,215	7,231	(1,016)
CI Speech	29,636	22,044	51,680	25,008	26,672
CI Social Worker	874	1,109	1,983	-	1,983
Gen Spec Ed	113,281	67,089	180,370	238,090	(57,720)
LD - Teacher Consultant	212,257	139,549	351,806	330,414	21,392

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
Pupils (continued)					
CI Local - O.T.	\$ 15,297	\$ 8,832	\$ 24,129	\$ 48,107	\$ (23,978)
CI Local - Psych	10,501	7,564	18,065	14,830	3,235
CI Local - Speech	40,873	30,492	71,365	66,953	4,412
CI Local - Social Worker	8,046	6,036	14,082	13,363	719
CI Local - Adaptive P.E.	7,285	3,395	10,680	11,308	(628)
CI (TMI) - O.T.	3,944	1,298	5,242	8,178	(2,936)
CI (TMI) - Psych	8,425	6,263	14,688	2,781	11,907
CI (TMI) - Social Worker	21,701	15,939	37,640	37,372	268
CI (TMI) - Adaptive P.E.	42,365	21,446	63,811	87,769	(23,958)
AI - O.T.	27,560	13,127	40,687	43,733	(3,046)
AI - Psych	11,964	8,341	20,305	19,902	403
AI - Speech	40,159	30,620	70,779	51,485	19,294
AI - Social Worker	68,160	47,582	115,742	114,515	1,227
AI M.S. - O.T.	13,544	7,278	20,822	23,687	(2,865)
AI M.S. - Psych	9,016	6,469	15,485	16,853	(1,368)
AI M.S. - Speech	26,903	14,046	40,949	14,219	26,730
AI M.S. - Social Worker	20,431	16,175	36,606	33,706	2,900
AI H.S. - O.T.	1,719	796	2,515	11,499	(8,984)
AI H.S. - Psych	217	347	564	2,855	(2,291)
AI H.S. - Speech	-	-	-	5,736	(5,736)
AI H.S. - Social Worker	30,362	21,648	52,010	54,801	(2,791)
SCI - O.T. & P.T.	4,389	1,843	6,232	14,689	(8,457)
SCI - Psych	147	324	471	3,152	(2,681)
SCI - Speech	558	609	1,167	-	1,167
SCI - Social Worker	5,521	4,255	9,776	10,583	(807)
SCI - Adaptive P.E.	4,151	1,926	6,077	6,063	14

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Actual		Actual		Actual
	Salaries	Supplies and Expenses	Total	Final Budget	Over (Under) Budget
Pupils (continued)					
Early Intervention - O.T. & P.T.	\$ 56,292	\$ 76,152	\$ 132,444	\$ 148,645	\$ (16,201)
Early Intervention - Psych	21,900	15,092	36,992	32,746	4,246
Early Intervention - Speech	22,279	13,968	36,247	36,605	(358)
Early Intervention - TC	117,077	81,264	198,341	176,514	21,827
CVS - EI, P.T. & O.T.	7,593	3,426	11,019	12,465	(1,446)
CVS - EI , Psychologist	33,530	19,136	52,666	54,238	(1,572)
CVS - EI , Speech	2,420	1,971	4,391	3,948	443
CVS - EI , Social Worker	31,186	26,866	58,052	51,055	6,997
EI - Middle School - OT	6,633	3,283	9,916	6,471	3,445
EI - Middle School - PT	3,258	2,117	5,375	3,914	1,461
EI - Middle School, Speech	2,324	1,919	4,243	3,664	579
EI Middle School, Social Worker	43,363	19,341	62,704	73,212	(10,508)
EI High School - PT	2,281	954	3,235	4,212	(977)
EI Middle & High School - Psych	4,834	3,390	8,224	7,829	395
EI Middle & High School - Psych Resource/Speech	87,946	64,550	152,496	142,093	10,403
Resource Room - Secondary	78,484	52,810	131,294	121,182	10,112
GSRP - Behavior Counseling	31,280	21,207	52,487	43,436	9,051
GSRP Nurse	-	6,515	6,515	7,150	(635)
GSRP - Social Worker	-	-	-	13,267	(13,267)
Sub Abuse Prevention	74,348	48,713	123,061	130,955	(7,894)
Speech Serv	727,632	484,186	1,211,818	1,095,756	116,062
Social Serv	329,485	239,321	568,806	536,126	32,680
Psychologist	332,066	202,447	534,513	524,458	10,055
31A Social Workers	511,383	339,975	851,358	809,455	41,903

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Salaries	Actual Supplies and Expenses	Total	Final Budget	Actual Over (Under) Budget
Pupils (continued)					
Summer Academy	\$ 1,686	\$ 733	\$ 2,419	\$ 3,121	\$ (702)
Local IDEA	218	170	388	-	388
IDEA Carry-Over	-	-	-	1,761	(1,761)
Robotics (WIRED)	-	1,100	1,100	15,000	(13,900)
Cyber Academy	30,249	22,121	52,370	50,488	1,882
Voc Ed Millage	31,502	17,093	48,595	49,710	(1,115)
	<u>5,503,512</u>	<u>2,923,545</u>	<u>8,427,057</u>	<u>8,211,666</u>	<u>215,391</u>
Instructional staff					
Staff Development	215,981	80,991	296,972	412,636	(115,664)
Curriculum Leader (31a)	58,432	-	58,432	-	58,432
Cyber Academy	17,660	7,360	25,020	35,626	(10,606)
Math Categorical	-	17,476	17,476	19,835	(2,359)
Secondary Ed Curriculum	-	-	-	70,375	(70,375)
Voc Ed Millage	11,512	39,324	50,836	50,416	420
Voc Ed Millage Admin	23,532	25,294	48,826	54,213	(5,387)
Vocational	78,576	126	78,702	89,693	(10,991)
Music -Fine Arts Adm	-	10,609	10,609	14,000	(3,391)
GSRP - On Site Regional Support	-	3,665	3,665	11,200	(7,535)
GSRP - Library Tech	7,025	3,284	10,309	10,232	77
GSRP - Instructional Support	78,248	53,810	132,058	153,641	(21,583)
GSRP - Summer	13,064	6,018	19,082	18,809	273
Physical Ed - Adm	-	140	140	430	(290)
Special Ed Adm	190,771	167,696	358,467	346,521	11,946

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Actual				Actual
	Salaries	Supplies and Expenses	Total	Final Budget	Over (Under) Budget
Instructional staff (continued)					
CI (TMI)	\$ -	\$ 800	\$ 800	\$ 15,326	\$ (14,526)
Local SXI	-	-	-	164	(164)
Library-Elem	198,613	7,358	205,971	209,430	(3,459)
Library-Middle	43,529	7,965	51,494	54,539	(3,045)
Library-HS	42,079	4,391	46,470	51,512	(5,042)
Library Services	20,490	44,754	65,244	64,699	545
Library - Preschool	14,119	6,637	20,756	19,508	1,248
Wtfd Found Grant	-	71,262	71,262	76,514	(5,252)
Talent Development Program	7,871	11,013	18,884	21,693	(2,809)
North Central Association	-	18,722	18,722	28,880	(10,158)
Durant Foundation	23,688	191,319	215,007	295,950	(80,943)
Summer Success-Lit. & Math	54,547	31,242	85,789	-	85,789
Eng/Second Language	-	487	487	-	487
Summer Success-Lit. & Math	-	-	-	1,000	(1,000)
Total instructional staff	1,099,737	811,743	1,911,480	2,126,842	(215,362)
General administration					
Board of Ed	72,930	373,387	446,317	379,551	66,766
Executive Adm	246,453	8,899	255,352	280,751	(25,399)
Instruction - Director	200,125	242,091	442,216	499,758	(57,542)
Instruction - Curriculum & Assessment	19,768	1,272	21,040	62,733	(41,693)
Total general administration	539,276	625,649	1,164,925	1,222,793	(57,868)

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Actual				Actual
	Salaries	Supplies and Expenses	Total	Final Budget	Over (Under) Budget
School administration					
Elem Principal	\$ 1,296,796	\$ 65,298	\$ 1,362,094	\$ 1,370,936	\$ (8,842)
Mid Principal	618,369	45,746	664,115	676,310	(12,195)
HS Principal	1,126,138	45,734	1,171,872	1,131,766	40,106
Pre School Principal	39,813	23,547	63,360	67,322	(3,962)
CVS Principal	213,335	154,486	367,821	372,646	(4,825)
Alt. H.S.-Durant	154,810	107,835	262,645	263,126	(481)
GSRP Principal	-	496	496	500	(4)
GSRP - Summer	-	200	200	200	-
Summer SLAM	-	-	-	700	(700)
Summer Academy	9,346	4,937	14,283	12,513	1,770
Total school administration	3,458,607	448,279	3,906,886	3,896,019	10,867
Business					
Fiscal Services	492,102	79,701	571,803	556,904	14,899
Utilities	-	2,181,304	2,181,304	2,004,587	176,717
Operations	1,144,940	1,631,293	2,776,233	2,068,507	707,726
Maintenance	398,805	916,412	1,315,217	1,270,596	44,621
Facility Use	8,601	863	9,464	-	9,464
Transportation	1,957,904	548,106	2,506,010	3,037,119	(531,109)
Transportation - Instruction	-	4,348	4,348	7,500	(3,152)
Transportation - Athletics & Other	-	93,373	93,373	79,900	13,473

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Salaries	Actual Supplies and Expenses	Total	Final Budget	Actual Over (Under) Budget
Business (continued)					
Transportation - SpEd Work Experience	\$ -	\$ 4,460	\$ 4,460	\$ 41,264	\$ (36,804)
Purchasing	-	5,219	5,219	7,765	(2,546)
Warehouse	-	132	132	-	132
Print & Copy	-	813	813	4,581	(3,768)
Bond Issue	-	248	248	-	248
Mail Services	-	30,753	30,753	18,419	12,334
Other Services	-	147,310	147,310	710,000	(562,690)
Safety & Security	31,760	251,525	283,285	257,193	26,092
Capital Improvement Projects	3,585	3,038	6,623	85,000	(78,377)
Total business	4,037,697	5,898,898	9,936,595	10,149,335	(212,740)
Central					
Computer Services	405,500	35,473	440,973	444,998	(4,025)
Central Enrollment/Pupil Accounting	121,755	2,607	124,362	130,292	(5,930)
Voc Ed	40	19	59	-	59
Research & Evaluation	132,316	34,048	166,364	183,626	(17,262)
School Community Services	92,123	76,218	168,341	167,239	1,102
Human Resources	236,565	42,334	278,899	334,675	(55,776)
M.I.S.	217,924	253,326	471,250	595,030	(123,780)
M.I.S. - Communication	-	750,442	750,442	723,149	27,293
PEG Program - Cable	-	72,115	72,115	-	72,115
Technology Infrastructure	-	-	-	74,229	(74,229)
Other Services	403	630,700	631,103	415,709	215,394

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Salaries	Actual Supplies and Expenses	Total	Final Budget	Actual Over (Under) Budget
Central (continued)					
Contingency	\$ -	\$ 600,000	\$ 600,000	\$ 1,000,000	\$ (400,000)
Employee Benefits	240,000	21,960,863	22,200,863	23,354,224	(1,153,361)
Total central	<u>1,446,626</u>	<u>24,458,145</u>	<u>25,904,771</u>	<u>27,423,171</u>	<u>(1,518,400)</u>
Total supporting services	<u>16,085,455</u>	<u>35,166,259</u>	<u>51,251,714</u>	<u>53,029,826</u>	<u>(1,778,112)</u>
Total local share of expenditures	<u>47,052,841</u>	<u>42,864,961</u>	<u>89,917,802</u>	<u>91,614,031</u>	<u>(1,696,229)</u>
Athletics					
Athletics	493,334	1,095,935	1,589,269	1,470,192	119,077
Hockey	2,500	36,109	38,609	38,483	126
Total athletics	<u>495,834</u>	<u>1,132,044</u>	<u>1,627,878</u>	<u>1,508,675</u>	<u>119,203</u>
Civic activity					
Facility Use	1,086	1,829	2,915	65,952	(63,037)
GSRP	-	2,582	2,582	4,100	(1,518)
Community Education	2,170	90,881	93,051	32,119	60,932
Total civic activity	<u>3,256</u>	<u>95,292</u>	<u>98,548</u>	<u>102,171</u>	<u>(3,623)</u>

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2016

	Salaries	Actual Supplies and Expenses	Total	Final Budget	Actual Over (Under) Budget
Federal programs	\$ 3,981,523	\$ 3,878,421	\$ 7,859,944	\$ 7,995,330	\$ (135,386)
Other local match					
Headstart	194,251	164,109	358,360	323,169	35,191
Title I ESEA	-	3,000	3,000	-	3,000
Title III Limited English Proficiency	450	5,112	5,562	-	5,562
Success	12,148	5,223	17,371	-	17,371
Medicaid	25,609	27,368	52,977	56,889	(3,912)
Total local federal	<u>232,458</u>	<u>204,812</u>	<u>437,270</u>	<u>380,058</u>	<u>57,212</u>
Total Federal Share	<u>4,213,981</u>	<u>4,083,233</u>	<u>8,297,214</u>	<u>8,375,388</u>	<u>(78,174)</u>
Debt service					
Principal	-	835,000	835,000	835,000	-
Interest	-	295,900	295,900	295,900	-
Total debt service	<u>-</u>	<u>1,130,900</u>	<u>1,130,900</u>	<u>1,130,900</u>	<u>-</u>
Interfund transfers					
School service fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,300</u>	<u>(154,300)</u>
Total expenditures	<u>\$ 51,765,912</u>	<u>\$ 49,306,430</u>	<u>\$ 101,072,342</u>	<u>\$ 102,885,465</u>	<u>\$ (1,813,123)</u>

Waterford School District
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2016

Year Ending June 30,	1999 Series II & III Refunding	2003 Series III	2013 Refunding	2014 Series IV	2014 Refunding	2003 Series V	Energy Refunding Bonds	Total
2017	\$ 5,120,000	\$ 1,500,000	\$ 2,050,000	\$ 1,125,000	\$ 1,280,000	\$ 840,000	\$ 845,000	\$ 12,760,000
2018	-	1,500,000	2,550,000	1,175,000	1,785,000	865,000	870,000	8,745,000
2019	-	1,500,000	3,550,000	1,200,000	1,790,000	885,000	890,000	9,815,000
2020	-	1,500,000	4,560,000	1,225,000	1,815,000	905,000	915,000	10,920,000
2021	-	1,500,000	2,575,000	1,275,000	1,810,000	930,000	915,000	9,005,000
2022	-	1,500,000	2,575,000	1,300,000	2,395,000	960,000	845,000	9,575,000
2023	-	1,500,000	3,145,000	1,325,000	-	985,000	640,000	7,595,000
2024	-	1,500,000	-	1,375,000	-	1,015,000	-	3,890,000
2025	-	1,500,000	-	1,425,000	-	1,050,000	-	3,975,000
2026	-	1,000,000	-	1,475,000	-	1,085,000	-	3,560,000
2027	-	1,000,000	-	1,500,000	-	1,125,000	-	3,625,000
2028	-	-	-	1,550,000	-	1,165,000	-	2,715,000
2029	-	-	-	1,600,000	-	1,200,000	-	2,800,000
2030	-	-	-	-	-	1,245,000	-	1,245,000
Total	<u>\$ 5,120,000</u>	<u>\$ 15,500,000</u>	<u>\$ 21,005,000</u>	<u>\$ 17,550,000</u>	<u>\$ 10,875,000</u>	<u>\$ 14,255,000</u>	<u>\$ 5,920,000</u>	<u>\$ 90,225,000</u>
Principal payments due the first day of	May	May	May	May	May	May	August	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	May and November	August and February	
Interest rate	2.00% - 4.00%	2.00% - 3.00%	2.00% - 5.00%	2.00% - 3.10%	2.00% - 5.00%	2.00% - 3.125%	2.00 - 5.00%	
Original issue	<u>\$ 22,680,000</u>	<u>\$ 20,000,000</u>	<u>\$ 26,150,000</u>	<u>\$ 20,000,000</u>	<u>\$ 13,455,000</u>	<u>\$ 15,000,000</u>	<u>\$ 6,755,000</u>	



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October 18, 2016

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

We have completed our audit of the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Waterford School District as of and for the year ended June 30, 2016, and have issued our report dated October 18, 2016. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The first appendix to this letter sets forth those communications as follows:

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

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

II. Matters for Management's Consideration

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

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

Yeo & Yeo, P.C.

Saginaw, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 1, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. The School District has adopted Government Accounting Standards Statement (GASB) No. 72, 76, 79, and 82, *Fair Value Measurement and Application*, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, *Certain External Investment Pools and Pool Participants*, and *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73, respectively*. GASB No. 72, 76, and 79 are effective July 1, 2015, and GASB 82 is effective for years beginning July 1, 2016, however, early implementation is encouraged. Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. Statement 76 identifies the hierarchy of generally accepted accounting principles. Statement 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Statement 82 amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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 and free from bias.

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

Accounting Standards and Regulatory Updates

Accounting Standards

The Governmental Accounting Standards Board has released the following Statements:

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

GASB Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

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

Regulatory and Other Updates

Cybersecurity and data backup best practices

The School District's data is critically important. There are millions of ways data can be compromised. It is vitally important that all employees have proper knowledge on what is safe to click on and what is not. It is equally important that a proper data backup solution is in place in the event a School District's information is targeted by malware or a phishing attack. A School District's vital information is always a moment away from being compromised. Encouraging and educating employees to pay attention to what they click on and what they do is the first step in keeping information safe.

Having a proper data backup solution in place can mean the difference between a School District surviving a cyber-attack or losing valuable data and time. Every School District should know the answer to two questions when looking at data backup solutions.

1. How long can my District survive a network outage?
Many School Districts assume that they are properly backing up their network but how often are those backups tested? Internally managed backups are more susceptible to lack of testing. Management often believes they have successful backups but in the moment of a disaster, they find out that their last successful backup was months ago. Test backups often to make sure files can be recovered when needed.
2. Does our District understand the difference between a backup and disaster recovery?
Management often assumes that simply backing up files is “good enough”. Backing up files is something all School Districts should do. However, it’s important to remember that restoring files and emails is one thing, but recovering and restoring all company data in the event of a disaster is another.

Audit and FID Submission Deadline

Beginning in the previous year, the deadline to submit the Financial Information Database (FID) and the school district financial audits will be November 1st. This will continue to be the deadline for future fiscal years.

Uniform Grant Guidance (Super Circular)

In December 2013, the Federal Office of Management and Budget (OMB) issued final guidance on administrative requirements. The Guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102 and A-133 and the guidance in Circular A-50 on Single Audit Act follow-up. Districts implemented the new administrative requirements and Cost Principles for all new federal grants awarded after December 26, 2014, and to additional funding to existing awards (referred to as funding increments) made after that date. EDGAR is the source for guidance that school districts will follow. Additional information and resources are available at the following websites:

- OMB http://www.whitehouse.gov/omb/grants_docs
- Council on Federal Assistance Reform (COFAR) <https://cfo.gov/cofar/>
- US Department of Education <http://1.usa.gov/1rzFswz>
- EDGAR <http://1.usa.gov/1pOUq2p>
- MDE http://www.michigan.gov/mde/0,4615,7-140-5236_76204---,00.html

Fiscal Year (FY) 2017 School Aid

- The Omnibus Education Bill (Senate Bill 801) for FY 2017 has been passed by the legislature. It has been presented to the Governor for signature. There is always the possibility of vetoes. Following are some highlights of the bill:
- The per pupil Foundation Grants for FY 2017 will increase by a range of \$60 to \$120 using the “2X formula.” The increase will be added to the FY 2016 foundation grant resulting in the lowest foundation for FY 2017 being \$7,511 and the maximum state guaranteed foundation being \$8,229.
- A new Section 20m would provide hold harmless districts with the difference in per pupil funding between \$60 and the increase in their foundation which is limited to the rate of inflation (.1% in this case).
- The Pupil Membership Blend will remain at 90% of the current school year October count and 10% of the prior school year February count.
- The Section 31a At-Risk funding is maintained at \$389,685,500.
- The per pupil funding under Sections 20f(2) and 20f(4) will be equal to the per pupil funding under those Sections in 2015-16.
- ISD General Operation funding under Section 81 will remain at \$67.1 million.
- An additional \$90 million is appropriated in Section 147c to reflect the actuarially estimated costs of the required state share of the MPSERS Unfunded Accrued Liability (UAL) and maintain the UAL cap at 20.96%.

Other School Aid “Boilerplate” Changes

- Section 18 has been amended to require that the FID data and audited financial statements must be consistent or school aid must be withheld.
- Section 51a(15) has been amended to state that there will be a 10% state school aid penalty for a district or ISD that does not comply with the language in Section 51a(14) that requires the pupil’s resident district and/or ISD to provide special education services and cover special education added costs for pupils educated in a Public School Academy who reside outside of the ISD in which the academy is located.
- The Section 101 Instructional Day requirement will go from a minimum of 175 days to a minimum of 180 days beginning with the 2016-17 school year.

Early Warning

Pursuant to Public Act 109 of 2015, each school district and public school academy that has a general fund balance less than 5% of total unrestricted general revenue for either of the 2013-2014 or 2014-2015 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI).

Uniform Budgeting and Accounting Act (UBAA)

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

- Deferral of \$223,172 in eRate revenue in the General Fund due to the School District not receiving payment within 60 days.
- Bond discount of \$102,748 has been fully expensed on the statement of activities, rather than amortized. This resulted in an overstatement of liabilities and expenses of \$97,040, once current year amortization is taken into account.
- A bond discount from a prior period was fully expensed, resulting in a passed adjustment in the current year that has the cumulative effect of understating net position by \$76,575.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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

Disagreements with Management

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

Management Representations

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

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Emphasis of Matters in Independent Auditors' Report

The School District adopted a new accounting standard, and our report will include the following emphasis of matter paragraph:

Adoption of New Accounting Standard

As described in Note 1 to the financial statements, during the year ended June 30, 2016, the School District adopted GASB No. 72, 76, 79, and 82, *Fair Value Measurement and Application, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, Certain External Investment Pools and Pool Participants, and Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73, respectively*. Our opinions are not modified with respect to this matter.

Other Reports

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

Report on Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements, which includes administration's discussion and analysis, schedule of school district's proportionate share of the net pension liability, schedule of school district's contributions, and budgetary comparison information, we applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

Report on Other Supplementary Information

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

Appendix II Matters for Management's Consideration

In planning and performing our audit of the financial statements of Waterford School District as of and for the year ended June 30, 2016, we considered Waterford School District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of several matters for management's consideration that are opportunities for strengthening internal controls. This letter does not affect our report dated October 18, 2016, on the financial statements of Waterford School District. Our comments and recommendations regarding those matters are:

School Cash Receipting Procedures

Proper cash receipting controls are an integral part of a strong internal control structure. During a walkthrough of cash receipts, we noted the procedure was to accept funds without counting the amount and providing a receipt. This could lead to problems when amounts do not agree at a later time, such as when preparing deposits.

We recommend that cash receipts are counted at the time the individual provides the cash and that a receipt is provided to the individual at this time. This will protect both the individual providing the cash and the individual collecting the cash as any discrepancies will be reconciled immediately.

Signature Stamp for Checks

As a part of gaining an understanding of internal controls over cash activity at various buildings, we became aware that some buildings use a signature stamp for checks when the principal is not at the building. Signature stamps can be used by anyone if not properly safeguarded. Although we did not identify any suspicious activity, a signature stamp can open the School District to unwanted consequences.

In order to protect the School District and its employees from potential fraud or abuse, we recommend all signature stamps are removed from the School District and only authorized signers sign checks.

Personnel Records

In order to determine the reasonableness of the net pension liability estimate, we tested census data for a sample pension participants. One aspect of this testing is verifying data provided to the plan matches personnel records. Our testing identified approximately 10% of personnel records tested did not agree to plan data for employee gender. Accurate reporting of gender is important to the calculation of the net pension liability because gender is used in the life expectancy assumptions. This data is utilized across all plan members of the Michigan Public Schools Employee Retirement System (MPERS), therefore, inaccurate reporting could lead to an inaccurate estimate for all plan members.

We recommend procedures be put in place for a review of participant data provided to MPERS to help ensure the data is complete and accurate. This should be compared to personnel records by an employee other than the one entering the data.

Maintenance of Effort

During our audit we evaluated the School District's compliance with the Maintenance of Effort requirements for the special education cluster. The Intermediate School District that the School District falls under has met the Maintenance of Effort determination requirements, and therefore it was determined that the School District has materially complied with the federal guidelines. However, school districts are required to evaluate their budget and look ahead at special education costs in order to maintain effort at a local level as well. The Michigan Department of Education is working on developing a tool for the districts to use to determine if Maintenance of

Effort will be met. We recommend that the School District utilize these tools when they become available to adequately budget for special education expenditures, avoid noncompliance, and avoid potential repayment of funds in instances where effort is not maintained. In addition, we recommend developing a method of calculating maintenance of effort in the event that the Michigan Department of Education does not have tools available in a timely manner.

Proportionate Share

The School District did not meet the proportionate share compliance requirement during the current year for the special education cluster. The School District has employees who prepare personnel activity reports and document all time worked at nonpublic schools, however, much of this time is spent doing child find or individual evaluations, which is not allowable in the calculation of proportionate share. The proportionate share calculation may only use charges for services provided to students that have been previously identified as a special education student. Individual evaluations and child find are part of the process to identify students that have disabilities and may need special education, which occur prior to when charges are allowable for proportionate share. Because the special education cluster grants are multi-year grants, the proportionate share requirement can be carried forward to next year's budget.

We recommend the School District carry forward the amount of proportionate share that was not spent during the current fiscal year to the next year's budget. We also recommend the School District evaluates what services employees are providing at nonpublic schools to ensure an appropriate amount of time is spent on activities that are allowable for the proportionate share requirement. The employees should continue to document their activities on personnel activity reports.

Parental Involvement

The School District did not distribute 95% of the amount reserved for parental involvement to schools receiving Title I, Part A. There were not enough parental related activities for the year.

We recommend the School District carry forward the unspent parental involvement activities to the following year and properly include the amount in the budget. The School District should develop a means to ensure the required amount is spent on an annual basis.

Salary Allocation

The previous audit identified an allocation of administrative salary to the Food Service Fund. This practice continued during the current year for the Director of Finance's salary. Similarly to the prior year, the expenditures appear reasonable, however, the amount allocated is based on an estimate and there is not documentation to support that actual amount allocated. Insufficient documentation could lead to a recapture of funding.

We recommend the School District maintains supporting documentation for any direct charges to the Food Service Fund. In the case of the above salary allocation, we recommend personnel activity reports are prepared at least monthly and that the allocation is done based on actual time.

Prior Year Comments

- Parental Involvement – issue remains, see above
- Services to Nonpublic Schools – corrected
- Allocation to Nonpublic Schools – corrected
- Salary Allocation – issue remains, see above

Waterford School District

Single Audit Report

June 30, 2016

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

Independent Auditors' Report

Management and the Board of Education
Waterford School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waterford School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Waterford School District's basic financial statements, and have issued our report thereon dated October 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Waterford School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterford School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Waterford School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterford School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Yeo & Yeo, P.C.

Saginaw, Michigan
October 18, 2016

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

Independent Auditors' Report

Management and the Board of Education
Waterford School District

Report on Compliance for Each Major Federal Program

We have audited Waterford School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Waterford School District's major federal programs for the year ended June 30, 2016. Waterford School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Waterford School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of Waterford School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Waterford School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Waterford School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waterford School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Waterford School District's basic financial statements. We issued our report thereon dated October 18, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of

expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 18, 2016

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2015	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2016
U.S. Department of Agriculture									
Passed through Michigan Department of Education									
Nutrition Cluster									
Non-cash assistance (commodities)									
Entitlement Commodities	10.555	N/A	\$ 321,813	\$ -	\$ -	\$ 321,813	\$ 321,813	\$ -	\$ -
Cash assistance									
National School Breakfast Program	10.553	151970	931,422	43,806	847,877	127,351	83,545	-	-
National School Breakfast Program		161970	894,330	-	-	824,791	894,330	-	69,539
				<u>43,806</u>	<u>847,877</u>	<u>952,142</u>	<u>977,875</u>	<u>-</u>	<u>69,539</u>
National School Lunch Program	10.555	151960	2,030,960	82,375	1,834,332	279,003	196,628	-	-
National School Lunch Program		161960	1,887,783	-	-	1,750,978	1,887,783	-	136,805
National School Lunch After School Snack Program		151980	455	-	253	202	202	-	-
National School Lunch After School Snack Program		161980	16,056	-	-	12,817	16,056	-	3,239
				<u>82,375</u>	<u>1,834,585</u>	<u>2,043,000</u>	<u>2,100,669</u>	<u>-</u>	<u>140,044</u>
Summer Feeding Program	10.559	150900	65,369	18,644	18,644	65,369	46,725	-	-
Summer Feeding Program		151900	6,745	1,926	1,926	6,745	4,819	-	-
Summer Feeding Program		160900	9,489	-	-	-	9,489	-	9,489
Summer Feeding Program		161900	986	-	-	-	986	-	986
				<u>20,570</u>	<u>20,570</u>	<u>72,114</u>	<u>62,019</u>	<u>-</u>	<u>10,475</u>
Total Nutrition Cluster				<u>146,751</u>	<u>2,703,032</u>	<u>3,389,069</u>	<u>3,462,376</u>	<u>-</u>	<u>220,058</u>
Direct Program									
Farm to School	10.575	N/A	98,227	-	-	68,898	82,713	-	13,815
Total U.S. Department of Agriculture				<u>146,751</u>	<u>2,703,032</u>	<u>3,457,967</u>	<u>3,545,089</u>	<u>-</u>	<u>233,873</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2015	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2016
U.S. Department of Labor									
Passed through Oakland County Department of Health									
Wagner-Peyser Employment Service	17.207	PY-14	\$ 102,160	\$ 2,903	\$ 98,629	\$ 6,434	\$ 3,531	\$ -	\$ -
Wagner-Peyser Employment Service		PY-15	118,343	-	-	31,706	70,289	-	38,583
				<u>2,903</u>	<u>98,629</u>	<u>38,140</u>	<u>73,820</u>	<u>-</u>	<u>38,583</u>
RESEA	17.225	PY-15	31,958	-	-	27,450	31,958	-	4,508
TGAAA	17.245	PY-14	28,166	-	6,329	21,837	21,837	-	-
TGAAA		PY-15	33,850	-	-	-	13,133	-	13,133
				<u>-</u>	<u>6,329</u>	<u>21,837</u>	<u>34,970</u>	<u>-</u>	<u>13,133</u>
TAA Admin	17.245	PY-15	9,700	-	-	9,700	9,700	-	-
Workforce Investment Act Cluster									
WIA Admin	17.258	PY-14	25,604	1,987	19,717	1,987	-	-	-
WIA Admin		PY-15	5,886	-	-	5,886	5,886	-	-
				<u>1,987</u>	<u>19,717</u>	<u>7,873</u>	<u>5,886</u>	<u>-</u>	<u>-</u>
WIOA Admin	17.258	PY-15	13,665	-	-	4,292	8,321	-	4,029
WIA Adult	17.258	PY-14	303,063	37,656	302,814	37,656	-	-	-
WIA Adult		PY-15	75,282	-	-	75,295	75,295	-	-
				<u>37,656</u>	<u>302,814</u>	<u>112,951</u>	<u>75,295</u>	<u>-</u>	<u>-</u>
WIOA Adult	17.258	PY-15	123,000	-	-	108,451	123,000	-	14,549
WIA One Stop	17.258	PY-14	66,000	17,940	54,028	17,940	-	-	-
WIA One Stop		PY-15	11,972	-	-	-	9,582	-	9,582
				<u>17,940</u>	<u>54,028</u>	<u>17,940</u>	<u>9,582</u>	<u>-</u>	<u>9,582</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2015	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2016
WIA Youth Services	17.259	PY-14	\$ 186,078	\$ 50,037	\$ 147,786	\$ 50,037	\$ -	\$ -	\$ -
WIA Youth Services		PY-15	38,309	-	-	38,309	38,309	-	-
				<u>50,037</u>	<u>147,786</u>	<u>88,346</u>	<u>38,309</u>	<u>-</u>	<u>-</u>
WIOA Youth Services	17.259	PY-15	138,388	-	-	65,982	120,633	-	54,651
WIA Dislocated Worker	17.277	PY-14	240,111	72,340	240,111	72,340	-	-	-
WIA Dislocated Worker		PY-15	19,572	-	-	19,572	19,572	-	-
				<u>72,340</u>	<u>240,111</u>	<u>91,912</u>	<u>19,572</u>	<u>-</u>	<u>-</u>
WIOA Dislocated Worker	17.277	PY-15	182,327	-	-	163,624	180,690	-	17,066
Total Workforce Investment Act Cluster				<u>179,960</u>	<u>764,456</u>	<u>661,371</u>	<u>581,288</u>	<u>-</u>	<u>99,877</u>
Total U.S. Department of Labor				<u>182,863</u>	<u>869,414</u>	<u>758,498</u>	<u>731,736</u>	<u>-</u>	<u>156,101</u>
U.S. Department of Education									
Passed through Michigan Department of Education									
Title I - Part A	84.010	15 1530 1415	1,988,189	547,631	1,450,879	888,429	340,798	-	-
Title I - Part A		16 1530 1516	1,832,496	-	-	844,471	1,645,839	-	801,368
				<u>547,631</u>	<u>1,450,879</u>	<u>1,732,900</u>	<u>1,986,637</u>	<u>-</u>	<u>801,368</u>
Title I - Part D	84.013	15 1700 1415	438,382	167,778	356,688	227,379	59,601	-	-
Title I - Part D		16 1700 1415	569,235	-	-	177,939	376,189	-	198,250
				<u>167,778</u>	<u>356,688</u>	<u>405,318</u>	<u>435,790</u>	<u>-</u>	<u>198,250</u>
Passed through Oakland Schools									
Special Education Cluster									
IDEA Flowthrough	84.027A	140450	2,682,268	54,673	137,504	54,673	-	-	-
IDEA Flowthrough		150450	2,544,326	582,212	2,403,936	623,173	140,390	-	99,429
IDEA Flowthrough		160450	2,531,725	-	-	741,438	2,493,843	-	1,752,405
				<u>636,885</u>	<u>2,541,440</u>	<u>1,419,284</u>	<u>2,634,233</u>	<u>-</u>	<u>1,851,834</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2015	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2016
Preschool Incentive	84.173A	150460	\$ 74,718	\$ 19,780	\$ 68,064	\$ 19,780	\$ 6,654	\$ -	\$ 6,654
Preschool Incentive		160460	72,985	-	-	-	72,985	-	72,985
				<u>19,780</u>	<u>68,064</u>	<u>19,780</u>	<u>79,639</u>	<u>-</u>	<u>79,639</u>
Total Special Education Cluster				<u>656,665</u>	<u>2,609,504</u>	<u>1,439,064</u>	<u>2,713,872</u>	<u>-</u>	<u>1,931,473</u>
Direct Program									
Title III - English Language	84.365A	1505801415	88,331	25,425	45,326	25,739	314	-	-
Title III - English Language		1605801516	115,466	-	-	20,404	58,590	-	38,186
				<u>25,425</u>	<u>45,326</u>	<u>46,143</u>	<u>58,904</u>	<u>-</u>	<u>38,186</u>
Passed through Oakland Schools									
Title III - Limited English Proficiency	84.365	140570-1415	15,000	7,796	7,796	7,796	-	-	-
Passed through Michigan Department of Education									
Teacher/Principal Training & Recruiting	84.367	1505201415	371,244	97,650	288,153	141,251	43,601	-	-
Teacher/Principal Training & Recruiting		1605201516	351,596	-	-	151,304	300,622	-	149,318
				<u>97,650</u>	<u>288,153</u>	<u>292,555</u>	<u>344,223</u>	<u>-</u>	<u>149,318</u>
Total U.S. Department of Education				<u>1,502,945</u>	<u>4,758,346</u>	<u>3,923,776</u>	<u>5,539,426</u>	<u>-</u>	<u>3,118,596</u>
U.S. Department of Health and Human Services									
Passed through Regional Area of Aging									
Title III - Nutrition	93.045	15-9052-03	271,739	26,714	184,779	26,714	-	-	-
Title III - Nutrition		16-9052-03	163,961	-	-	125,882	158,189	-	32,307
				<u>26,714</u>	<u>184,779</u>	<u>152,596</u>	<u>158,189</u>	<u>-</u>	<u>32,307</u>
Passed through Oakland County Department of Health									
Temporary Assistance for Needy Families (JET)	93.558	PY-14	308,740	71,529	205,552	174,717	103,188	-	-
Temporary Assistance for Needy Families (JET)		PY-15	370,144	-	-	103,148	238,427	-	135,279
				<u>71,529</u>	<u>205,552</u>	<u>277,865</u>	<u>341,615</u>	<u>-</u>	<u>135,279</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2015	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2016
Passed through Oakland Livingston Human Services Agency (OLHSA)									
O.E.O. Headstart	93.600	H5013-520	\$ 994,860	\$ 385,277	\$ 994,860	\$ 385,277	\$ -	\$ -	\$ -
O.E.O. Headstart		ECS 15-011	1,567,952	-	-	259,608	1,183,140	-	923,532
				<u>385,277</u>	<u>994,860</u>	<u>644,885</u>	<u>1,183,140</u>	<u>-</u>	<u>923,532</u>
Passed through Oakland County Department of Health									
Success	93.959	N/A	85,527	17,164	65,679	17,164	-	-	-
Success		N/A	95,756	-	-	52,855	64,024	-	11,169
				<u>17,164</u>	<u>65,679</u>	<u>70,019</u>	<u>64,024</u>	<u>-</u>	<u>11,169</u>
Total U.S. Department of Health and Human Services				<u>500,684</u>	<u>1,450,870</u>	<u>1,145,365</u>	<u>1,746,968</u>	<u>-</u>	<u>1,102,287</u>
Total Federal Awards				<u>\$ 2,333,243</u>	<u>\$ 9,781,662</u>	<u>\$ 9,285,606</u>	<u>\$ 11,563,219</u>	<u>\$ -</u>	<u>\$ 4,610,857</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Waterford School District
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Waterford School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Waterford School District, it is not intended to and does not present the financial position, changes in financial positions, and where applicable, cash flows of Waterford School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance and OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments* where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

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

Note 3 - Reconciliation to the Financial Statements

The federal revenues per the financial statements are in agreement with the schedule of expenditures of federal awards.

Note 4 - Subrecipients

No amounts were provided to subrecipients.

Note 5 - Michigan Department of Education Disclosures

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

The amounts reported on the recipient entitlement balance report agree with the schedule of expenditures of federal awards for U.S.D.A. donated food commodities when the amounts reported on the recipient entitlement balance report for Sarah J. Webber Media Arts Academy are included due to Waterford School District performing food service functions for Sarah J. Webber Media Arts Academy, as requested by Michigan Department of Education.

Waterford School District
Schedule of Findings and Questioned Costs
June 30, 2016

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, 2016.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2016.

Waterford School District
Summary Schedule of Prior Audit Findings
June 30, 2016

SECTION IV- PRIOR AUDIT FINDING

FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2015.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2015.