

Waterford School District

Financial Statements

June 30, 2024



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

Table of Contents

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

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

Waterford School District
Members of the Board of Education and Administration
June 30, 2024

Members of the Board of Education

Michael Ristich – President

Kristen Wagner – Vice President

John Paul Torres – Secretary

Patrick Donohue – Treasurer

Julie Josselyn – Trustee

Robert Petrusha, Jr. – Trustee

Joan Sutherland – Trustee

Administration

Scott Lindberg – Superintendent

Sandra Elka – Assistant Superintendent of Business and Operations

Amy Dagenhardt – Director of Finance and Budget

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waterford School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Waterford School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Waterford School District, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Waterford School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Waterford School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Waterford School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Waterford School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waterford School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information, as identified in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2024 on our consideration of Waterford School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Waterford School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterford School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

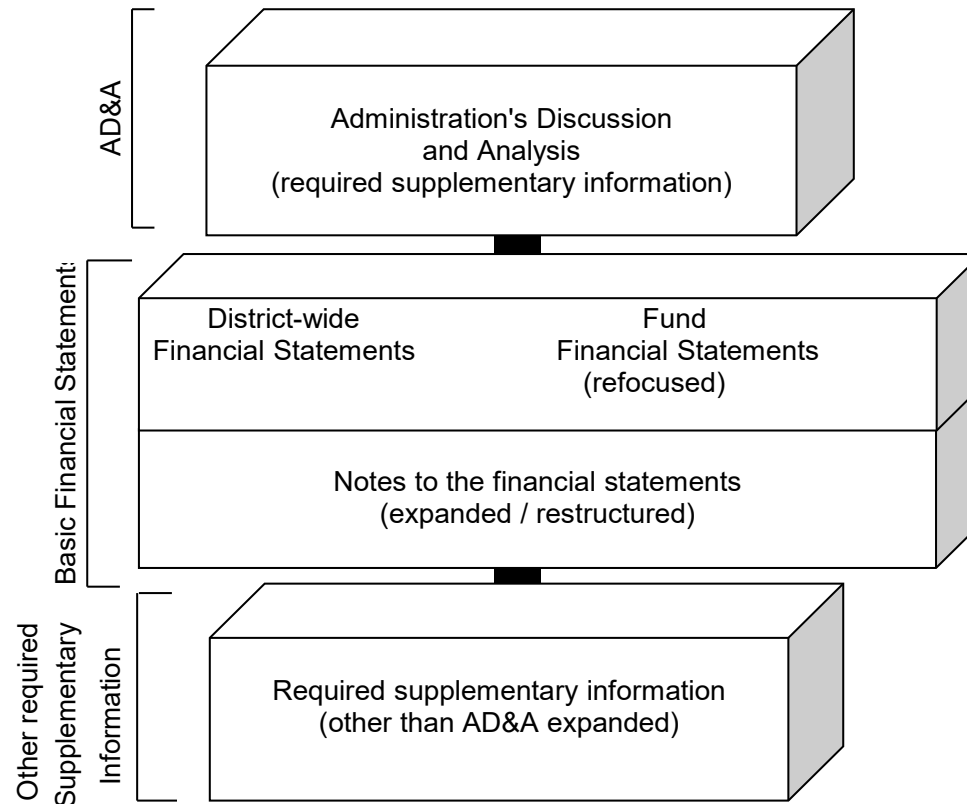
Auburn Hills, Michigan
October 28, 2024

ADMINISTRATION'S DISCUSSION AND ANALYSIS

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2024**

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, 2024.

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, 2024

District Wide Financial Statements

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

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

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

Fund Financial Statements

The fund statements are similar to financial presentations of years past, with the focus on the District's major funds rather than fund types. Consistent with previous years, the fund statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received except where they are measurable and currently available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period that goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures and Bond proceeds are recorded as other financing sources.

Fund types utilized by the District include the General Fund, Internal Service Fund, Special Revenue Funds, Debt Retirement Funds, and Capital Projects Funds. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions, grants and other intergovernmental revenues. The Internal Service Fund is to account for employee fringe benefit costs. The Special Revenue Funds are comprised of Special Education Center Programs, Child Care, Senior Citizens, Pool & Fitness Centers, Performing Arts Centers, Food Service, and Student and Senior Activity. Food Service, Child Care, Senior Citizens, and Senior and Student Activity are self-supporting programs. The Debt Funds are used to record the funding and payment of principal and interest on bonded debt. The Capital Projects Funds are used to account for financial resources to be used for the acquisition, construction or improvement of major capital facilities and equipment.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2024

Financial Analysis of the District as a Whole:

	<u>2023-2024</u>	<u>2022-2023</u>	<u>Change</u>
Assets			
Current assets	\$ 81,273,792	\$ 112,886,243	\$ (31,612,451)
Capital and right to use assets	438,488,577	405,771,502	32,717,075
Less: accumulated depreciation and amortization	<u>(201,853,286)</u>	<u>(188,782,378)</u>	<u>(13,070,908)</u>
Capital assets and right to use assets, net book value	236,635,291	216,989,124	19,646,167
Net OPEB asset	<u>3,221,258</u>	<u>-</u>	<u>3,221,258</u>
 Total assets	 <u>321,130,341</u>	 <u>329,875,367</u>	 <u>(8,745,026)</u>
 Deferred outflows of resources	 <u>68,170,128</u>	 <u>72,579,403</u>	 <u>(4,409,275)</u>
 Liabilities			
Current liabilities	25,028,609	22,649,440	2,379,169
Long-term liabilities	<u>363,565,442</u>	<u>414,992,104</u>	<u>(51,426,662)</u>
 Total liabilities	 <u>388,594,051</u>	 <u>437,641,544</u>	 <u>(49,047,493)</u>
 Deferred inflows of resources	 <u>65,051,132</u>	 <u>49,630,452</u>	 <u>15,420,680</u>
 Net position			
Net investment in capital assets	86,062,527	82,480,222	3,582,305
Restricted	7,166,964	2,464,173	4,702,791
Unrestricted (deficit)	<u>(157,574,205)</u>	<u>(169,761,621)</u>	<u>12,187,416</u>
 Total net position	 <u>\$ (64,344,714)</u>	 <u>\$ (84,817,226)</u>	 <u>\$ 20,472,512</u>

As indicated by the statement above, total net position is (\$64,344,714) and (\$84,817,226) for 2023-2024 and 2022-2023, respectively. Net position can be separated into three categories: net investment in capital assets, restricted net position, and unrestricted net position.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2024

Net capital assets and right to use assets are a combination of funds available for capital assets and right to use assets, plus capital assets and right to use assets at original cost less accumulated depreciation and amortization and related debt. The original cost of capital assets and right to use assets for fiscal year 2023-2024 and 2022-2023 is \$438,488,577 and \$405,771,502, respectively, which is an accumulation of capital assets and right to use assets year after year less any disposals. The accumulated depreciation and amortization is the accumulation of depreciation and amortization expense year after year. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation and amortization expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation and amortization for fiscal year 2023-2024 and 2022-2023 is \$201,853,286 and \$188,782,378, respectively. Most capital acquisitions are financed through long-term debt. Primarily, long-term debt is repaid as the debt service comes due through property taxes approved by the voters. Total long-term debt for fiscal year 2023-2024 and 2022-2023 was \$181,245,248 and \$195,641,231 respectively.

Restricted net position for fiscal year 2023-2024 consist of Special Education center programs of \$1,121,757, food service of \$1,421,392, debt service of \$1,402,557, and other post-employment benefits of \$3,221,258. The remaining net position of (\$157,574,205) and (\$169,761,621) for fiscal year 2023-2024 and 2022-2023, respectively, are unrestricted. The unrestricted net position is an accumulation of prior years' operating results, and includes the GASB 68 and GASB 75 Unfunded Liability or Asset. 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 \$31,621,451, primarily due to the spend down of \$29,723,216 Capital Project Fund 2020 Series II with major renovations at Mott & Kettering High Schools, the construction of the new Stepanski Early Childhood building and technology projects, combined with an decrease of \$2,576,002 in the due from other governmental units due to grant funds recorded as accounts receivable in the previous year and being recognized in the current year this was offset by an increase in cash in the General Fund and the Nonmajor Governmental Funds.
- Net Capital and right to use assets increased \$19,646,167, as a result of \$32,717,075 in capital improvements, offset by \$13,070,908 in normally scheduled depreciation.
- Current liabilities increased by \$2,379,169 mainly due to unearned revenue from grant funds not being deferred and an increase in payroll accruals and payroll deductions and withholding.
- Long-term liabilities decreased \$51,426,662 mainly as a result of a decrease in general obligation bonds after the sale of the 2020 Bond Series II \$14,069,485, along with a decrease in Pension and OPEB liabilities of \$37,347,190, and a slight decrease in lease and installment purchase liability.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2024

	<u>2023-2024</u>	<u>2022-2023</u>	<u>Change</u>
Program revenue			
Charges for services local and intermediate	\$ 4,019,097	\$ 4,516,949	\$ (497,852)
Operating grants - federal and state	<u>64,546,446</u>	<u>64,515,373</u>	<u>31,073</u>
Total program revenue	<u>68,565,543</u>	<u>69,032,322</u>	<u>(466,779)</u>
General revenue			
Property taxes, levied for general purposes	13,637,527	12,511,992	1,125,535
State of Michigan aid, unrestricted	<u>55,043,275</u>	<u>53,519,942</u>	<u>1,523,333</u>
Total foundation allowance	68,680,802	66,031,934	2,648,868
Property taxes, levied for debt service	21,259,690	19,699,880	1,559,810
Interest and investment earnings	3,459,568	978,850	2,480,718
Gain on sale of capital assets	-	1,347	(1,347)
Other	<u>200,037</u>	<u>15,936</u>	<u>184,101</u>
Total general revenue	<u>93,600,097</u>	<u>86,727,947</u>	<u>6,872,150</u>
Expense			
Instruction	61,841,809	67,318,038	(5,476,229)
Support services	44,420,132	39,001,813	5,418,319
Food service	5,741,191	4,987,097	754,094
Pool & fitness centers	657,025	661,311	(4,286)
Performing arts center	165,700	204,452	(38,752)
Childcare	1,139,878	1,078,305	61,573
Senior citizens	741,217	639,855	101,362
Special education center programs	6,068,575	5,592,287	476,288
Senior and studenty activity	1,303,887	1,298,187	5,700
Unallocated depreciation and amortization expense	13,630,452	13,951,549	(321,097)
Interest on long-term debt	<u>5,983,262</u>	<u>4,216,313</u>	<u>1,766,949</u>
Total expenses	<u>141,693,128</u>	<u>138,949,207</u>	<u>2,743,921</u>
Change in net postioon	<u>\$ 20,472,512</u>	<u>\$ 16,811,062</u>	<u>\$ 3,661,450</u>

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2024

As indicated on the above, fiscal year 2023-2024 and 2022-2023, the change in net position was \$20,472,512 and \$16,811,062, respectively. The 2023-2024 increase in net position as compared to fiscal year 2022-2023 is due to the following factors:

Revenues:

- Charges for service local and intermediate decreased primarily due to Food Service paid lunches becoming free through federal and states grant dollars.
- Operating grants had a slight increase of \$31,073, primarily due to an increase in Food Service free lunch and breakfast federal and state grants offset by a decrease in Federal grants due to the Elementary Secondary School Emergency Relief (ESSER) funds nearing completion.
- Unrestricted State Aid increased \$1,523,333 as a result of a \$458 per student increase in foundation allowance, offset by the change in the state aid membership from the previous year.
- Property taxes increased \$2,685,345 due to increased taxable property values.
- Earnings on investments increased \$2,480,718 due to the increase in interest rates and the cash in the 2020 Bond Series II.

Expenses:

- Instructional expenses decreased \$5,476,229 primarily due to the decrease in the change in the pension/OPEB related amounts, a decrease in federal grant expenses, a decrease in the breakout of the capital outlay net of fixed asset additions, an increase in school instructional expenses and the related salary and benefits increases.
- Support services increased by \$5,418,319 due to the increase in arbitrage rebate calculation, the increase in the breakout of the capital outlay net of fixed asset additions, an increase in expenses and the related salary and benefit increases offset by the decrease in the change in the pension/OPEB related amounts.
- Food Service increased \$754,094 over last year due to continuing the required spend down of fund balance, including new walk in refrigerator/freezer at Mason Middle School, purchase of combination ovens, purchase of heated cabinet, purchase of milk coolers and freezers, also included is the increase in salaries, and increase in food cost.
- Special education center programs increase \$476,288 due to student count and increase in salary & benefits.
- Interest on long term debt increased \$1,766,949 due to the sale of the 2020 Bond Series II bonds.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2024

Capital Assets and Debt Administration

Capital Assets

At June 30, 2024, the District had \$236,635,291 invested in a broad range of capital assets and right to use assets, including land, buildings, furniture and equipment and buses and other vehicles.

	2023-2024	2022-2023
Capital assets		
Land	\$ 1,522,282	\$ 1,522,282
Construction in progress	49,772,579	30,158,246
Buildings and additions	367,573,795	356,091,898
Furniture and equipment	10,977,226	9,238,304
Buses and other vehicles	6,836,048	6,799,909
Right to use asset - equipment	30,603	30,603
Right to use asset - buses	470,956	841,586
Right to use asset - subscription arrangements	1,305,088	1,088,674
Subtotal	438,488,577	405,771,502
Less: accumulated depreciation	201,853,286	188,782,378
Net capital assets	\$ 236,635,291	\$ 216,989,124

This is an increase in net capital assets of \$19,646,167 over last year. Depreciation and amortization expense for the year is \$13,630,452. During the fiscal year, the District expended \$33,356,643 of the 2020 Series II bonds and \$68,279 of the 2021 Series I bonds. Note that not all expenditures meet the district's \$10,000 capitalization threshold to be recorded in this schedule. Construction in progress increased over prior year by \$19,614,333 due primarily to the continuing construction and site work of the new Stepanski Early Childhood building, building improvements at Kettering High School and Mott High School, roofing at multiple buildings, Mott High School and Mason Middle School site improvements, elementary playgrounds renovations at four buildings, technology wiring and infrastructure upgrades throughout the District, and the start of the installation of Promethean interactive white boards throughout the District. The District has \$30,420,456 of 2020 Series II set aside for future capital projects.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2024

Debt

At the end of this fiscal year, the District had \$166,830,000 in General Obligation Bonds outstanding. This is a decrease of \$12,880,000 compared to last year due to the payment of scheduled principal.

Governmental Fund Revenues

Sources of Revenues:

Local sources of revenues total \$43,798,135. This is an increase of \$4,766,882 as compared to prior year. Included in local revenues are General Fund, Debt Fund, Special Education Center Programs Fund, Childcare Fund, Senior Citizen Fund, Pool & Fitness Fund, Performing Arts Centers Fund, Food Service Fund, Senior and Student Activity Fund and Capital Project Fund revenues. The General Fund local revenues of \$15,964,152 increased \$1,788,610. The Debt Fund local revenues of \$21,562,685 increased \$1,849,765. Special Education Center Programs revenues were \$0, which was consistent with prior year. The Childcare Fund revenues of \$841,943 increased \$48,089 from prior year. The Senior Citizen Fund local revenues of \$401,745 increased \$6,279 over prior year. The Pool & Fitness Center Fund of \$389,209 decreased \$8,236. The Performing Arts Centers Fund had local revenue of \$73,572, which was a decrease of \$15,993 from prior year. The Food Service Fund local revenues of \$717,149 decreased \$583,421 from prior year. The Senior and Student Activity Fund local revenues of \$1,194,946, decreased \$117,455. Capital Project funds of \$2,652,734 decreased \$615,152 over prior year.

State sources of revenue total \$89,473,383. This is an increase of \$6,086,734 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 \$86,810,764 increased \$4,631,076 from prior year. The per student foundation grant increase \$458 totaling \$1,815,840, increase in special education cost reimbursement of \$1,914,704, first time categorical for transportation costs of \$697,446, and the educator compensation program of \$353,398. State sources of revenue make up 70% of General Fund revenues. This ties the District directly to the State's overall economy.

Federal sources of revenue total \$19,164,791, an increase of \$749,109 from prior year. This was mainly due to federal grant revenue received after 60 days of June 30, 2023 and recognized in fiscal year 2024. Along with grants due to COVID-19, Elementary Secondary School Emergency Relief (ESSER) II Funds – Formula, 23(b), 98c, ARP ESSER III, Food Service Supply Chain Assistance, COVID-19 Recovery Funds (Grow Your Own), ARP Homeless II, and then offset by any reduction in other federal grants.

Interdistrict sources of revenue total \$12,995,978, an increase of \$987,705 over prior year. The interdistrict funding is primarily for special education.

Property Taxes

A significant portion of local revenue is provided by property taxes for the General Fund and Debt Retirement Fund. Property tax revenue totaled \$34,897,217 an increase of \$2,685,345 over prior year. Total property tax revenue is obtained through a voter approved 18-mill levy on the taxable

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2024

value of non-homestead properties for the District's operations and a voter approved 6.75-mill levy on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments.

Unrestricted State Aid Foundation Allowance

A significant portion of state funding to the District is through the foundation allowance. The foundation allowance is funding from the state for each student. The District's foundation allowance is \$9,608 for 2023-2024 and \$9,150 for 2022-2023 fiscal years. The number of students to be funded is normally calculated by student enrollment blended at 90% Fall Count 2023 and 10% Supplemental Count (February 2023). Total blended student enrollment for this fiscal year is 6,863, a decrease of 145 students from prior year. The total funding received from the State on a per pupil basis is reduced by local property taxes received from the District's non-homestead tax levy based on 18-mills.

Governmental Fund Expenditures

Expenditures include Instruction, Support Services, Community Services, Federal Programs, School Service Funds, Debt, and Capital Projects. Instruction expenditures of \$63,453,287 increased \$7,157,366 as result of wage increases, corresponding benefit increase and, curriculum resources, instructional technology, and added needs costs. Support Services expenditures of \$49,863,436 increased \$7,341,042. The changes in support services are a result of wage increases, addition fuel costs, increases in contracted services, inflationary increases for utilities and supplies, additional costs for repairs and maintenance of buildings. Federal Program expenditures of \$11,054,818 decreased \$4,758,965 mainly due to federal grants for COVID-19 that are multi-year grants and ending in September 2023 and 2024. Special Revenue Fund expenses of \$17,052,525 increased \$1,448,879 over prior year due to increases in Childcare and Senior Citizens funds as a result of wage increases, an increase in Food Service due to the fund balance spend down plan and an increase in wages, along with an increase in the Special Education Center Program due to an increase in wages. The Capital Projects fund of \$33,445,869 increased \$4,224,707 due to the construction of the Stepanski Early Childhood Center and renovation projects in the District via the 2020 Series II bond improvements. The Debt Service Fund with expenditures of \$20,395,999 decreased \$1,202,052 mainly as a result of a reduction in structured debt 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 2024-2025 fiscal year budget. Major factors affecting the budget this year are the anticipated student count, State funding of the unrestricted foundation allowance, increased State categorical revenue and inflationary cost increase for staff, utilities and other district expenses. Currently, the district is continuing to spend the ESSER funding that was granted through September 2024.

The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. When the District approved the budget in June 2024, the blended count for the 2024-2025 fiscal year was based on a 90 percent and 10 percent blend of the Fall 2024 and Supplemental Count (February) 2024 student counts, respectively. The 2023-2024 budget was based on an estimate of students that will be enrolled in Fall 2024, as well as State Aid funding based on the projections at that time. The District showed a foundation allowance increase of \$241 per pupil and a blended loss of 130 students.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2024

At the end of June, the Legislature approved a budget that the Governor signed in late July with no foundation allowance increase leaving it at the prior year funding of \$9,608 per student. At this time the State recaptured funds from the MPSERS UAAL OPEB rate reduction and offset the foundation allowance increase by this amount. The State also reduce categorical funding for 31aa mental health service and school safety by \$300 million dollars affecting the Districts allocation by \$1.4 million dollars. The funding structure set by the State makes the District's funding heavily dependent on the State's ability to fund local school operations. Once the final student count is validated state law requires the District to amend the budget if actual district resources are insufficient to fund original appropriations.

Subsequent to the budget approval by the Board in June, the District was able to reduce teaching staff by three more positions, offset by a new ASD classroom.

During August of 2023, the District extended the WEA contract until June 30, 2025, and made wage adjustments to deal with competitive salary schedules from surrounding districts. All other bargaining units have been negotiated and expire June 30, 2025, with the exception of the WASA(Administrators) unit that are in active negotiations. Non-bargaining employees were also given an off schedule one-time payment. Benefit agreements are on a calendar year basis. The current letter of agreement for benefits includes employee contributions to healthcare for those who qualify and extends through December 31, 2025.

The District also included in this budget for the cost of negotiated wage increases and associated benefits and increases for fuel and utilities.

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 2023-2024, the budget was amended in June of 2024 to reflect the changes since the Original Budget adopted in June of 2023.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2024**

General Fund Revenues:

The General Fund budget revenues for the final budget increased by 11.32% as compared to the original budget.

Total revenues final budget	\$ 123,964,069
Total revenues original budget	<u>111,362,553</u>
 Increase in budget revenues	 <u>\$ 12,601,516</u>

Increase in Revenue Budget:

Significant final budget adjustments for the year include:

- Increase in:
 - State Aid foundation adjustment for approximately 45 FTE student blended count along with adjustment in the Special Education reimbursement rate totaling \$1,577,514
 - State Aid categorical allowances \$4,308,737 including the MPSERS 147f, 147a(1), 147a(2), 147c and 147e, addition of section 31aa Mental Health supports and School Safety, 22I Transportation Cost reimbursement, 27I Educator Compensation Program
 - Federal grant increase of \$6,076,675 primarily due federal grant funds received after the 60 days rule and recorded at revenue in 23-24 along with the remaining ESSER III funds and additional federal grants such as ARP Grow Your Own, ARP Homeless, Title I Targeted Assistance
 - Local Sources increase \$364,317 for increase in earnings on investments, local Medicaid funds and a reduction in property tax revenue

Actual General Fund Revenues vs. Final Budget:

The District's actual General Fund revenues were less than the final budget by \$2,463,779, a variance of 1.99%. Of the total variance, local revenues increased by \$467,868. This increase is due to an increase in Medicaid funding of \$150,000, and increase in gate receipts of \$208,009, and \$84,032 in foundation revenues. State sources increased by \$2,033,512 due primarily to deferred revenue in Section 31aa Mental Health supports & 97 School Safety, along with State categorical funds 23g MI Kids Back on Track, 31a At-Risk, 35j Professional Development, MPSERS 147, Career Tech and Early Lit 35a. Additionally, interdistrict sources increased \$503,058 mainly as a result of increased PA-18 special education funds. Finally, a decrease in federal sources of \$1,630,267 due to grant funds not expensed and carried over into the next fiscal year.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2024**

General Fund Expenditures:

The District's budget for expenditures increased by 11.17% for the year ended June 30, 2024:

Total expenditures final budget	\$ 122,963,022
Total expenditures original budget	<u>110,610,793</u>
 Increase in budget expenditures	 <u>\$ 12,352,229</u>

Increase in Expenditure Budget:

Some of the final budget adjustments for the year include:

- Increase as follows:
 - Increase in staff wages based on new WEA contract in August 2023 and all other pupil and support staff increases \$5,485,480
 - Increases in benefits due to wage increases and corresponding retirement along with other benefits of \$3,000,000
 - Increase in utilities, transportation fuel, contracted services, maintenance and operations expenses including contracted staff and athletics of \$1,790,074
 - Increase in federal grants of \$1,986,675 for increases in allowable costs and additional grants received.
 - Increase in transfers out to other funds \$90,000

Actual General Fund Expenditures vs. Final Budget:

The District's actual General Fund expenditures were more than the final budget by 2.15%. This variance of \$2,647,429 is due to constant changes in State and Federal funding that resulted in the need to shift expenditures throughout the year and subsequent to year end between various funding sources. The overages were also due to wage increase and the corresponding benefits, staffing shortages, increased inflationary supply costs, contracted costs for transportation and non-bondable building repairs.

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, 2024

	<u>Governmental Activities</u>
Assets	
Cash	\$ 52,165,965
Accounts receivable	580,904
Leases receivable	3,524,389
Due from other governmental units	24,285,726
Inventory	49,247
Prepaid items	667,561
Capital assets not being depreciated	51,294,861
Capital assets - net of accumulated depreciation	185,340,430
Net OPEB asset	<u>3,221,258</u>
Total assets	<u>321,130,341</u>
Deferred Outflows of Resources	
Deferred amount on debt refunding	252,028
Deferred amount relating to the net pension liability	55,544,075
Deferred amount relating to the net OPEB asset	<u>12,374,025</u>
Total deferred outflows of resources	<u>68,170,128</u>
Liabilities	
Accounts payable	8,252,279
Payroll deductions and withholdings	3,929,637
Accrued expenditures	2,824,099
Accrued salaries payable	4,700,071
Unearned revenue	5,322,523
Net pension liability	182,003,683
Due within one year	13,504,932
Due in more than one year	<u>168,056,827</u>
Total liabilities	<u>388,594,051</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Statement of Net Position
June 30, 2024

	<u>Governmental Activities</u>
Deferred Inflows of Resources	
Deferred amount on leases receivable	\$ 3,524,389
Deferred amount relating to the net pension liability	34,146,411
Deferred amount relating to the net OPEB asset	<u>27,380,332</u>
 Total deferred inflows of resources	 <u>65,051,132</u>
 Net Position	
Net investment in capital assets	86,062,527
Restricted for:	
Food service	1,421,392
Debt service	1,402,557
Special Education center programs	1,121,757
Other post employment benefits	3,221,258
Unrestricted (deficit)	<u>(157,574,205)</u>
 Total net position	 <u>\$ (64,344,714)</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Statement of Activities
For the Year Ended June 30, 2024

	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	\$ 61,841,809	\$ 247,927	\$ 30,642,919	\$ -	\$ (30,950,963)
Supporting services	44,420,132	1,412,949	19,802,776	-	(23,204,407)
Food service	5,741,191	651,752	5,674,575	-	585,136
Pool and fitness centers	657,025	389,209	-	-	(267,816)
Performing arts	165,700	73,572	-	-	(92,128)
Child care	1,139,878	841,943	-	-	(297,935)
Senior citizens	741,217	401,745	333,636	-	(5,836)
Special education center program	6,068,575	-	6,897,594	-	829,019
Senior and student activity	1,303,887	-	1,194,946	-	(108,941)
Unallocated depreciation and amortization expense	13,630,452	-	-	-	(13,630,452)
Interest and fiscal charges on long-term debt	5,983,262	-	-	-	(5,983,262)
Total governmental activities	<u>\$ 141,693,128</u>	<u>\$ 4,019,097</u>	<u>\$ 64,546,446</u>	<u>\$ -</u>	<u>(73,127,585)</u>
General revenues					
Property taxes, levied for general purposes					13,637,527
Property taxes, levied for debt service					21,259,690
State aid - unrestricted					55,043,275
Interest and investment earnings					3,459,568
Other					<u>200,037</u>
Total general revenues					<u>93,600,097</u>
Change in net position					20,472,512
Net position - beginning					<u>(84,817,226)</u>
Net position - ending					<u>\$ (64,344,714)</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Balance Sheet
June 30, 2024

	General Fund	Capital Project Fund 2020 Series II	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 6,339,385	\$ 36,654,057	\$ 9,172,523	\$ 52,165,965
Accounts receivable	441,350	-	139,554	580,904
Leases receivable	3,524,389	-	-	3,524,389
Due from other funds	1,405,268	8,976	8,227	1,422,471
Due from other governmental units	24,285,726	-	-	24,285,726
Inventory	-	-	49,247	49,247
Prepaid items	666,074	-	1,487	667,561
	<u>\$ 36,662,192</u>	<u>\$ 36,663,033</u>	<u>\$ 9,371,038</u>	<u>\$ 82,696,263</u>
Liabilities				
Accounts payable	\$ 1,893,431	\$ 6,242,577	\$ 116,271	\$ 8,252,279
Due to other funds	17,203	-	1,405,268	1,422,471
Payroll deductions and withholdings	3,929,637	-	-	3,929,637
Accrued expenditures	70,329	-	-	70,329
Accrued salaries payable	4,700,071	-	-	4,700,071
Unearned revenue	5,263,138	-	59,385	5,322,523
	<u>15,873,809</u>	<u>6,242,577</u>	<u>1,580,924</u>	<u>23,697,310</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Balance Sheet
June 30, 2024

	General Fund	Capital Project Fund 2020 Series II	Nonmajor Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources				
Unavailable revenue				
Grants received	\$ 545,765	\$ -	\$ -	\$ 545,765
Leases	3,524,389	-	-	3,524,389
Total deferred inflows of resources	<u>4,070,154</u>	<u>-</u>	<u>-</u>	<u>4,070,154</u>
Fund Balances				
Non-spendable				
Inventory	-	-	49,247	49,247
Prepaid items	666,074	-	-	666,074
Restricted for				
Food service	-	-	1,372,145	1,372,145
Debt service	-	-	2,491,125	2,491,125
Capital projects	-	30,420,456	-	30,420,456
Special education center programs	-	-	1,121,757	1,121,757
Committed - senior and student activity	-	-	1,578,494	1,578,494
Assigned - capital projects	-	-	1,177,346	1,177,346
Unassigned	<u>16,052,155</u>	<u>-</u>	<u>-</u>	<u>16,052,155</u>
Total fund balances	<u>16,718,229</u>	<u>30,420,456</u>	<u>7,790,114</u>	<u>54,928,799</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 36,662,192</u>	<u>\$ 36,663,033</u>	<u>\$ 9,371,038</u>	<u>\$ 82,696,263</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2024

Total fund balances for governmental funds	\$ 54,928,799
Total net position for governmental activities in the statement of net position is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	
Other governmental units	545,765
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	51,294,861
Capital assets - net of accumulated depreciation	185,340,430
Net OPEB asset is not recorded as an asset in the governmental funds	3,221,258
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	252,028
Deferred outflows of resources resulting from the net pension liability	55,544,075
Deferred outflows of resources resulting from the net OPEB asset	12,374,025
Deferred inflows of resources resulting from the net pension liability	(34,146,411)
Deferred inflows of resources resulting from the net OPEB asset	(27,380,332)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(1,088,568)
Incurred but not reported benefit claims	(132,111)
Arbitrage rebate	(1,533,091)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Net pension liability	(182,003,683)
Compensated absences	(316,511)
Bonds payable	(181,069,742)
Leases payable	(175,506)
Net position of governmental activities	<u>\$ (64,344,714)</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, 2024

	Capital Project Funds				
	General Fund	Formerly Major Fund 2020 Series I	2020 Series II	Nonmajor Governmental Funds	
Revenues					
Local sources	\$ 15,964,152		\$ 2,652,734	\$ 25,181,249	\$ 43,798,135
State sources	86,810,764		-	2,662,619	89,473,383
Federal sources	14,283,735		-	4,881,056	19,164,791
Interdistrict sources	7,629,589		-	5,366,389	12,995,978
	<u>124,688,240</u>		<u>2,652,734</u>	<u>38,091,313</u>	<u>165,432,287</u>
Total revenues					
Expenditures					
Current					
Education					
Instruction	63,453,287		-	-	63,453,287
Supporting services	49,816,982		46,454	-	49,863,436
Federal programs	11,054,818		-	-	11,054,818
Food services	-		-	6,327,735	6,327,735
Pool and fitness centers	-		-	675,826	675,826
Performing arts centers	-		-	181,830	181,830
Child care	-		-	1,366,661	1,366,661
Senior citizens	-		-	764,760	764,760
Special education center program	-		-	6,500,272	6,500,272
Senior and student activity	-		-	1,281,455	1,281,455
Building and site	-		33,291,789	154,080	33,445,869
Debt service					
Principal	326,498		-	12,880,000	13,206,498
Interest and other expenditures	9,894		18,400	7,161,207	7,189,501
	<u>124,661,479</u>		<u>33,356,643</u>	<u>37,293,826</u>	<u>195,311,948</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>26,761</u>		<u>(30,703,909)</u>	<u>797,487</u>	<u>(29,879,661)</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, 2024

	Capital Project Funds				Total Governmental Funds
	General Fund	Formerly Major Fund 2020 Series I	2020 Series II	Nonmajor Governmental Funds	
Other Financing Sources (Uses)					
Transfers in	\$ 1,739,608		\$ -	\$ 948,972	\$ 2,688,580
Transfers out	<u>(948,972)</u>		<u>-</u>	<u>(386,594)</u>	<u>(1,335,566)</u>
Total other financing sources (uses)	<u>790,636</u>		<u>-</u>	<u>562,378</u>	<u>1,353,014</u>
Net change in fund balances	817,397		(30,703,909)	1,359,865	(28,526,647)
Fund balances - beginning	15,900,832	68,279	61,124,365	6,361,970	83,455,446
Change within financial report entity (major to nonmajor fund)	<u>-</u>	<u>(68,279)</u>	<u>-</u>	<u>68,279</u>	<u>-</u>
Fund balances - beginning, as adjusted	<u>15,900,832</u>		<u>61,124,365</u>	<u>6,430,249</u>	<u>83,455,446</u>
Fund balances - ending	<u>\$ 16,718,229</u>		<u>\$ 30,420,456</u>	<u>\$ 7,790,114</u>	<u>\$ 54,928,799</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, 2024

Net change in fund balances - Total governmental funds	\$ (28,526,647)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating grants	(3,266,647)
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 and amortization expense	(13,630,452)
Capital outlay	33,276,619
Expenses are recorded when incurred in the statement of activities.	
Interest	81,692
Benefit claims	(132,111)
Compensated absences	(316,511)
Arbitrage	(1,114,913)
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 net pension liability	25,675,354
Net change in deferrals of resources related to the net pension liability	(16,697,204)
The statement of net position reports the net OPEB asset and deferred outflows of resources and deferred inflows related to the net OPEB asset and OPEB changes. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB asset	14,893,094
Net change in deferrals of resources related to the net OPEB asset	(3,254,669)
Bond and note proceeds and leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are recorded as liabilities 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	13,206,498
Amortization of premiums	1,189,485
Amortization of deferred amount on debt refunding	(64,938)
Internal revenue fund revenues and expenses are included in the governmental activities in the statement of activities	(846,138)
Change in net position of governmental activities	\$ 20,472,512

See Accompanying Notes to the Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Net Position
June 30, 2024

	<u>Internal Service Fund</u>
Assets	
Cash	\$ - <u> </u>
Liabilities	
Workers' compensation claims payable	-
Compensated absences	- <u> </u>
Total liabilities	- <u> </u>
Net Position	
Unrestricted	- <u> </u>
Total net position	\$ - <u> </u>

See Accompanying Notes to the Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2024

	<u>Internal Service Fund</u>
Operating revenue	
Employee contributions	\$ 2,144,958
Charges for services	<u>44,603,626</u>
Total operating revenue	<u>46,748,584</u>
Operating expense	
Health, dental and vision	11,846,220
Retirement	29,777,322
Social security	4,575,023
Compensated absences	(262,377)
Workers compensation	<u>305,520</u>
Total operating expense	<u>46,241,708</u>
Income before transfers out	506,876
Transfers out	<u>(1,353,014)</u>
Change in net position	(846,138)
Net position - beginning	<u>846,138</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, 2024

	<u>Internal Service Fund</u>
Cash flows from operating activities	
Employee contributions	\$ 2,144,958
Charges for services	44,603,626
Health, dental and vision	(11,846,220)
Retirement	(29,777,322)
Social security	(4,575,023)
Compensated absences	(57,402)
Workers compensation	(492,617)
Transfers out	<u>(1,353,014)</u>
Net cash used by operating activities	(1,353,014)
Cash and cash equivalents - beginning	<u>1,353,014</u>
Cash and cash equivalents - ending	<u>\$ -</u>
Reconciliation of operating loss to net cash from operating activities	
Change in net position	\$ (846,138)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Change in assets and liabilities	
Workers' compensation claims payable	(187,097)
Compensated absences	<u>(319,779)</u>
Net cash used by operating activities	<u>\$ (1,353,014)</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Notes to the Financial Statements
June 30, 2024

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Waterford School District (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

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

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross

expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

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

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

Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

Waterford School District
Notes to the Financial Statements
June 30, 2024

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.

2020 Series II Fund – The 2020 Series II Capital Project Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the funds were created has been accomplished.

Additionally, the School District reports the following fund types:

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

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

Capital Projects Funds - The 2020 Series I and Building Maintenance Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The funds are kept open until the purpose for which the fund was created has been accomplished.

Internal Service Fund – Internal Service Fund is a proprietary fund whose purpose is to finance services provided to other funds for the School District on a cost-reimbursement basis. The Internal Service Fund is maintained by the School District accounts for

employee benefits and taxes. It is funded through transfers primarily from the General Fund in amounts equal to normal estimated risk management.

Assets, Liabilities and Net Position or Fund Balance

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.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2024, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	17.60230
Commercial personal property	5.60230
Debt Service Funds	6.75000

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

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

Waterford School District
Notes to the Financial Statements
June 30, 2024

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

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

Deferred Outflows of Resources - A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities or assets are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities or assets in the following year.

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

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

Waterford School District
Notes to the Financial Statements
June 30, 2024

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

Postemployment Benefits Other Than Pensions - For purposes of measuring the net OPEB liability or asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (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. Deferred inflow for leases is related to leases receivable and is being amortized to recognize lease revenue in a systematic and rational manner over the term of the lease. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities or assets are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating

to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Balance - In the fund financial statements, governmental funds report fund balances 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.

Waterford School District
Notes to the Financial Statements
June 30, 2024

Use of Estimates

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

Eliminations and Reclassifications

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

Adoption of New Accounting Standards

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections.

Upcoming Accounting and Reporting Changes

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

Statement No. 102, *Certain Risk Disclosures*, requires organizations to provide users of the financial statements with essential information about risks related to the organization’s vulnerabilities due to certain concentrations or constraints. This statement is effective for the year ending June 30, 2025.

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an organization’s accountability while also addressing certain application issues. This statement includes changes to management’s discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. This statement is effective for the year ending June 30, 2026.

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 canceling 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.

Waterford School District
Notes to the Financial Statements
June 30, 2024

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

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

Excess of Expenditures over Appropriations

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Instruction			
Basic programs	\$ 26,199,128	\$ 27,134,746	\$ 935,618
Added needs	17,586,544	19,480,412	1,893,868
Employee benefits	16,519,583	16,838,129	318,546
Supporting services			
Pupil	10,972,833	12,254,378	1,281,545
Instructional staff	2,390,628	3,387,447	996,819
School administration	4,211,178	4,349,539	138,361
Central	2,991,951	3,108,731	116,780
Athletic activities	1,827,182	2,001,731	174,549
Civic	58,852	85,415	26,563
Transfers out	890,000	948,972	58,972
Food service (includes transfers out)	6,211,156	6,714,329	503,173
Childcare	1,250,000	1,366,661	116,661
Senior citizens	724,000	764,760	40,760

Compliance - Bond Proceeds

The Capital Projects 2020 Series II includes 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. This fund is not yet considered substantially complete and a subsequent year audit is expected.

The following is a summary of the revenue and expenditures in the Capital Project Funds from the inception of the funds through the current fiscal year:

	<u>2020 Series II</u>
Revenues	\$ 73,464,327
Expenditures	<u>(43,043,871)</u>
	<u>\$ 30,420,456</u>

Note 3 - Deposits and Investments

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 52,150,385
Petty cash and cash on hand	<u>6,608</u>
Total	<u>\$ 52,156,993</u>

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

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

Waterford School District
Notes to the Financial Statements
June 30, 2024

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, \$51,081,412 of the School District's bank balance of \$52,571,314 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

Note 4 - Leases Receivable

The School District has two significant agreements leasing district property for cell phone towers. The first lease commenced in July 1997 and automatically renews in 5-year terms through June 2052 unless the lessee notifies the lessor in writing of the lessee's intention not to extend the agreement during any additional term. It is the School District's intent to exercise all renewals. Payments increase 2.5% each year and payments range from \$2,208 to \$4,518 per month in future years with an interest rate of 2.50%.

The second cell tower lease commenced in April 2017 and automatically renews in 5-year terms through March 2042 unless the lessee notifies the lessor in writing of the lessee's intention not to extend the agreement at least 30 days prior to the expiration of any term. It is the School District intent to exercise all renewals. Payments increase 10% each renewal term and payments range from \$1,980 to \$2,635 per month in future years with an implied interest rate of 2.05%. Lastly, the School District leases its Lutes building to a local organization. The lease commenced in September 2015 and has two optional renewal periods of 5 years through August 2035 unless the lessee notifies the School District at least 210 days prior to the expiration of the term. It is the School District's intent to exercise all

renewals. Payments increase each 5-year term by \$1,370 per month. Payments range from \$17,812 to \$20,552 per month in future years with an implied interest rate of 2.05%. The School District collected \$263,992 from the tenants for the year ended June 30, 2023, which includes \$182,380 in lease revenue and \$81,612 in lease interest revenue.

A lease receivable and deferred inflows have been recorded to reflect future expected payments. Future minimum lease payments are as follows:

Year ending June 30,	
2025	\$ 191,446
2026	209,959
2027	218,455
2028	225,568
2029	231,047
2030-2034	1,313,878
2035-2039	533,402
2040-2044	241,016
2045-2049	206,932
2050-2052	152,686
Total	\$ 3,524,389

Waterford School District
Notes to the Financial Statements
June 30, 2024

Note 5 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,522,282	\$ -	\$ -	\$ 1,522,282
Construction-in-progress	<u>30,158,246</u>	<u>45,594,523</u>	<u>25,980,190</u>	<u>49,772,579</u>
Total capital assets not being depreciated	<u>31,680,528</u>	<u>45,594,523</u>	<u>25,980,190</u>	<u>51,294,861</u>
Capital assets being depreciated				
Buildings and additions	356,091,898	11,481,897	-	367,573,795
Equipment and furniture	9,238,304	1,738,922	-	10,977,226
Buses and other vehicles	6,799,909	36,139	-	6,836,048
Right to use asset - equipment and furniture	30,603	-	-	30,603
Right to use asset - buses and other vehicles	841,586	-	370,630	470,956
Right to use asset - subscription arrangements	<u>1,088,674</u>	<u>405,328</u>	<u>188,914</u>	<u>1,305,088</u>
Total capital assets being depreciated	<u>374,090,974</u>	<u>13,662,286</u>	<u>559,544</u>	<u>387,193,716</u>
Less accumulated depreciation for				
Buildings and additions	175,789,396	12,010,721	-	187,800,117
Equipment and furniture	6,886,604	518,314	-	7,404,918
Buses and other vehicles	5,372,249	448,559	-	5,820,808
Right to use asset - equipment and furniture	6,613	6,121	-	12,734
Right to use asset - buses and other vehicles	355,757	280,529	370,630	265,656
Right to use asset - subscription arrangements	<u>371,759</u>	<u>366,208</u>	<u>188,914</u>	<u>549,053</u>
Total accumulated depreciation	<u>188,782,378</u>	<u>13,630,452</u>	<u>559,544</u>	<u>201,853,286</u>
Net capital assets being depreciated	<u>185,308,596</u>	<u>31,834</u>	<u>-</u>	<u>185,340,430</u>
Net capital assets	<u>\$ 216,989,124</u>	<u>\$ 45,626,357</u>	<u>\$ 25,980,190</u>	<u>\$ 236,635,291</u>

Depreciation and amortization was not charged to the School District's activities because the related assets impact multiple activities and allocation of depreciation and amortization expenses is not practical.

Construction Contracts

The School District has active construction projects as of June 30, 2024. At year end, the School District's commitment with contractors is as follows:

	Total Contract	Remaining Construction Commitment at Year End
Beaumont Elementary	\$ 478,015	\$ 262,959
Cooley Elementary	198,044	4,677
Covert Center	511,713	339,898
Donelson Hills Elementary	606,724	396,000
Durant High School	243,847	3,030
Grayson Elementary	547,655	344,390
Haviland Elementary	172,445	4,674
Houghton Elementary	531,484	200,508
Kettering High School	18,084,810	2,840,908
Knudsen Elementary	158,105	4,679
Leggett Senior Center	17,074	2,534
Lutes Campus	3,612	1,445
Mott High School	16,832,597	7,558,560
Pierce Middle School	555,946	165,469
Riverside Elementary	176,236	4,674
Schoolcraft Elementary	192,833	4,676
Stepanski Early Childhood Center	28,696,981	1,774,884
Food Service - Stepanski	316,295	6,316
Technology	3,450,243	2,278
Transportation	1,558,532	1,432,918
Warehouse	42,280	8,456
Elementary Playground Group 1	118,187	9,455
Elementary Playground Group 2	<u>107,715</u>	<u>75,401</u>
	<u>\$ 73,601,373</u>	<u>\$ 15,448,789</u>

Waterford School District
Notes to the Financial Statements
June 30, 2024

Note 6 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Payable Fund	Receivable Fund	Amount
General	Nonmajor governmental funds	\$ 8,227
Nonmajor governmental funds	General	1,405,268
General	2020 Series II	8,976
		<u>\$ 1,422,471</u>

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

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

Interfund transfers consist of the following:

Transfers in	Transfers Out			
General Fund	Internal Service Fund	Nonmajor Governmental Funds	Total	
General Fund	\$ -	\$ 1,353,014	\$ 386,594	\$ 1,739,608
Nonmajor governmental funds	948,972	-	-	948,972
	<u>\$ 948,972</u>	<u>\$ 1,353,014</u>	<u>\$ 386,594</u>	<u>\$ 2,688,580</u>

Interfund transfers were made during the year between the General Fund and Performing Arts Centers and Pool and Fitness Centers to cover the costs of the School District's programs that were in excess of revenues generated from those activities. A transfer was made to reimburse the General Fund for indirect costs incurred by the Food Service Fund. In addition, a transfer was made from the Internal Service Fund to the General Fund to close out the Internal Service Fund.

Note 7 - Unearned Revenue

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

Grant and categorical aid payments received prior to meeting all eligibility requirements	\$ 5,273,276
Student meals	<u>49,247</u>
Total	<u><u>\$ 5,322,523</u></u>

Note 8 - Leases and Subscription Based Information Technology

Lease Liability

Lease agreements are summarized as follows:

Lease	Commencement Date	Termination Date	Payment Frequency	Payment Amount	Interest Rate	Total Lease Liability	Balance at June 30, 2024
Postage machines	June 2022	June 2027	Monthly	\$ 536	2.050%	\$ 30,603	\$ 18,202
Buses	July 2022	July 2025	Annual	42,316	2.184%	124,002	41,512
Buses	Aug 2022	July 2025	Annual	42,316	2.184%	124,228	41,403
Buses	Feb 2023	Jan 2026	Annual	76,389	2.656%	222,726	74,389
							<u>\$ 175,506</u>

Waterford School District
Notes to the Financial Statements
June 30, 2024

Annual requirements to amortize lease liabilities and related interest are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 163,421	\$ 4,034
2026	6,245	189
2027	<u>5,840</u>	<u>58</u>
Total	<u>\$ 175,506</u>	<u>\$ 4,281</u>

Subscription Arrangements

The School District has entered into subscription-based information technology arrangements (SBITAs) involving:

- Various desktop and server software subscriptions
- Event registration and management software
- Electronic workflows software
- Information technology security software
- Cloud backup services software
- Document management software
- Payroll and human resources services software
- Performance measurement/strategic planning/benchmarking software
- Risk management software
- A web-based job board software
- Curriculum online resources

The total costs of the School District's subscription assets are recorded as \$1,305,088, less accumulated amortization of \$549,053. There was no SBITA liability as of year end.

Note 9 - Long-Term Debt

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

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Bonds and notes payable					
General obligation bonds	\$ 179,710,000	\$ -	\$ 12,880,000	\$ 166,830,000	\$ 13,025,000
Premium on bonds	<u>15,429,227</u>	<u>-</u>	<u>1,189,485</u>	<u>14,239,742</u>	<u>-</u>
Total bonds payable	<u>195,139,227</u>	<u>-</u>	<u>14,069,485</u>	<u>181,069,742</u>	<u>13,025,000</u>
Notes from direct borrowings and direct placements					
Installation purchase agreement	<u>40,897</u>	<u>-</u>	<u>40,897</u>	<u>-</u>	<u>-</u>
Other liabilities					
Leases	461,107	-	285,601	175,506	163,421
Compensated absences	<u>-</u>	<u>316,511</u>	<u>-</u>	<u>316,511</u>	<u>316,511</u>
Total other liabilities	<u>461,107</u>	<u>316,511</u>	<u>285,601</u>	<u>492,017</u>	<u>479,932</u>
Total	<u>\$ 195,641,231</u>	<u>\$ 316,511</u>	<u>\$ 14,395,983</u>	<u>\$ 181,561,759</u>	<u>\$ 13,504,932</u>

Waterford School District
Notes to the Financial Statements
June 30, 2024

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

\$7,820,000 serial bond due in annual installments ranging from \$915,000 to \$1,140,000 through 2030, interest at 4.00%	\$ 6,145,000
\$20,000,000 serial bond due in annual installments ranging from \$935,000 to \$1,360,000 through 2036, interest ranging from 2.00% to 3.00%	13,515,000
\$50,000,000 serial bond due in annual installments ranging from \$2,300,000 to \$3,475,000 through 2037, interest ranging from 2.00% to 3.00%	36,875,000
\$10,000,000 serial bond due in annual installments ranging from \$300,000 to \$860,000 through 2032, interest at 3.00%	6,250,000
\$17,875,000 serial bond due in annual installments ranging from \$1,190,000 to \$1,655,000 through 2032, interest ranging from 4.00% to 5.00%	12,790,000
\$62,105,000 serial bond due in annual installments ranging from \$2,115,000 to \$4,395,000 through 2042, interest at 5.00%	55,440,000
\$8,475,000 serial bond due in annual installments ranging from \$920,000 to \$1,380,000 through 2027, interest at 5.00%	3,205,000
\$38,330,000 serial bond due in annual installments ranging from \$1,370,000 to \$2,595,000 through 2041, interest at 4.00%	<u>32,610,000</u>
Total general obligation bonded debt	<u>\$ 166,830,000</u>

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

Year Ending June 30,	Bonds	
	Principal	Interest
2025	\$ 13,025,000	\$ 6,676,544
2026	11,515,000	6,144,694
2027	11,975,000	5,692,844
2028	11,450,000	5,235,794
2029	11,910,000	4,806,631
2030-2034	51,265,000	17,725,075
2035-2039	38,980,000	8,487,250
2040-2044	<u>16,710,000</u>	<u>1,527,350</u>
Total	<u>\$ 166,830,000</u>	<u>\$56,296,182</u>

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the debt funds had a balance of \$2,491,125 to pay this debt. Future debt and interest will be payable from future tax levies.

Deferred Amount on Refunding

The 2020, 2021, and 2022 advance refunding's resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$181,720, \$54,772, \$173,400, and \$138,285, respectively. The amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2023 for the 2013 refunding, through fiscal year 2027 for the 2020 refunding, through fiscal year 2041 for the 2021 refunding and through fiscal year 2030 for the 2022 refunding. The activity and resulting balance of this deferred amount is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred amount on refunding	\$ 316,966	\$ -	\$ 64,938	\$ 252,028

Waterford School District
Notes to the Financial Statements
June 30, 2024

Note 10 - Risk Management

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

The School District is self-insured under the Michigan Worker's Disability Compensation Act. Workers' compensation excess insurance has been retained for the aggregate claims exceeding \$2,325,975 for a two year policy period, to a maximum of \$5,000,000. This excess insurance also applies to individual occurrences exceeding \$400,000, with a statutory maximum for those individual occurrences. For governmental activities, the liability for workers' compensation benefits is primarily liquidated by the General Fund.

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

	2024	2023
Estimated liability at the beginning of the year	\$ 187,097	\$ 304,382
Estimated claims incurred including changes in estimates	32,711	24,856
Claim payments	(87,697)	(142,141)
Estimated liability end of year	\$ 132,111	\$ 187,097

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

Note 11 - Pension Plan

Plan Description

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

The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

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

Waterford School District
Notes to the Financial Statements
June 30, 2024

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2022 valuation will be amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for plan year ended September 30, 2023.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	20.16%
Member Investment Plan	3.0 - 7.0%	20.16%
Pension Plus	3.0 - 6.4%	17.24%
Pension Plus 2	6.2%	19.95%
Defined Contribution	0.0%	13.75%

Required contributions to the pension plan from the School District were \$20,266,953 for the year ending September 30, 2023.

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

At June 30, 2024, the School District reported a liability of \$182,003,683 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2023, the School District's proportion was 0.5623 percent, which was an increase of 0.0101 percent from its proportion measured as of September 30, 2022.

For the plan year ending September 30, 2023, the School District recognized pension expense of \$19,065,751 for the measurement period. For the reporting period ending June 30, 2024, the School District recognized total pension contribution expense of \$24,352,270.

Waterford School District
Notes to the Financial Statements
June 30, 2024

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 5,745,301	\$ (278,801)	\$ 5,466,500
Changes of assumptions	24,662,327	(14,219,737)	10,442,590
Net difference between projected and actual earnings on pension plan investments	-	(3,724,385)	(3,724,385)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	2,415,837	(4,713,975)	(2,298,138)
Total to be recognized in future	32,823,465	(22,936,898)	9,886,567
School District contributions subsequent to the measurement date	22,720,610	(11,209,513)	11,511,097
Total	\$ 55,544,075	\$(34,146,411)	\$ 21,397,664

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. The District will offset the contribution expense in the year ended June 30, 2025 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be

recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2024	\$ 1,658,937
2025	2,178,058
2026	8,405,423
2027	(2,355,851)
	\$ 9,886,567

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, 2022
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
 - MIP and Basic Plans: 6.00% net of investment expenses
 - Pension Plus Plan: 6.00% net of investment expenses
 - Pension Plus 2 Plan: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members

Waterford School District
Notes to the Financial Statements
June 30, 2024

- Mortality:
 - Retirees: PubT-2010 Male and Female Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
 - Active: PubT-2010 Male and Female Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.4406 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.8%
Private Equity Pools	16.0	9.6%
International Equity	15.0	6.8%
Fixed Income Pools	13.0	1.3%
Real Estate and Infrastructure Pools	10.0	6.4%
Absolute Return Pools	9.0	4.8%
Real Return/Opportunistic Pools	10.0	7.3%
Short Term Investment Pools	2.0	0.3%
	100.0%	

**Long-term rates of return are net of administrative expenses and 2.7% inflation.*

Rate of Return

For the plan year ended September 30, 2023, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 8.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Waterford School District
Notes to the Financial Statements
June 30, 2024

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension plus plan, 6.00% for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.00%	Current Single Discount Rate Assumption 6.00%	1% Increase 7.00%
\$ 245,886,443	\$ 182,003,683	\$ 128,818,976

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

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

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

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

Note 12 - Postemployment Benefits Other Than Pensions (OPEB) Plan Description

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

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

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

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

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning with fiscal year 2013,

Waterford School District
Notes to the Financial Statements
June 30, 2024

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

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

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

date, and their prior contributions were deposited into their 401(k) account.

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2022 valuation will be amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for plan year 2023.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.07%
Personal Healthcare Fund (PHF)	0.0%	7.21%

Required contributions to the OPEB plan from the School District were \$4,435,836 for the year ended September 30, 2023.

Waterford School District
Notes to the Financial Statements
June 30, 2024

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

At June 30, 2024, the School District reported an asset of \$3,221,258 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2023 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2022. The School District's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2023 the School District's proportion was 0.5694 percent, which was an increase of 0.0184 percent from its proportion measured as of September 30, 2022.

For the plan year ending September 30, 2023, the School District recognized OPEB expense of (\$6,691,207) for the measurement period. For the reporting period ending June 30, 2024, the School District recognized total OPEB contribution expense of \$4,976,440.

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$(24,341,479)	\$(24,341,479)
Changes of assumptions	7,171,082	(863,534)	6,307,548
Net difference between projected and actual earnings on OPEB plan investments	9,822	-	9,822
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>888,528</u>	<u>(2,175,319)</u>	<u>(1,286,791)</u>
Total to be recognized in future	8,069,432	(27,380,332)	(19,310,900)
School District contributions subsequent to the measurement date	<u>4,304,593</u>	<u>-</u>	<u>4,304,593</u>
Total	<u>\$ 12,374,025</u>	<u>\$(27,380,332)</u>	<u>\$(15,006,307)</u>

Waterford School District
Notes to the Financial Statements
June 30, 2024

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as an addition to the net OPEB asset in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows during the following plan years:

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

2024	\$ (6,710,753)
2025	(6,022,794)
2026	(2,392,218)
2027	(1,959,335)
2028	(1,470,529)
Thereafter	<u>(755,271)</u>
	<u>\$ (19,310,900)</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, 2022
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.00% net of investment expenses

- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: Pre-65: 7.50% Year 1 graded to 3.5% Year 15; Post-65: 6.25% Year 1 graded to 3.5% Year 15
- Mortality:
 - Retirees: PubT-2010 Male and Female Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
 - Active: PubT-2010 Male and Female Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Other Assumptions:

- Opt Out Assumption: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total OPEB liability as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years is 6.5099.

Recognition period for assets in years is 5.0000.

Waterford School District
Notes to the Financial Statements
June 30, 2024

Full actuarial assumptions are available in the 2023 MPSERS Annual Comprehensive Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.8%
Private Equity Pools	16.0	9.6%
International Equity	15.0	6.8%
Fixed Income Pools	13.0	1.3%
Real Estate and Infrastructure Pools	10.0	6.4%
Absolute Return Pools	9.0	4.8%
Real Return/Opportunistic Pools	10.0	7.3%
Short Term Investment Pools	2.0	0.3%
	<u>100.0%</u>	

*Long-term rates of return are net of administrative expenses and 2.7% inflation.

Rate of Return

For the plan year ended September 30, 2023, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 7.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the School District's proportionate share of the net OPEB liability or asset calculated using the discount rate of 6.00%, as well as what the School District's proportionate share of the net OPEB liability or asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
\$ 3,339,478	\$ (3,221,258)	\$ (8,859,566)

Waterford School District
Notes to the Financial Statements
June 30, 2024

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ (8,873,624)	\$ (3,221,258)	\$ 2,896,455

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2023 MPSERS Annual Comprehensive Financial Report, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

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

Note 13 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2024.

The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District's attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.

Note 14 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the cities and townships within the County. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2024, the School District's property tax revenues were reduced by \$611,589 under these programs.

There are no significant abatements made by the School District.

Note 15 - Changes Within the Financial Reporting Entity

During the fiscal year the 2020 Series I Fund changed from a major fund to a nonmajor fund.

The implementation had the following effect on fund balance:

	June 30, 2023 As Previously Reported	Adjustments	June 30, 2023 As Adjusted
Governmental Funds			
Major Funds:			
General Fund	\$ 15,900,832	\$ -	\$ 15,900,832
2020 Series I	68,279	(68,279)	-
2020 Series II	61,124,365	-	61,124,365
Nonmajor Funds	6,361,970	68,279	6,430,249
Total Funds	\$ 83,455,446	\$ -	\$ 83,455,446

REQUIRED SUPPLEMENTARY INFORMATION

Waterford School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 15,131,967	\$ 15,496,284	\$ 15,964,152	\$ 467,868
State sources	78,891,001	84,777,252	86,810,764	2,033,512
Federal sources	9,837,327	15,914,002	14,283,735	(1,630,267)
Interdistrict sources	6,852,258	7,126,531	7,629,589	503,058
Total revenues	110,712,553	123,314,069	124,688,240	1,374,171
Expenditures				
Instruction				
Basic programs	23,721,533	26,199,128	27,134,746	935,618
Added needs	15,920,727	17,586,544	19,480,412	1,893,868
Employee benefits	14,581,283	16,519,583	16,838,129	318,546
Supporting services				
Pupil	9,762,533	10,972,833	12,254,378	1,281,545
Instructional staff	2,258,860	2,390,628	3,387,447	996,819
General administration	1,274,410	1,224,644	938,564	(286,080)
School administration	4,203,819	4,211,178	4,349,539	138,361
Business	14,238,758	16,297,182	15,739,894	(557,288)
Central	3,342,702	2,991,951	3,108,731	116,780
Athletic activities	1,702,374	1,827,182	2,001,731	174,549
Civic	58,852	58,852	85,415	26,563
Employee benefits	7,986,869	9,048,569	7,951,283	(1,097,286)
Federal programs	10,230,406	12,217,081	11,054,818	(1,162,263)
Debt service				
Principal	487,667	487,667	326,498	(161,169)
Interest and fiscal charges	40,000	40,000	9,894	(30,106)
Total expenditures	109,810,793	122,073,022	124,661,479	2,588,457
Excess of revenues over expenditures	901,760	1,241,047	26,761	(1,214,286)

Waterford School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Proceeds from subscription arrangements	\$ 400,000	\$ 400,000	\$ -	\$ (400,000)
Transfers in	250,000	250,000	1,739,608	1,489,608
Transfers out	<u>(800,000)</u>	<u>(890,000)</u>	<u>(948,972)</u>	<u>(58,972)</u>
Total other financing sources (uses)	<u>(150,000)</u>	<u>(240,000)</u>	<u>790,636</u>	<u>1,030,636</u>
Net change in fund balances	751,760	1,001,047	817,397	(183,650)
Fund balance - beginning	<u>15,900,832</u>	<u>15,900,832</u>	<u>15,900,832</u>	<u>-</u>
Fund balance - ending	<u>\$ 16,652,592</u>	<u>\$ 16,901,879</u>	<u>\$ 16,718,229</u>	<u>\$ (183,650)</u>

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

	June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. School District's proportion of the net pension liability (%)	0.5623%	0.5522%	0.5598%	0.5862%	0.6089%	0.6292%	0.6373%	0.6550%	0.6847%	0.7286%
B. School District's proportionate share of the net pension liability	\$ 182,003,683	\$ 207,679,037	\$ 132,523,334	\$ 201,377,581	\$ 201,662,094	\$ 189,149,810	\$ 165,146,402	\$ 163,414,471	\$ 167,238,058	\$ 160,486,652
C. School District's covered payroll	\$ 57,024,926	\$ 53,672,732	\$ 49,521,497	\$ 51,431,272	\$ 52,511,862	\$ 53,277,705	\$ 53,070,379	\$ 53,274,188	\$ 57,421,142	\$ 61,986,820
D. School District's proportionate share of the net pension liability as a percentage of its covered payroll	319.17%	386.94%	267.61%	391.55%	384.03%	355.03%	311.18%	306.74%	291.25%	258.90%
E. Plan fiduciary net position as a percentage of total pension liability	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2023.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2023.

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

	For the Years Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions	\$ 24,352,270	\$ 20,218,536	\$ 18,678,648	\$ 16,566,506	\$ 16,090,831	\$ 16,139,266	\$ 14,947,605	\$ 9,792,111	\$ 8,926,955	\$ 11,660,435
B. Contributions in relation to statutorily required contributions	<u>24,352,270</u>	<u>20,218,536</u>	<u>18,678,648</u>	<u>16,566,506</u>	<u>16,090,831</u>	<u>16,139,266</u>	<u>14,947,605</u>	<u>9,792,111</u>	<u>8,926,955</u>	<u>11,660,435</u>
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
D. School District's covered payroll	\$ 62,589,186	\$ 57,652,331	\$ 53,045,555	\$ 48,562,626	\$ 52,397,008	\$ 52,727,396	\$ 53,278,044	\$ 52,042,873	\$ 53,717,246	\$ 58,630,710
E. Contributions as a percentage of covered payroll	38.91%	35.07%	35.21%	34.11%	30.71%	30.61%	28.06%	18.82%	16.62%	19.89%

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

	June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. School District's proportion of the net OPEB liability (asset) (%)	0.5694%	0.5510%	0.5469%	0.5792%	0.6000%	0.6255%	0.6373%			
B. School District's proportionate share of the net OPEB liability (asset)	\$ (3,221,258)	\$ 11,671,836	\$ 8,347,733	\$ 31,028,180	\$ 43,067,643	\$ 49,721,940	\$ 56,436,215			
C. School District's covered payroll	\$ 57,024,926	\$ 53,672,732	\$ 49,521,497	\$ 51,431,272	\$ 52,511,862	\$ 53,277,705	\$ 53,070,379			
D. School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	21.75%	21.75%	16.86%	60.33%	82.02%	93.33%	106.34%			
E. Plan fiduciary net position as a percentage of total OPEB liability	105.04%	83.09%	87.33%	59.44%	36.39%	42.95%	36.39%			

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2023.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2023.

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

	For the Years Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions	\$ 4,976,440	\$ 4,406,317	\$ 4,177,682	\$ 3,935,402	\$ 4,235,368	\$ 4,199,646	\$ 4,961,674			
B. Contributions in relation to statutorily required contributions	<u>4,976,440</u>	<u>4,406,317</u>	<u>4,177,682</u>	<u>3,935,402</u>	<u>4,235,368</u>	<u>4,199,646</u>	<u>4,961,674</u>			
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
D. School District's covered payroll	\$ 62,589,186	\$ 57,652,331	\$ 53,045,555	\$ 48,562,626	\$ 52,397,008	\$ 52,727,396	\$ 53,278,044			
E. Contributions as a percentage of covered payroll	7.95%	7.64%	7.88%	8.10%	8.08%	7.96%	9.31%			

OTHER SUPPLEMENTARY INFORMATION

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2024

	Special Revenue Funds							Total Special Revenue
	Special Education Center Programs	Child Care	Senior Citizens	Pool and Fitness Centers	Performing Arts Centers	Food Service	Senior and Student Activity	
Assets								
Cash	\$ 1,126,840	\$ -	\$ -	\$ -	\$ -	\$ 1,955,884	\$ 2,421,328	\$ 5,504,052
Accounts receivable	4,170	117,018	-	-	-	18,366	-	139,554
Due from other funds	-	-	-	-	-	-	8,227	8,227
Inventory	-	-	-	-	-	49,247	-	49,247
Prepaid items	-	1,487	-	-	-	-	-	1,487
Total assets	<u>\$ 1,131,010</u>	<u>\$ 118,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,023,497</u>	<u>\$ 2,429,555</u>	<u>\$ 5,702,567</u>
Liabilities								
Accounts payable	\$ 9,253	\$ 89,126	\$ -	\$ -	\$ -	\$ 12,641	\$ 5,251	\$ 116,271
Due to other funds	-	-	-	-	-	559,458	845,810	1,405,268
Unearned revenue	-	29,379	-	-	-	30,006	-	59,385
Total liabilities	<u>9,253</u>	<u>118,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>602,105</u>	<u>851,061</u>	<u>1,580,924</u>
Fund Balances								
Non-spendable								
Inventory	-	-	-	-	-	49,247	-	49,247
Restricted for								
Food service	-	-	-	-	-	1,372,145	-	1,372,145
Debt service	-	-	-	-	-	-	-	-
Special education center programs	1,121,757	-	-	-	-	-	-	1,121,757
Committed - senior and student activity	-	-	-	-	-	-	1,578,494	1,578,494
Assigned	-	-	-	-	-	-	-	-
Total fund balances	<u>1,121,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,421,392</u>	<u>1,578,494</u>	<u>4,121,643</u>
Total liabilities and fund balances	<u>\$ 1,131,010</u>	<u>\$ 118,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,023,497</u>	<u>\$ 2,429,555</u>	<u>\$ 5,702,567</u>

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2024

	Debt Service Funds										
	2013 Refunding	2014 Refunding	2016 Series I	2016 Series II	2016 Series III	2016 Series IV	2020 Refunding	2021 Refunding	2022 Refunding	2020 Series II	Total Debt Service
Assets											
Cash	\$ 38,684	\$ 48,067	\$ 190,920	\$ 444,776	\$ 133,253	\$ 263,326	\$ 246,663	\$ 522,619	\$ 92,014	\$ 510,803	\$ 2,491,125
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 38,684</u>	<u>\$ 48,067</u>	<u>\$ 190,920</u>	<u>\$ 444,776</u>	<u>\$ 133,253</u>	<u>\$ 263,326</u>	<u>\$ 246,663</u>	<u>\$ 522,619</u>	<u>\$ 92,014</u>	<u>\$ 510,803</u>	<u>\$ 2,491,125</u>
Liabilities											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances											
Non-spendable											
Inventory	-	-	-	-	-	-	-	-	-	-	-
Restricted for											
Food service	-	-	-	-	-	-	-	-	-	-	-
Debt service	38,684	48,067	190,920	444,776	133,253	263,326	246,663	522,619	92,014	510,803	2,491,125
Special education center programs	-	-	-	-	-	-	-	-	-	-	-
Committed - senior and student activity	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>38,684</u>	<u>48,067</u>	<u>190,920</u>	<u>444,776</u>	<u>133,253</u>	<u>263,326</u>	<u>246,663</u>	<u>522,619</u>	<u>92,014</u>	<u>510,803</u>	<u>2,491,125</u>
Total liabilities and fund balances	<u>\$ 38,684</u>	<u>\$ 48,067</u>	<u>\$ 190,920</u>	<u>\$ 444,776</u>	<u>\$ 133,253</u>	<u>\$ 263,326</u>	<u>\$ 246,663</u>	<u>\$ 522,619</u>	<u>\$ 92,014</u>	<u>\$ 510,803</u>	<u>\$ 2,491,125</u>

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2024

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Building Maintenance	2020 Series I	Total Capital Projects	
Assets				
Cash	\$ 1,177,346	\$ -	\$ 1,177,346	\$ 9,172,523
Accounts receivable	-	-	-	139,554
Due from other funds	-	-	-	8,227
Inventory	-	-	-	49,247
Prepaid items	-	-	-	1,487
	-	-	-	1,487
Total assets	\$ 1,177,346	\$ -	\$ 1,177,346	\$ 9,371,038
Liabilities				
Accounts payable	-	-	-	116,271
Due to other funds	-	-	-	1,405,268
Unearned revenue	-	-	-	59,385
	-	-	-	1,580,924
Total liabilities	-	-	-	1,580,924
Fund Balances				
Non-spendable				
Inventory	-	-	-	49,247
Restricted for				
Food service	-	-	-	1,372,145
Debt service	-	-	-	2,491,125
Special education center programs	-	-	-	1,121,757
Committed - senior and student activity	-	-	-	1,578,494
Assigned - capital projects	1,177,346	-	1,177,346	1,177,346
	1,177,346	-	1,177,346	7,790,114
Total fund balances	1,177,346	-	1,177,346	7,790,114
Total liabilities and fund balances	\$ 1,177,346	\$ -	\$ 1,177,346	\$ 9,371,038

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024

	Special Revenue Funds							Total Special Revenue
	Special Education Center Programs	Child Care	Senior Citizens	Pool and Fitness Centers	Performing Arts Centers	Food Service	Senior and Student Activity	
Revenues								
Local sources	\$ -	\$ 841,943	\$ 401,745	\$ 389,209	\$ 73,572	\$ 717,149	\$ 1,194,946	\$ 3,618,564
State sources	1,535,464	-	-	-	-	1,127,155	-	2,662,619
Federal sources	-	-	333,636	-	-	4,547,420	-	4,881,056
Interdistrict sources	5,362,130	-	-	-	-	4,259	-	5,366,389
Total revenues	<u>6,897,594</u>	<u>841,943</u>	<u>735,381</u>	<u>389,209</u>	<u>73,572</u>	<u>6,395,983</u>	<u>1,194,946</u>	<u>16,528,628</u>
Expenditures								
Current								
Education								
Instruction	4,750,323	-	-	-	-	-	-	4,750,323
Supporting services	1,749,949	1,366,661	431,124	675,826	181,830	1,780,315	1,281,455	7,467,160
Federal programs	-	-	333,636	-	-	4,547,420	-	4,881,056
Capital outlay	-	-	-	-	-	-	-	-
Debt service								
Principal	-	-	-	-	-	-	-	-
Interest and other expenditures	-	-	-	-	-	-	-	-
Total expenditures	<u>6,500,272</u>	<u>1,366,661</u>	<u>764,760</u>	<u>675,826</u>	<u>181,830</u>	<u>6,327,735</u>	<u>1,281,455</u>	<u>17,098,539</u>
Excess (deficiency) of revenues over expenditures	<u>397,322</u>	<u>(524,718)</u>	<u>(29,379)</u>	<u>(286,617)</u>	<u>(108,258)</u>	<u>68,248</u>	<u>(86,509)</u>	<u>(569,911)</u>
Other Financing Sources (Uses)								
Transfers in	-	524,718	29,379	286,617	108,258	-	-	948,972
Transfers out	-	-	-	-	-	(386,594)	-	(386,594)
Total other financing sources (uses)	<u>-</u>	<u>524,718</u>	<u>29,379</u>	<u>286,617</u>	<u>108,258</u>	<u>(386,594)</u>	<u>-</u>	<u>562,378</u>
Net change in fund balances	397,322	-	-	-	-	(318,346)	(86,509)	(7,533)
Fund balances - beginning of year as previously presented	724,435	-	-	-	-	1,739,738	1,665,003	4,129,176
Change within financial report entity (major to nonmajor fund)	-	-	-	-	-	-	-	-
Fund balances - beginning, as adjusted	<u>724,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,739,738</u>	<u>1,665,003</u>	<u>4,129,176</u>
Fund balances - ending	<u>\$ 1,121,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,421,392</u>	<u>\$ 1,578,494</u>	<u>\$ 4,121,643</u>

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024

Debt Service Funds

	2013 Refunding	2014 Refunding	2016 Series I	2016 Series II	2016 Series III	2016 Series IV	2020 Refunding	2021 Refunding	2022 Refunding	2020 Series II	Total Debt Service
Revenues											
Local sources	\$ 4,749	\$ -	\$ 1,382,366	\$ 3,328,503	\$ 967,913	\$ 1,851,684	\$ 1,693,240	\$ 3,767,227	\$ 1,243,026	\$ 7,323,977	\$ 21,562,685
State sources	-	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-	-
Interdistrict sources	-	-	-	-	-	-	-	-	-	-	-
Total revenues	4,749	-	1,382,366	3,328,503	967,913	1,851,684	1,693,240	3,767,227	1,243,026	7,323,977	21,562,685
Expenditures											
Current											
Education											
Instruction	-	-	-	-	-	-	-	-	-	-	-
Supporting services	-	-	-	-	-	-	-	-	-	-	-
Federal programs	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Debt service											
Principal	-	-	905,000	1,950,000	690,000	1,130,000	1,360,000	2,115,000	875,000	3,855,000	12,880,000
Interest and other expenditures	-	-	380,369	1,142,440	209,856	591,106	213,448	1,385,757	280,057	2,958,174	7,161,207
Total expenditures	-	-	1,285,369	3,092,440	899,856	1,721,106	1,573,448	3,500,757	1,155,057	6,813,174	20,041,207
Excess (deficiency) of revenues over expenditures	4,749	-	96,997	236,063	68,057	130,578	119,792	266,470	87,969	510,803	1,521,478
Other Financing Sources (Uses)											
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	4,749	-	96,997	236,063	68,057	130,578	119,792	266,470	87,969	510,803	1,521,478
Fund balances - beginning of year as previously	33,935	48,067	93,923	208,713	65,196	132,748	126,871	256,149	4,045	-	969,647
Change within financial report entity (major to no	-	-	-	-	-	-	-	-	-	-	-
Fund balances - beginning, as adjusted	33,935	48,067	93,923	208,713	65,196	132,748	126,871	256,149	4,045	-	969,647
Fund balances - ending	\$ 38,684	\$ 48,067	\$ 190,920	\$ 444,776	\$ 133,253	\$ 263,326	\$ 246,663	\$ 522,619	\$ 92,014	\$ 510,803	\$ 2,491,125

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Building Maintenance	Formerly Major Fund 2020 Series I	Total Capital Projects	
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ 25,181,249
State sources	-	-	-	2,662,619
Federal sources	-	-	-	4,881,056
Interdistrict sources	-	-	-	5,366,389
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,091,313</u>
Expenditures				
Current				
Education				
Instruction	-	-	-	4,750,323
Supporting services	-	-	-	7,467,160
Federal programs	-	-	-	4,881,056
Capital outlay	85,801	68,279	154,080	154,080
Debt service				
Principal	-	-	-	12,880,000
Interest and other expenditures	-	-	-	7,161,207
Total expenditures	<u>85,801</u>	<u>68,279</u>	<u>154,080</u>	<u>37,293,826</u>
Excess (deficiency) of revenues over expenditures	<u>(85,801)</u>	<u>(68,279)</u>	<u>(154,080)</u>	<u>797,487</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	948,972
Transfers out	-	-	-	(386,594)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>562,378</u>
Net change in fund balances	(85,801)	(68,279)	(154,080)	1,359,865
Fund balances - beginning	1,263,147	-	1,263,147	6,361,970
Change within financial report entity (major to nonmajor fund)	<u>-</u>	<u>68,279</u>	<u>68,279</u>	<u>68,279</u>
Fund balances - beginning, as adjusted	<u>1,263,147</u>	<u>68,279</u>	<u>1,331,426</u>	<u>6,430,249</u>
Fund balances - ending	<u>\$ 1,177,346</u>	<u>\$ -</u>	<u>\$ 1,177,346</u>	<u>\$ 7,790,114</u>

Waterford School District
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2024

Year Ending June 30,	2016 Series I	2016 Series II	2016 Series III	2016 Series IV	2020 Refunding	2021 Refunding and 2020 Series I	2022 Refunding	2020 Series II	Total
2025	\$ 935,000	\$ 2,300,000	\$ 700,000	\$ 1,190,000	\$ 1,380,000	\$ 2,220,000	\$ 915,000	\$ 3,385,000	\$ 13,025,000
2026	960,000	2,400,000	720,000	1,245,000	905,000	2,315,000	955,000	2,015,000	11,515,000
2027	995,000	2,500,000	740,000	1,315,000	920,000	2,390,000	1,000,000	2,115,000	11,975,000
2028	1,025,000	2,550,000	760,000	1,360,000	-	2,490,000	1,045,000	2,220,000	11,450,000
2029	1,055,000	2,625,000	800,000	1,415,000	-	2,595,000	1,090,000	2,330,000	11,910,000
2030	1,095,000	2,700,000	830,000	1,475,000	-	1,370,000	1,140,000	2,450,000	11,060,000
2031	1,130,000	2,800,000	840,000	1,535,000	-	1,425,000	-	2,570,000	10,300,000
2032	1,170,000	2,900,000	860,000	1,600,000	-	1,485,000	-	2,700,000	10,715,000
2033	1,210,000	3,000,000	-	1,655,000	-	1,545,000	-	2,835,000	10,245,000
2034	1,265,000	3,100,000	-	-	-	1,605,000	-	2,975,000	8,945,000
2035	1,315,000	3,200,000	-	-	-	1,670,000	-	3,125,000	9,310,000
2036	1,360,000	3,325,000	-	-	-	1,735,000	-	3,280,000	9,700,000
2037	-	3,475,000	-	-	-	1,805,000	-	3,445,000	8,725,000
2038	-	-	-	-	-	1,875,000	-	3,620,000	5,495,000
2039	-	-	-	-	-	1,950,000	-	3,800,000	5,750,000
2040	-	-	-	-	-	2,030,000	-	3,990,000	6,020,000
2041	-	-	-	-	-	2,105,000	-	4,190,000	6,295,000
2042	-	-	-	-	-	-	-	4,395,000	4,395,000
Total	\$ 13,515,000	\$ 36,875,000	\$ 6,250,000	\$ 12,790,000	\$ 3,205,000	\$ 32,610,000	\$ 6,145,000	\$ 55,440,000	\$ 166,830,000
Principal payments due the first day of	May	May	May	May	May	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	May and November	May and November	May and November	
Interest rate	2.00% - 3.00%	2.00% - 3.00%	2.00% - 3.00%	4.00% - 5.00%	4.00% - 5.00%	4.00%	4.00%	5.00%	
Original issue	<u>\$ 20,000,000</u>	<u>\$ 50,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 17,875,000</u>	<u>\$ 8,475,000</u>	<u>\$ 38,330,000</u>	<u>\$ 7,820,000</u>	<u>\$ 62,105,000</u>	

Waterford School District

Single Audit Report

June 30, 2024



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

Table of Contents

	Page
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	10
Summary Schedule of Prior Audit Findings	12
Corrective Action Plan	13

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waterford School District, as of and for the year ended June 30, 2024, 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 28, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterford School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2024-001.

Waterford School District's Response to Findings and Corrective Action Plan

Government Auditing Standards requires the auditor to perform limited procedures on Waterford School District's response to the finding identified in our audit and described in the accompanying of findings and questioned costs in a Single Audit and corrective action plan. Waterford School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Yeo & Yeo, P.C.

Auburn Hills, Michigan
October 28, 2024

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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Waterford School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Waterford School District's major federal programs for the year ended June 30, 2024. Waterford School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Waterford School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Waterford School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Waterford School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to Waterford School District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Waterford School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Waterford School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Waterford School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Waterford School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Waterford School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waterford School District, as of and for the year ended June 30, 2024, 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 28, 2024, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Auburn Hills, Michigan
October 28, 2024

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor Pass-Through Grantor Program Title	Assistance Listing Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2023	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Unearned) Revenue June 30, 2024
U.S. Department of Agriculture									
Passed through Michigan Department of Education									
Local Food for Schools	10.185	230985	\$ 39,072	\$ -	\$ -	\$ 39,072	\$ 39,072	\$ -	\$ -
Child Nutrition Cluster									
Cash assistance									
National School Breakfast Program	10.553	231970	1,105,409	-	940,275	165,134	165,134	-	-
National School Breakfast Program	10.553	241970	1,131,095	-	-	1,131,095	1,131,095	-	-
				-	940,275	1,296,229	1,296,229	-	-
Non-cash assistance (commodities)									
Entitlement Commodities	10.555	23-24	264,298	-	-	264,298	264,298	-	-
Bonus	10.555	23-24	385	-	-	385	385	-	-
				-	-	264,683	264,683	-	-
Cash assistance									
Seamless Summer Option Lunch	10.555	231960	2,228,960	-	1,885,647	343,313	343,313	-	-
Supply Chain Assistance	10.555	240910	172,826	-	-	172,826	172,826	-	-
Seamless Summer Option Lunch	10.555	241960	2,350,826	-	-	2,350,826	2,350,826	-	-
				-	1,885,647	2,866,965	2,866,965	-	-
				-	1,885,647	3,131,648	3,131,648	-	-
Summer Food Service Program for Children	10.559	230900	78,818	16,451	16,451	78,818	62,367	-	-
Summer Food Service Program for Children	10.559	240900	18,104	-	-	-	18,104	-	18,104
				16,451	16,451	78,818	80,471	-	18,104
Total Child Nutrition Cluster				16,451	2,842,373	4,506,695	4,508,348	-	18,104
Total U.S. Department of Agriculture				16,451	2,842,373	4,545,767	4,547,420	-	18,104
U.S. Department of Treasury									
Passed through Universal Service Administrative Company									
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	22238	350,000	(175,000)	175,000	-	175,000	-	-
Passed through Michigan Department of Education									
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	234423	4,850,466	-	-	49,339	117,581	-	68,242
Total U.S. Department of Treasury				(175,000)	175,000	49,339	292,581	-	68,242

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor Pass-Through Grantor Program Title	Assistance Listing Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2023	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Unearned) Revenue June 30, 2024
U.S. Department of Education									
Passed through Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	231530	\$ 1,490,331	\$ 1,301,578	\$ 1,301,578	\$ 1,317,265	\$ 15,687	\$ -	\$ -
Title I Grants to Local Educational Agencies	84.010	241530	1,478,297	-	-	775,322	1,389,093	-	613,771
Passed through Calhoun ISD									
Title I Grants to Local Educational Agencies	84.010	231580	20,000	6,715	6,715	19,102	12,387	-	-
Passed through Oakland Schools									
Title I Grants to Local Educational Agencies	84.010	241580	30,000	-	-	-	25,546	-	25,546
				<u>1,308,293</u>	<u>1,308,293</u>	<u>2,111,689</u>	<u>1,442,713</u>	<u>-</u>	<u>639,317</u>
Passed through Michigan Department of Education									
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	231700	624,887	520,146	520,146	546,464	26,318	-	-
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	241700	628,914	-	-	359,813	628,914	-	269,101
				<u>520,146</u>	<u>520,146</u>	<u>906,277</u>	<u>655,232</u>	<u>-</u>	<u>269,101</u>
Special Education Cluster									
Passed through Oakland Schools									
Special Education Grants to States	84.027A	220450	2,394,213	59,642	2,358,825	95,030	35,388	-	-
Special Education Grants to States	84.027A	230450	2,393,993	2,011,507	2,011,507	2,324,030	382,486	-	69,963
Special Education Grants to States	84.027A	240450	2,551,594	-	-	1,415,280	2,515,203	-	1,099,923
Passed through Marquette-Alger Regional Educational Service Academy									
COVID-19 ARP Special Education Grants to States	84.027A	11-0-93440	67,402	-	40,328	27,074	27,074	-	-
COVID-19 ARP Special Education Grants to States	84.027A	11-0-93450	36,800	-	-	36,800	36,800	-	-
				<u>2,071,149</u>	<u>4,410,660</u>	<u>3,898,214</u>	<u>2,996,951</u>	<u>-</u>	<u>1,169,886</u>
Passed through Oakland Schools									
Special Education - Preschool	84.173A	220460	69,019	16,475	69,019	16,475	-	-	-
Special Education - Preschool	84.173A	230460	81,893	80,848	80,848	81,893	1,045	-	-
Special Education - Preschool	84.173A	240460	80,299	-	-	42,126	79,853	-	37,727
				<u>97,323</u>	<u>149,867</u>	<u>140,494</u>	<u>80,898</u>	<u>-</u>	<u>37,727</u>
COVID-19 ARP Special Education - Preschool	84.173X	221285	40,699	15,009	40,699	15,009	-	-	-
				<u>112,332</u>	<u>190,566</u>	<u>155,503</u>	<u>80,898</u>	<u>-</u>	<u>37,727</u>
Total Special Education Cluster				<u>2,183,481</u>	<u>4,601,226</u>	<u>4,053,717</u>	<u>3,077,849</u>	<u>-</u>	<u>1,207,613</u>
Passed through Michigan Department of Education									
English Language Acquisition State Grants	84.365	230580	129,312	69,000	69,000	92,974	23,974	-	-
English Language Acquisition State Grants	84.365	240580	98,879	-	-	40,143	61,508	-	21,365
Immigrant Students State Grants	84.365	230570	6,238	-	-	-	627	-	627
				<u>69,000</u>	<u>69,000</u>	<u>133,117</u>	<u>86,109</u>	<u>-</u>	<u>21,992</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, 2024

Federal Grantor Pass-Through Grantor Program Title	Assistance Listing Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2023	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Unearned) Revenue June 30, 2024
Passed through Michigan Department of Education									
Supporting Effective Instruction State Grants	84.367	230520	\$ 345,302	\$ 345,302	\$ 345,302	\$ 340,391	\$ -	\$ (4,911)	\$ -
Supporting Effective Instruction State Grants	84.367	240520	219,314	-	-	52,272	173,042	-	120,770
				<u>345,302</u>	<u>345,302</u>	<u>392,663</u>	<u>173,042</u>	<u>(4,911)</u>	<u>120,770</u>
Passed through Michigan Department of Education									
Student Support and Academic Enrichment	84.424A	230750	146,661	146,661	146,661	141,754	-	(16,134)	(11,227)
Student Support and Academic Enrichment	84.424A	240750	106,666	-	-	31,710	55,833	-	24,123
				<u>146,661</u>	<u>146,661</u>	<u>173,464</u>	<u>55,833</u>	<u>(16,134)</u>	<u>12,896</u>
Passed through Michigan Department of Education									
COVID-19 ESSER II Funds - Formula	84.425D	213712	4,456,846	686,287	4,360,112	783,021	96,734	-	-
COVID-19 ESSER II Discretionary - Section 23b(2a) Summer School	84.425D	213722	256,300	256,300	256,300	256,300	-	-	-
COVID-19 ESSER II Discretionary - Section 23b(2b) Credit Recovery	84.425D	213742	1,078,550	1,078,550	1,078,550	1,078,550	-	-	-
COVID-19 ESSER II Discretionary - Section 23b(2c) Before & After School	84.425D	213752	25,000	21,839	21,839	21,839	-	-	-
COVID-19 ESSER II - 98c Per Pupil Learning Loss	84.425D	213782	373,028	108,843	108,843	373,028	264,185	-	-
				<u>2,151,819</u>	<u>5,825,644</u>	<u>2,512,738</u>	<u>360,919</u>	<u>-</u>	<u>-</u>
COVID-19 American Rescue Plan - ESSER III	84.425U	213713	8,449,984	3,477,329	4,557,229	2,699,866	3,861,478	-	4,638,941
COVID-19 American Rescue Plan - Homeless II	84.425W	211012	51,042	-	-	-	51,042	-	51,042
				<u>5,629,148</u>	<u>10,382,873</u>	<u>5,212,604</u>	<u>4,273,439</u>	<u>-</u>	<u>4,689,983</u>
Total U.S. Department of Education				<u>10,202,031</u>	<u>17,373,501</u>	<u>12,983,531</u>	<u>9,764,217</u>	<u>(21,045)</u>	<u>6,961,672</u>
U.S. Department of Health and Human Services									
Passed through Regional Area of Aging									
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	23-9052-03	291,614	31,629	291,614	31,629	-	-	-
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	24-9052-03	333,636	-	-	308,395	333,636	-	25,241
				<u>31,629</u>	<u>291,614</u>	<u>340,024</u>	<u>333,636</u>	<u>-</u>	<u>25,241</u>
Passed through Oakland Livingston Human Services Agency (OLHSA)									
Head Start Cluster									
Head Start	93.600	05CH011937-23	873,612	496,481	496,481	873,612	377,131	-	-
Head Start	93.600	05CH011937-24	873,612	-	-	-	477,963	-	477,963
				<u>496,481</u>	<u>496,481</u>	<u>873,612</u>	<u>855,094</u>	<u>-</u>	<u>477,963</u>
Passed through Oakland Schools									
Medicaid Cluster									
Medical Assistance Program	93.778	23-24	68,460	-	-	68,460	68,460	-	-
Total U.S. Department of Health and Human Services				<u>528,110</u>	<u>788,095</u>	<u>1,282,096</u>	<u>1,257,190</u>	<u>-</u>	<u>503,204</u>
Total Federal Awards				<u>\$10,571,592</u>	<u>\$ 21,178,969</u>	<u>\$ 18,860,733</u>	<u>\$ 15,861,408</u>	<u>\$ (21,045)</u>	<u>\$ 7,551,222</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, 2024

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, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Waterford School District, it is not intended to and does not present the financial position, changes in financial positions, and where applicable, cash flows of Waterford School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures

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

Indirect Cost Rate

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

Note 3 - Reconciliation to the Financial Statements

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

Expenditures per the schedule of expenditures of federal awards	\$ 15,861,408
Adjustment	(21,045)
Funds not received within 60 days of June 30, 2023	3,802,391
Funds not received within 60 days of June 30, 2024	<u>(477,963)</u>
Federal revenues per the financial statements	<u>\$ 19,164,791</u>

Adjustments to the schedule of expenditures of federal awards of \$4,911 and \$16,134 were made for grant 230520 Supporting Effective Instruction State Grants (AL #84.367) and to grant 230750 Student Support and Academic Enrichment (AL #84.424A), respectively, for receipts that were unspent and taken back by the Michigan Department of Education.

Note 4 - Subrecipients

No amounts were provided to subrecipients.

Note 5 - Michigan Department of Education Disclosure

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

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

Waterford School District
Schedule of Findings and Questioned Costs
June 30, 2024

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<i>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
21.027	Coronavirus State & Local Fiscal Recovery Funds
84.425D, 84.425U, 84.425W	Education Stabilization Fund

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

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

Waterford School District
Schedule of Findings and Questioned Costs
June 30, 2024

SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS

2024-001 – Significant Deficiency and Noncompliance

Criteria: Sections 18 and 19 (MCL 141.438 and 141.439) of the Uniform Budgeting and Accounting Act state that an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body. Additionally, the chief administrative officer, an administrative officer, or an employee of the local unit shall not apply or divert money for purposes inconsistent with those specified in the appropriations.

Condition: Budget overages were noted in the General Fund, Food Service Fund, Childcare Fund and Senior Citizens Fund for multiple functions.

Cause and Effect: Constant changes in state and federal funding resulted in management needing to shift expenditures throughout the year and subsequent to year end between various funding sources. As a result, some of the expenditures were not properly captured in the accurate function in the School District's final amended budget.

Recommendation: We recommend that management monitor the budget throughout the year and ensure any needed changes for grants and other items are identified prior to year end and incorporated into the final budget amendment to avoid overages in General Fund, as well as special revenue funds. We also recommend that management evaluate and consider changing the functions used for budgeting to be more consistent with the Michigan Department of Education chart of account functions and other school districts in the state.

Views of Responsible Officials: Management agrees with the finding.

Corrective Action Plan: See attached corrective action plan from management.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2024.

Waterford School District
Summary Schedule of Prior Audit Findings
June 30, 2024

SECTION IV- PRIOR AUDIT FINDINGS

Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2023.

Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2023.



Waterford School District

Kurzman Administration Services
Crary Campus
501 N. Cass Lake Road
Waterford, Michigan 48328

Government Auditing Standards Finding Corrective Action Plan

Finding Reference #: 2024-001 – Significant Deficiency and Noncompliance

Name(s) of Contact Persons: Sandra Elka, Assistant Superintendent Business & Operations
Amy Dagenhardt, Director of Finance & Budget

Corrective Action Plan: The District will maintain ongoing budget monitoring throughout the year, incorporating any necessary adjustments by function in the final budget amendment to prevent overages in the General Fund and Special Revenue Funds.

Based on auditor feedback, the District will explore revisiting its approach to federal grant budgeting, organizing these funds by function. This will involve adding a dedicated column for grants in the budget appropriation while consolidating them within the General Fund by function in the financial statements. Additionally, the district will adjust how fringe benefits are budgeted by function as they are allocated.

To keep stakeholders informed, the District will also continue providing monthly budget reports and present budget updates bimonthly to the Board of Education, which started in August and October 2024. The adjustments will be reflected in the final budget amendment of year to meet audit recommendations and ensure accurate functional budgeting in the District's amended budget.

Anticipated Completion Date: June 30, 2025