

Waterford School District

Financial Statements

June 30, 2019



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Waterford School District
Members of the Board of Education and Administration
June 30, 2019

Members of the Board of Education

Bob Piggott – President

John Paul Torres – Vice President

Heather Halls – Secretary

Mary Barghan – Treasurer

Julie Josselyn – Trustee

Robert Petruscha – Trustee

Joan Sutherland – Trustee

Administration

Dr. Keith Wunderlic – Superintendent 2018/19

Scott Lindberg – Superintendent 2019/20

William D. Holbrook, CPA – Assistant Superintendent of Business and Operations

Amy Dagenhardt – Director of Finance and Budget



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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Waterford School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Waterford School District, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Required Supplementary Information

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

Other Information

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

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

Prior Year Supplementary Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Waterford School District's basic financial statements as of and for the year ended June 30, 2018, which are not presented with the accompanying financial statements. In our report dated October 10, 2018, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Waterford School District's financial statements as a whole. The 2018 information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2018 information in the comparative supplementary schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2019 on our consideration of Waterford School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterford School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

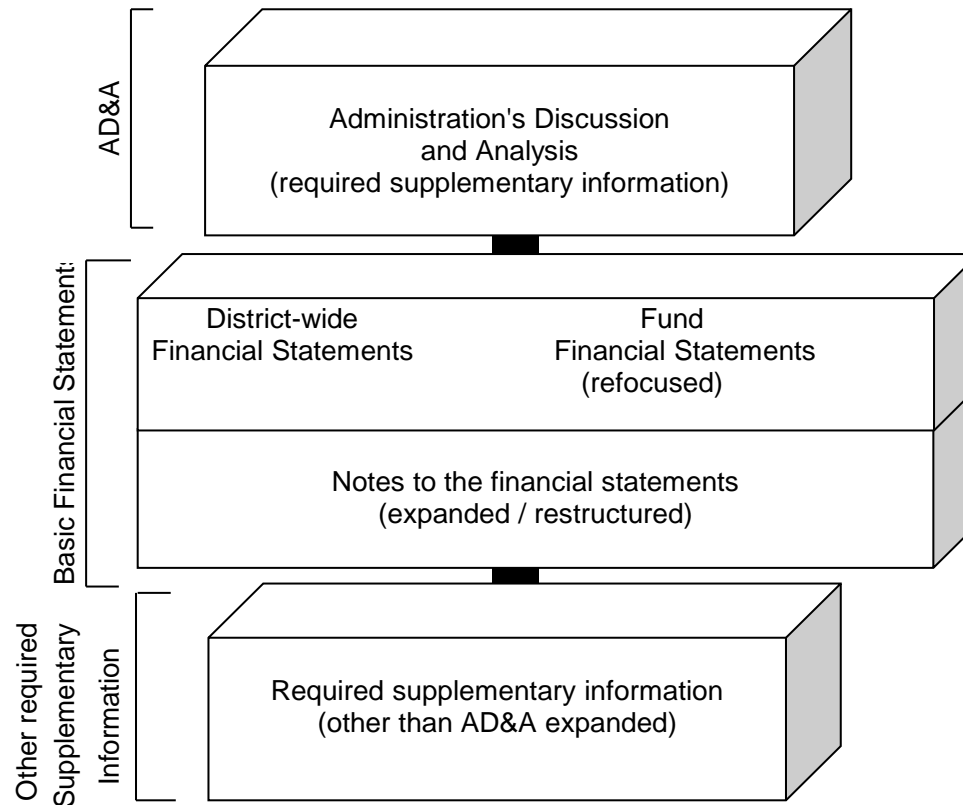
Auburn Hills, Michigan
October 11, 2019

ADMINISTRATION'S DISCUSSION AND ANALYSIS

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2019**

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, 2019.

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, 2019**

District Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2019

Financial Analysis of the District as a Whole:

Assets	<u>2018-2019</u>	<u>2017-2018</u>	<u>Change</u>
Current assets	\$ 84,340,076	\$ 93,579,486	\$ (9,239,410)
Capital assets	330,627,239	294,818,512	35,808,727
Less: accumulated depreciation	<u>(143,054,519)</u>	<u>(132,330,620)</u>	<u>(10,723,899)</u>
Capital assets, net book value	<u>187,572,720</u>	<u>162,487,892</u>	<u>25,084,828</u>
Total assets	<u>271,912,796</u>	<u>256,067,378</u>	<u>15,845,418</u>
Deferred outflow of resources			
Deferred amount on refunding	90,860	113,575	(22,715)
Deferred amount of pension expense related to net pension liability	59,685,038	34,184,587	25,500,451
Deferred amount of pension expense related to net OPEB liability	<u>8,835,720</u>	<u>3,498,736</u>	<u>5,336,984</u>
Total deferred outflows	<u>68,611,618</u>	<u>37,796,898</u>	<u>25,477,736</u>
Total assets and deferred outflows	<u>340,524,414</u>	<u>293,864,276</u>	<u>41,323,154</u>
Liabilities			
Current liabilities	46,802,500	42,760,533	4,041,967
Long-term liabilities	<u>378,574,066</u>	<u>357,015,284</u>	<u>21,558,782</u>
Total liabilities	425,376,566	399,775,817	25,600,749
Deferred inflow of resources			
Deferred amount relating to net pension liability	29,593,959	26,375,188	3,218,771
Deferred amount relating to net OPEB liability	<u>12,196,017</u>	<u>1,907,956</u>	<u>10,288,061</u>
Total deferred inflows	<u>41,789,976</u>	<u>28,283,144</u>	<u>13,506,832</u>
Total liabilities and deferred inflows	<u>467,166,542</u>	<u>428,058,961</u>	<u>39,107,581</u>
Net Position			
Net investment in capital assets	70,787,744	66,344,183	4,443,561
Restricted	903,598	1,122,486	(218,888)
Unrestricted (deficit)	<u>(198,333,470)</u>	<u>(201,661,354)</u>	<u>3,327,884</u>
Total net position	<u>\$ (126,642,128)</u>	<u>\$ (134,194,685)</u>	<u>\$ 7,552,557</u>

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2019

As indicated by the statement on the prior page, total fiscal year 2018-19 and 2017-18 net position is (\$126,642,128) and (\$134,194,685) respectively. Net position can be separated into three categories: net investment in capital assets, restricted net position, and unrestricted net position.

Net capital assets are a combination of funds available for capital assets, plus capital assets at original cost less accumulated depreciation and related debt. The original cost of capital assets for fiscal year 2018-2019 and 2017-2018 is \$330,627,239 and \$294,818,512, respectively, which is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense year after year. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation for fiscal year 2018-2019 and 2017-2018 is 143,054,519 and \$132,330,620, respectively. Most capital asset acquisitions are financed through long-term debt. Primarily, long-term debt is repaid as the debt service comes due through property taxes approved by the voters. Total long-term debt for fiscal year 2018-2019 and 2017-2018 was \$153,592,316 and \$148,347,667, respectively.

Restricted net position for fiscal year 2018-2019 consist of Debt Service of \$903,598. The remaining net position of (\$198,333,470) and (\$201,661,354) for fiscal year 2018-2019 and 2017-2018, respectively, are unrestricted. The unrestricted net position is an accumulation of prior years' operating results, and includes the GASB 68 and GASB 75 Unfunded Liability. This balance is directly affected each year by the District's operating results.

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

- Current assets decreased \$9,239,410, primarily due to the spend down of the capital project funds as construction projects are underway.
- Net Capital assets increased \$25,084,828 as a result of \$35,808,727 in capital improvements, offset by \$10,723,899 in normally scheduled depreciation.
- Current liabilities increased by \$4,041,967 mainly due to an increase in bond principal and interest payments, offset by a reduction of the short-term borrowing note and timing of accounts payable and Capital Projects expenses.
- Long-term liabilities increased \$21,558,782 mainly as a result of increased pension and OPEB liabilities of \$17,289,133, plus the issuance of 2016 Series IV Bonds offset by scheduled principal payments netting to \$4,269,649 (net of change in amount due within one year).

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2019**

	<u>2018-2019</u>	<u>2017-2018</u>	<u>Change</u>
Program revenue:			
Charges for services local and intermediate	\$ 5,764,360	\$ 5,574,019	\$ 190,341
Operating grants - federal and state	40,245,484	40,812,086	(566,602)
Total revenue	46,009,844	46,386,105	(376,261)
General revenue:			
Property taxes, levied for general purposes	11,601,939	11,695,524	(93,585)
State of Michigan aid, unrestricted	55,825,313	56,856,998	(1,031,685)
Total foundation allowance	67,427,252	68,552,522	(1,125,270)
Property taxes, levied for debt service	16,705,112	16,094,988	610,124
Interest and investment earnings	1,136,963	668,950	468,013
Gain sale of capital sale	438,241	-	438,241
Other	153,751	604,747	(450,996)
Total revenues	18,434,067	17,368,685	1,065,382
Total revenues	131,871,163	132,307,312	(436,149)
Expenses:			
Instruction	64,534,320	64,018,454	515,866
Support services	40,858,593	41,250,934	(392,341)
Food service	5,261,607	4,559,483	702,124
Pool & Fitness centers	985,792	1,100,905	(115,113)
Performing arts center	248,994	259,283	(10,289)
Childcare	1,328,916	1,201,033	127,883
Senior citizens	718,596	714,030	4,566
Special education center programs	6,384,165	6,619,136	(234,971)
Tax tribunal refunds	78,359	69,041	9,318
Interest on long-term debt	3,919,264	3,574,883	344,381
Total expenses	124,318,606	123,367,182	951,424
Change in net position	<u>\$ 7,552,557</u>	<u>\$ 8,940,130</u>	<u>\$ (1,387,573)</u>

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2019

As indicated on the above, fiscal year 2018-2019 and 2017-2018, the change in net position was \$7,552,557 and \$8,940,130, respectively.

The 2018-2019 increase in net position as compared to fiscal year 2017-2018 is due to the following factors:

Revenues:

- Operating grants decreased \$566,602, primarily due to a decrease in Federal grants of \$355,923 in Food and Nutrition Services as a result of a decreased student population, and slight decreases in IDEA and Head Start programing.
- Unrestricted State Aid decreased \$1,031,685 as a result of a decrease of 502 students, offset by a \$238 per student increase in foundation allowance.
- Property taxes increased \$516,539, due to increased taxable property values.
- Earnings on investments of \$468,013 is due to investment income from the capital projects funds.
- Gain on sale of fixed assets of \$438,231 is the result of the sale of two properties, former Burt Elementary School site and the former Senior Center site.

Expenses:

- Instructional expenses increased \$515,866 primarily due to an increase in capital improvements in the school buildings net of related depreciation.
- Support services decreased by \$392,341 due to a decrease in federal expenditures related to support.
- Food Service increased \$702,124 over last year due to planned spend down of fund balance (equipment purchases) and increased food cost.
- Special Education Center Programs decreased \$234,971 as a result of closing one classroom in the program.
- Interest on long term debt increased by \$344,381 due to normally scheduled principal payments and the issuance of 2016 Series IV Bonds.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2019**

Capital Assets and Debt Administration

Capital Assets

At June 30, 2019, the District had \$187,572,720 invested in a broad range of capital assets, including land, buildings, furniture and equipment.

	2018-2019	2017-2018
Capital assets		
Land	\$ 1,096,155	\$ 1,132,100
Construction in progress	12,809,261	6,006,096
Building & additions	299,990,273	273,921,396
Furniture and equipment	8,619,821	5,752,264
Buses and other vehicles	8,111,729	8,006,656
Subtotal	330,627,239	294,818,512
Less: accumulated depreciation	143,054,519	132,330,620
Net capital assets	\$ 187,572,720	\$ 162,487,892

This is an increase in net capital assets of \$25,084,828 over last year. Depreciation expense for the year is \$10,723,899. During the fiscal year, the District sold the last of the 2016 Series of bonds. The 2016 Series IV bond proceeds totaled \$19,529,911. The District expended \$34,989,070 of the 2016 Series II bonds, \$446,006 of the 2016 Series III bonds, and \$424,483 of the 2016 Series IV bonds. Note that not all expenditures meet the district's \$10,000 capitalization threshold to be recorded in this schedule. Construction in progress increased over prior year by \$6,803,164 due to continued projects that include renovations at Beaumont Elementary, Cooley Elementary, Grayson Elementary, and Transportation site renovations. The District has \$21,008,036 remaining of the 2016 Series II bonds, \$9,822,382 of the 2016 Series III bonds, and \$19,525,380 of the 2016 Series IV bonds set aside for future capital projects.

Debt

At the end of this fiscal year, the District had \$148,575,000 in General Obligation Bonds outstanding. This is an increase of \$4,450,000 compared to last year due to the \$17,875,000 2016 Series IV bond issuance, offset by scheduled principal payments.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2019

Governmental Fund Revenues

Sources of Revenues:

Local sources of revenues total \$35,385,112. This is an increase of \$680,478 as compared to prior year. Included in local revenues are General Fund, Debt Fund, Special Education Center Programs Fund, Childcare Fund, Senior Citizen Fund, Pool & Fitness Fund, Performing Arts Centers Fund, Food Service Fund, and Capital Project Fund revenues. The General Fund revenues of \$13,627,809 decreased \$353,335. The Debt Fund local revenues of \$16,828,193 increased \$733,205. Special Education Center Programs revenues were \$0, which was consistent with prior year. The Childcare Fund revenues of \$1,110,909 decreased \$12,281 from prior year. The Senior Citizen Fund revenues of \$501,051 increased \$199,443 over prior year. The Pool & Fitness Center Fund of \$582,211 decreased \$149,859. The Performing Arts Centers Fund had revenue of \$249,077, which was a decrease of \$10,206 from prior year. The Food Service Fund revenues of \$1,530,116 decreased \$48,882 from prior year. Capital Project funds of \$955,746 increased \$322,393 over prior year due to investment income.

State sources of revenue total \$74,912,225. This is a decrease of \$1,523,417 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 \$73,371,328 decreased \$1,364,025 from prior year. This decrease is mainly due to the decline in enrollment of 502 fte totaling \$3,964,294, a decrease in pension funding of \$571,171, offset by a foundation grant increase of \$238 per student totaling \$2,029,288, increase in special education non-membership of \$464,139, increase in Section 24 (Court Placed) funding of \$175,018, and an increase of Section 41 (Bilingual Education) of \$174,398 over prior year. State sources of revenue make up 73.92% of General Fund revenues. This ties the District directly to the State's overall economy.

Federal sources of revenue total \$10,306,484, a decrease of \$355,923 from prior year. This was due to a decrease in Food and Nutrition Services as a result of a decreased student population, and slight decreases in IDEA and Head Start programming.

Interdistrict sources of revenue total \$10,590,173, an increase of \$85,544 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 \$28,307,051 an increase of \$516,539 over prior year. Total property tax revenue is obtained through a voter approved 18-mill levy on the taxable value of non-homestead properties for the District's operations and a voter approved 7.00-mill levy on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2019**

Unrestricted State Aid Foundation Allowance

A significant portion of state funding to the District is through the foundation allowance. The foundation allowance is funding from the state for each student. The District's foundation allowance is \$7,897 for 2018-2019 and \$7,659 for 2017-2018 fiscal years. The number of students to be funded is calculated by student enrollment blended at 90% of the Fall 2018 count and 10% Supplemental Count (February 2018). Total blended student enrollment for this fiscal year is 8,526, a decrease of 502 students from prior year. The overall funding is then reduced by the District's non-homestead tax levy based on 18-mills.

Governmental Fund Expenditures

Expenditures include Instruction, Support Services, Community Services, Federal Programs, School Service Funds, Debt, and Capital Projects. Instruction expenditures of \$50,667,928 decreased \$469,475 as result of less staffing for fewer students. Support Services expenditures of \$37,536,473 decreased \$1,105,801. The changes in Support Services were mostly due to a decrease in employee benefits. Federal Program expenditures of \$7,099,349 decreased \$255,473 due to marginal decreases in IDEA and Head Start. School Service Fund expenses of \$14,852,343 increased \$563,760 over prior year mainly due to Childcare and Food Service. The Capital Projects fund of \$35,859,560 increased \$14,279,482 due to the continuing projects via the 2016 Series II, 2016 Series III, and 2016 Series IV bond improvements. The Debt Service Fund with expenditures of \$17,016,384 increased \$1,200,018 mainly as a result of a full year of 2016 Series II and 2016 Series III principal and interest payments (issued during the 2017-2018 school year) plus the issuance of the 2016 Series IV bonds in the current year.

Economic Factors and Next Year's Budgets and Rates

The Board of Education and administration consider many factors when setting the School District's 2019-2020 fiscal year budget. Three major factors affecting the budget this year are the student count, State funding of the unrestricted foundation allowance, and contract settlements with all bargaining units.

As of the date of this report the state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2019-2020 fiscal year is 90 percent and 10 percent of the Fall 2019 and Supplemental (February) 2019 student counts, respectively. The 2019-2020 budget was adopted in June 2019, based on an estimate of students that will be enrolled in Fall 2019, as well as State Aid funding. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations. Since the District's revenue is heavily dependent upon state funding, actual funding depends on the state's ability to collect revenues to fund its appropriations to school districts.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2019**

Subsequent to year end 2018-2019 the District settled wage re-opener clauses for all 4 bargaining unit contracts for the 2019-2020 fiscal year. Waterford Association of School Administrators, Waterford Education Association, MESPA I and MESPA II received steps and \$500 at the top of wage schedule. MESPA III Transportation, Maintenance and Custodial received four holidays and \$125 off schedule. MESPA III Food Service received steps and 2% wage increase. Non bargaining employees received a 2% wage increase. The WFSP union group dissolved as of June 30, 2019. These employees became part of the non-bargaining group classification. Benefit agreements are on a calendar year basis. The current letter of agreement for benefits include employee contributions to healthcare for those who qualify and extends through December 31, 2019.

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 2018-2019, the budget was amended in April of 2019 to reflect the changes since the Original Budget adopted in June of 2018.

General Fund Revenues:

The General Fund budget revenues for the final budget increased by .77% as compared to the original budget.

General Fund Revenues	
Total revenues final budget	\$ 100,048,442
Total revenues original budget	<u>99,279,428</u>
Increase in budget revenues	<u><u>\$ 769,014</u></u>

Increase in Revenue Budget:

Significant final budget adjustments for the year include:

- Increase in:
 - Pension Funding of \$973,193
 - Special education Non Membership funding of \$474,006
 - Court placed (Section 24) funding of \$200,049
 - PA-18 (local property tax for special education) funding of \$136,832
 - Federal funding of \$135,328

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2019**

- Decrease in:
 - 105 (fte) students totaling \$826,208
 - Childcare contributions of \$110,000

Actual General Fund Revenues vs. Final Budget:

The District's actual General Fund revenues were less than the final budget by \$789,691, a variance of .79%. Of the total variance, local revenues decreased by \$95,912. This decrease is mainly due to a decrease in property taxes of \$163,591, other taxes and penalties revenue of \$69,238, Outdoor Education by \$74,527, offset by an increase of \$338,024 in Medicaid funding. State Sources decreased by \$9,586 due to a decrease in Graduation Alliance funds of \$221,116, and deferring At Risk funds totaling \$636,542. These decreases were offset by an increase in Special Education Non Membership of \$356,685, regular education membership of \$306,925, Targeted Literacy of \$83,475, and MPRSERS define contribution (pension) of \$74,770. Additionally, Interdistrict Sources increased \$57,349 mainly as a result of increased PA-18 funds of \$69,286. Finally, a decrease in Federal Sources of \$741,542 that are deferred into the 2019-2020 fiscal year.

General Fund Expenditures:

The District's budget for expenditures increased by 2.00% for the year ended June 30, 2019:

General Fund Expenditures	
Total expenditures final budget	\$ 99,999,213
Total expenditures original budget	<u>98,040,631</u>
Increase in budget expenditures	<u>\$ 1,958,582</u>

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2019**

Increase in Expenditure Budget:

Some of the final budget adjustments for the year include:

- The change in teaching staff can be summarized:

2018-2019 General Fund	FTE Final Budget	FTE Original Budget	FTE Increase (Decrease)
Regular education teachers	377.57	377.95	(0.38)
Special education teachers	138.58	139.06	(0.48)
	<u>516.15</u>	<u>517.01</u>	<u>(0.86)</u>

- Increase as follows:
 - Wage increase of 2% for all employees totaling \$1,463,403
 - State speech categorical (54d) of \$84,000
 - Federal programs of \$137,555

Actual General Fund Expenditures vs. Final Budget:

The District's actual General Fund expenditures were less than the final budget by 2.99%. This variance of \$2,994,287 is a result of a decrease in Special Education of 582,668, Compensatory Education of \$523,014, Central Services of \$1,213,816 and Federal programs of \$741,542. Although the District maintained a 2.99% variance in expenditures, this is partially offset by a corresponding deferral of state categorical and federal revenues.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

Waterford School District
Statement of Net Position
June 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 36,159,943
Investments	30,034,578
Accounts receivable	867,319
Due from other governmental units	17,249,587
Inventory	20,601
Prepaid items	8,048
Capital assets not being depreciated	13,905,416
Capital assets - net of accumulated depreciation	<u>173,667,304</u>
Total assets	<u>271,912,796</u>
Deferred outflows of resources	
Deferred amount on refunding	90,860
Deferred amount relating to net pension liability	59,685,038
Deferred amount relating to net OPEB liability	<u>8,835,720</u>
Total deferred outflows	<u>68,611,618</u>
Total assets and deferred outflows of resources	<u>340,524,414</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Statement of Net Position
June 30, 2019

	Governmental Activities
Liabilities	
Accounts payable	\$ 9,934,904
State aid and tax anticipation notes	9,640,000
Payroll deductions and withholdings	4,481,335
Accrued expenditures	1,536,425
Accrued salaries payable	5,392,318
Unearned revenue	1,927,518
Long-term liabilities	
Debt due within one year	13,890,000
Debt due in more than one year	139,702,316
Net pension liability	189,149,810
Net OPEB liability	49,721,940
Total liabilities	425,376,566
Deferred inflow of resources	
Deferred amount relating to net pension liability	29,593,959
Deferred amount relating to net OPEB liability	12,196,017
Total liabilities and deferred inflows of resources	467,166,542
Net position	
Net investment in capital assets	70,787,744
Restricted	
Debt service	903,598
Unrestricted (deficit)	(198,333,470)
Total net position	\$ (126,642,128)

See Accompanying Notes to the Financial Statements

Waterford School District
Statement of Activities
For the Year Ended June 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Functions/Programs				
Governmental activities				
Instruction	\$ 64,534,320	265,251	18,991,276	\$ -
Supporting services	40,858,593	1,525,745	11,076,268	-
Food services	5,261,607	1,530,116	3,422,158	-
Pool and fitness centers	985,792	582,211	-	-
Performing arts centers	248,994	249,077	-	-
Child care	1,328,916	1,110,909	-	-
Senior citizens	718,596	501,051	204,102	-
Special education center program	6,384,165	-	6,551,680	-
Tax tribunals refunds	78,359	-	-	-
Interest and fiscal charges on long-term debt	3,919,264	-	-	-
Total governmental activities	\$ 124,318,606	\$ 5,764,360	\$ 40,245,484	\$ -
General revenues				
Property taxes, levied for general purposes				11,601,939
Property taxes, levied for debt service				16,705,112
State aid - unrestricted				55,825,313
Interest and investment earnings				1,136,963
Gain on sale of capital assets				438,241
Other				153,751
Total general revenues				85,861,319
Change in net position				7,552,557
Net position - beginning				(134,194,685)
Net position - ending				\$ (126,642,128)

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Balance Sheet
June 30, 2019

	General Fund	Capital Projects			Nonmajor Governmental Funds	Total Governmental Funds
		2016 Series II	2016 Series III	2016 Series IV		
Assets						
Cash and cash equivalents	\$ 8,046,106	\$ 651,350	\$ 53,565	\$ 19,525,380	\$ 6,329,142	\$ 34,605,543
Investments	-	20,356,686	9,677,892	-	-	30,034,578
Accounts receivable	847,771	-	-	-	19,548	867,319
Due from other funds	5,798,771	-	90,925	-	-	5,889,696
Due from other governmental units	17,084,010	-	-	-	165,577	17,249,587
Inventory	-	-	-	-	20,601	20,601
Prepaid items	1,884	-	-	-	6,164	8,048
Total assets	\$ 31,778,542	\$ 21,008,036	\$ 9,822,382	\$ 19,525,380	\$ 6,541,032	\$ 88,675,372
Liabilities and fund balance						
Liabilities						
Accounts payable	\$ 1,010,192	\$ 8,803,273	\$ -	\$ 852	\$ 120,587	\$ 9,934,904
State aid and tax anticipation note	9,640,000	-	-	-	-	9,640,000
Due to other funds	-	4,458,931	-	376,262	1,054,503	5,889,696
Payroll deductions and withholdings	4,481,335	-	-	-	-	4,481,335
Accrued expenditures	68,950	-	-	-	-	68,950
Accrued salaries payable	5,392,318	-	-	-	-	5,392,318
Unearned revenue	1,505,135	-	-	-	422,383	1,927,518
Total liabilities	22,097,930	13,262,204	-	377,114	1,597,473	37,334,721

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Balance Sheet
June 30, 2019

	General Fund	Capital Projects			Nonmajor Governmental Funds	Total Governmental Funds
		2016 Series II	2016 Series III	2016 Series IV		
Deferred inflows of resources						
Unavailable						
Operating grants	\$ 254,731	\$ -	\$ -	\$ -	\$ -	\$ 254,731
Fund balance						
Non-spendable						
Inventory	\$ -	\$ -	\$ -	\$ -	\$ 20,601	\$ 20,601
Prepaid items	1,884	-	-	-	-	1,884
Restricted						
Debt service	-	-	-	-	1,714,811	1,714,811
Capital projects	-	7,745,832	9,822,382	19,148,266	-	36,716,480
Special Education center programs	-	-	-	-	781,748	781,748
Food service	-	-	-	-	1,163,252	1,163,252
Assigned						
Capital projects	-	-	-	-	1,263,147	1,263,147
Unassigned	9,423,997	-	-	-	-	9,423,997
 Total fund balance	 9,425,881	 7,745,832	 9,822,382	 19,148,266	 4,943,559	 51,085,920
 Total liabilities, deferred inflows of resources and fund balance	 \$ 31,778,542	 \$ 21,008,036	 \$ 9,822,382	 \$ 19,525,380	 \$ 6,541,032	 \$ 88,675,372

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, 2019

Total fund balances for governmental funds	\$ 51,085,920
Total net position for governmental activities in the statement of net position is different because	
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Operating grants	254,731
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	13,905,416
Capital assets - net of accumulated depreciation	173,667,304
Other long-term assets are not deferred in the governmental funds.	
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from net pension liability	(29,593,959)
Deferred outflows of resources resulting from net pension liability	59,685,038
Deferred inflows of resources resulting from net OPEB liability	(12,196,017)
Deferred outflows of resources resulting from net OPEB liability	8,835,720
Deferred outflows of resources resulting from debt refunding	90,860
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(811,213)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Bonds payable	(148,575,000)
Bond premium payable	(5,017,316)
Net pension liability	(189,149,810)
Net OPEB liability	(49,721,940)
Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position	<u>898,138</u>
Net position of governmental activities	<u><u>\$ (126,642,128)</u></u>

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	General Fund	Capital Projects			Nonmajor Governmental Funds	Total Governmental Funds
		2016 Series II	2016 Series III	2016 Series IV		
Revenues						
Local sources	\$ 13,627,809	\$ 598,041	\$ 314,867	\$ 42,838	\$ 20,801,557	\$ 35,385,112
State sources	73,371,328	-	-	-	1,540,897	74,912,225
Federal sources	6,830,735	-	-	-	3,475,749	10,306,484
Interdistrict sources	5,428,879	-	-	-	5,161,294	10,590,173
Total revenues	<u>99,258,751</u>	<u>598,041</u>	<u>314,867</u>	<u>42,838</u>	<u>30,979,497</u>	<u>131,193,994</u>
Expenditures						
Current						
Education						
Instruction	50,667,928	-	-	-	-	50,667,928
Supporting services	37,536,473	-	-	-	-	37,536,473
Federal programs	7,099,349	-	-	-	-	7,099,349
Food services	-	-	-	-	5,262,685	5,262,685
Pool and fitness centers	-	-	-	-	985,958	985,958
Performing arts centers	-	-	-	-	249,077	249,077
Child care	-	-	-	-	1,329,538	1,329,538
Senior citizens	-	-	-	-	705,153	705,153
Special education center program	-	-	-	-	6,319,932	6,319,932
Building and site	-	34,989,071	446,006	290,194	-	35,725,271

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, 2019

	General Fund	Capital Projects			Nonmajor Governmental Funds	Total Governmental Funds
		2016 Series II	2016 Series III	2016 Series IV		
Debt service						
Principal	\$ 890,000	\$ -	\$ -	\$ -	\$ 12,535,000	\$ 13,425,000
Interest and fiscal charges	188,800	-	-	-	4,403,025	4,591,825
Bond issuance costs	-	-	-	134,289	-	134,289
Tax adjustments	-	-	-	-	78,359	78,359
Total expenditures	<u>96,382,550</u>	<u>34,989,071</u>	<u>446,006</u>	<u>424,483</u>	<u>31,868,727</u>	<u>164,110,837</u>
Excess (deficiency) of revenues over expenditures	<u>2,876,201</u>	<u>(34,391,030)</u>	<u>(131,139)</u>	<u>(381,645)</u>	<u>(889,230)</u>	<u>(32,916,843)</u>
Other financing sources (uses)						
Proceeds from sale of capital assets	-	-	-	-	458,383	458,383
Proceeds from issuance of bonds	-	-	-	19,529,911	-	19,529,911
Transfers in	-	-	-	-	622,376	622,376
Transfers out	<u>(622,376)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(622,376)</u>
Total other financing sources (uses)	<u>(622,376)</u>	<u>-</u>	<u>-</u>	<u>19,529,911</u>	<u>1,080,759</u>	<u>19,988,294</u>
Net change in fund balance	2,253,825	(34,391,030)	(131,139)	19,148,266	191,529	(12,928,549)
Fund balance - beginning	<u>7,172,056</u>	<u>42,136,862</u>	<u>9,953,521</u>	<u>-</u>	<u>4,752,030</u>	<u>64,014,469</u>
Fund balance - ending	<u>\$ 9,425,881</u>	<u>\$ 7,745,832</u>	<u>\$ 9,822,382</u>	<u>\$ 19,148,266</u>	<u>\$ 4,943,559</u>	<u>\$ 51,085,920</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, 2019

Net change in fund balances - Total governmental funds	\$ (12,928,549)
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	254,731
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(10,723,899)
Capitalized capital outlay	35,844,672
Sale of capital assets (net book value)	(35,945)
Expenses are recorded when incurred in the statement of activities.	
The statement of net position reports the net pension liability and deferred outflows and deferred inflows of resources related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions	
Net change in net pension liability	(24,003,408)
Net change in the deferrals of resources related to the net pension liability	22,281,680
The statement of net position reports the net OPEB liability and deferred outflows and deferred inflows of resources related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions	
Net change in net OPEB liability	6,714,275
Net change in the deferrals of resources related to the net OPEB liability	(4,951,077)
Expenses are recorded when incurred in the statement of activities.	
Interest	(30,697)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	
Repayments of long-term debt	13,425,000
Premium from issuance of bonds	(19,529,911)
Amortization of premiums	860,262
Amortization of deferred amount on refunding	(22,715)
Internal Service Fund revenues and expenses are included	
in governmental activities in the statement of activities	<u>398,138</u>
Change in net position of governmental activities	<u>\$ 7,552,557</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Net Position
June 30, 2019

	<u>Internal Service Fund</u>
Assets	
Cash	\$ <u>1,554,400</u>
Liabilities	
Workers' compensation claims payable	388,483
Compensated absences	<u>267,779</u>
Total liabilities	<u>656,262</u>
Net position	<u>\$ <u>898,138</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, 2019

	<u>Internal Service Fund</u>
Revenues	
Employee contributions	\$ 2,141,429
Charges for services	<u>35,162,537</u>
Total revenues	<u>37,303,966</u>
Expenses	
Health, dental and vision	11,633,833
Retirement	21,489,025
Social security	3,712,685
Compensated absences	44,531
Workers compensation	<u>25,754</u>
Total expenses	<u>36,905,828</u>
Net income	398,138
Net position - beginning	<u>500,000</u>
Net position - ending	<u><u>\$ 898,138</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, 2019

	<u>Internal Service Fund</u>
Cash flows from operating activities	
Employee contributions	\$ 2,141,429
Charges for services	35,162,537
Health, dental and vision	(11,993,006)
Retirement	(21,489,025)
Social security	(3,712,685)
Compensated absences	(83,496)
Workers' compensation	<u>(340,271)</u>
Net cash provided by operating activities	(314,517)
Cash and cash equivalents - beginning of year	<u>1,868,917</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,554,400</u></u>
Reconciliation of operating income to net cash from operating activities	
Change in net position	\$ 398,138
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in assets and liabilities	
Workers' compensation claims payable	(314,517)
Compensated absences	(38,965)
Healthcare premiums payable	<u>(359,173)</u>
Net cash used by operating activities	<u><u>\$ (314,517)</u></u>

See Accompanying Notes to the Financial Statements

Waterford School District
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2019

	<u>Agency Funds</u>
Assets	
Cash	\$ <u>1,300,965</u>
Liabilities	
Due to agency fund activities	\$ <u>1,300,965</u>

Waterford School District
Notes to the Financial Statements
June 30, 2019

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

District-wide Financial Statements

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

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

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

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

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

Fund Financial Statements

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

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

Waterford School District
Notes to the Financial Statements
June 30, 2019

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

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

The School District reports the following major governmental funds:

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

2016 Series II – Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The funds are kept open until the purpose for which the funds were created has been accomplished.

2016 Series III – Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The funds are kept open until the purpose for which the funds were created has been accomplished.

2016 Series IV – Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The funds are kept open until the purpose for which the funds were created has been accomplished.

Additionally, the School District reports the following fund types:

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

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

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

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

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

Waterford School District
Notes to the Financial Statements
June 30, 2019

Assets, Liabilities and Net Position Equity

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

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

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

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2019, the rates are as follows per \$1,000 of assessed value.

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

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

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

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

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

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

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

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This amount will reduce the net pension and OPEB liabilities in the following year.

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

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

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

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

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions

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

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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

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

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

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

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

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

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

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

Use of Estimates

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

Eliminations and Reclassifications

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

Adoption of New Accounting Standards

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

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

Upcoming Accounting and Reporting Changes

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

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or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

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

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components. This statement is effective for the year ending June 30, 2020.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2022.

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

**Note 2 - Stewardship, Compliance, and Accountability
Budgetary Information**

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

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

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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	\$22,950,658	\$23,068,712	\$ 118,054
Support			
School administration	3,927,503	3,989,304	61,801
Business	10,714,480	11,299,057	584,577
Athletics	1,364,798	1,526,048	161,250
Debt service	1,078,000	1,078,800	800
Special Education Center Programs	6,314,312	6,319,932	5,620
Pool and Fitness Centers	923,726	985,958	62,232
Food Service	4,893,670	5,262,685	369,015

Compliance Bond Proceeds

The Capital Projects 2016 Series II, Series III and Series IV includes capital project activities funded with bonds issued after June 9, 2003. For these capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures from the inception of the funds through the current fiscal year:

	<u>2016 Series II</u>	<u>2016 Series III</u>	<u>2016 Series IV</u>
Proceeds from issuance of bonds	\$ 50,000,000	\$ 10,000,000	\$ 17,875,000
Premium on issuance of bonds	341,359	80,018	1,654,911
Interest revenue	679,484	314,867	42,838
Expenditures	<u>(43,275,011)</u>	<u>(572,503)</u>	<u>(424,483)</u>
	<u>\$ 7,745,832</u>	<u>\$ 9,822,382</u>	<u>\$ 19,148,266</u>

Note 3 - Deposits and Investments

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 36,159,943	\$ 1,300,965	\$ 37,460,908
Investments	<u>30,034,578</u>	<u>-</u>	<u>30,034,578</u>
	<u>\$ 66,194,521</u>	<u>\$ 1,300,965</u>	<u>\$ 67,495,486</u>

Waterford School District
Notes to the Financial Statements
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The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 37,439,928
Investments in securities, mutual funds, and similar vehicles	30,034,578
Petty cash and cash on hand	20,980
Total	\$ 67,495,486

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

Investment	Fair Value	Maturities	Rating	Rating Organization
U.S. Treasury Bonds	\$ 4,996,300	July 31, 2019	A-1+	S&P
U.S. Treasury Bonds	10,000,000	June 30, 2019	A-1+	S&P
U.S. Treasury Bonds	4,921,686	August 31, 2020	A-1+	S&P
U.S. Treasury Bonds	4,754,354	July 31, 2020	A-1+	S&P
Dreyfus Government Cash Management	5,362,238	N/A	AAAm	S&P
	\$ 30,034,578			

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

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

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

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, \$36,392,944 of the School District’s bank balance of \$37,604,114 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

Note 4 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School District has the following recurring fair value measurements as of June 30, 2019:

- Amounts invested in U.S. treasury bonds of \$24,672,340. The bonds are valued at fair market value using quoted market prices. (Level 1 inputs)
- Amounts invested in Dreyfus Government Cash Management of \$5,362,238. The investments are valued at fair market value using quoted market prices. (Level 1 inputs)

Waterford School District
Notes to the Financial Statements
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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	\$ 1,132,100	\$ -	\$ 35,945	\$ 1,096,155
Construction-in-progress	<u>6,006,096</u>	<u>12,809,260</u>	<u>6,006,095</u>	<u>12,809,261</u>
Total capital assets not being depreciated	<u>7,138,196</u>	<u>12,809,260</u>	<u>6,042,040</u>	<u>13,905,416</u>
Capital assets being depreciated				
Buildings and additions	273,921,396	26,068,877	-	299,990,273
Equipment and furniture	5,752,264	2,867,557	-	8,619,821
Buses and other vehicles	<u>8,006,656</u>	<u>105,073</u>	<u>-</u>	<u>8,111,729</u>
Total capital assets being depreciated	<u>287,680,316</u>	<u>29,041,507</u>	<u>-</u>	<u>316,721,823</u>
Less accumulated depreciation for				
Buildings and additions	122,258,886	9,745,295	-	132,004,181
Equipment and furniture	4,928,031	381,649	-	5,309,680
Buses and other vehicles	<u>5,143,703</u>	<u>596,955</u>	<u>-</u>	<u>5,740,658</u>
Total accumulated depreciation	<u>132,330,620</u>	<u>10,723,899</u>	<u>-</u>	<u>143,054,519</u>
Net capital assets being depreciated	<u>155,349,696</u>	<u>18,317,608</u>	<u>-</u>	<u>173,667,304</u>
Net capital assets	<u>\$162,487,892</u>	<u>\$ 31,126,868</u>	<u>\$ 6,042,040</u>	<u>\$187,572,720</u>

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

Governmental activities	
Instruction	\$ 7,134,411
Support services	3,509,767
Senior citizens	13,747
Special education center program	<u>65,974</u>
Total governmental activities	<u>\$ 10,723,899</u>

Construction Contracts

The School District has active construction projects as of June 30, 2019. At year end, the School District's commitment with contractors is as follows:

	Remaining Construction Commitment at Year End	Total Contract
Beaumont	\$ 1,169,024	\$ 4,592,343
Cooley Elementary	2,050,211	5,572,217
Donelson Hills	1,725	8,623
Grayson Elementary	1,314,032	4,772,808
Haviland	2,900	998,301
Houghton	2,519	12,593
Knudsen Elementary	1,683	8,414
Riverside	3,597	17,986
Schoolcraft Elementary	58,833	87,073
Stepanski	1,878	9,391
Mason MS	3,173	15,865
Pierce Middle School	4,726	36,222
Kettering	350,142	1,958,715
Mott High School	22,803	702,658
KMS	1,995	9,975
Lutes	1,320	6,601
Kurzman	3,305	16,524
Covert Center	2,241	11,203
Central Warehouse	10,296	51,482
Transportation Building	<u>10,032</u>	<u>1,157,719</u>
	<u>\$ 5,016,435</u>	<u>\$ 20,046,713</u>

Waterford School District
Notes to the Financial Statements
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Note 6 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	2016 Series IV	\$ 376,262
General	2016 Series II	4,368,006
General	Nonmajor Governmental	1,054,503
2016 Series III	2016 Series II	<u>90,925</u>
		<u>\$ 5,889,696</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 consisted of a transfer out of General Fund to the Nonmajor Governmental Funds of \$622,376. These transfers were made to cover the costs of the School District's programs that were in excess of revenues generated from those activities.

Note 7 - Unearned Revenue

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

Prepayment of student meals	\$ 42,098
Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>1,885,420</u>
Total	<u>\$1,927,518</u>

Note 8 - Leases

Operating Lease

The School District leases buses, computer equipment, and copiers under non-cancelable operating leases. Total costs for such leases were \$562,754 for the year ended June 30, 2019. The future minimum lease payments for the leases are as follows:

<u>Year ending June 30,</u>	
2020	\$ 498,831
2021	839,609
2022	400,481
2023	<u>358,146</u>
Total	<u>\$ 2,097,067</u>

Note 9 - State Aid and Tax Anticipation Note

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

Activity for the state aid anticipation note was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	<u>\$ 13,500,000</u>	<u>\$ 9,640,000</u>	<u>\$ 13,500,000</u>	<u>\$ 9,640,000</u>

Waterford School District
Notes to the Financial Statements
June 30, 2019

Note 10 - Long-Term Debt

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

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 144,125,000	\$ 17,875,000	\$ 13,425,000	\$ 148,575,000	\$ 13,890,000
Premium on bonds	4,222,667	1,654,911	860,262	5,017,316	-
Total	<u>\$ 148,347,667</u>	<u>\$ 19,529,911</u>	<u>\$ 14,285,262</u>	<u>\$ 153,592,316</u>	<u>\$ 13,890,000</u>

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

\$20,000,000 serial bond due in annual installments ranging from \$1,000,000 to \$1,500,000 through 2027, interest ranging from 2.00% to 3.00%	\$ 11,000,000
\$26,150,000 serial bond due in annual installments ranging from \$2,575,000 to \$4,560,000 through 2023, interest at 5.00%	12,855,000
\$20,000,000 serial bond due in annual installments ranging from \$1,225,000 to \$1,600,000 through 2029, interest ranging from 2.00% to 3.10%	14,050,000
\$13,455,000 serial bond due in annual installments ranging from \$1,810,000 to \$2,395,000 through 2022, interest at 5.00%	6,020,000

\$15,000,000 serial bond due in annual installments ranging from \$905,000 to \$1,245,000 through 2030, interest ranging from 2.00% to 3.125%	11,665,000
\$20,000,000 serial bond due in annual installments ranging from \$815,000 to \$1,360,000 through 2036, interest ranging from 2.00% to 3.00%	17,805,000
\$50,000,000 serial bond due in annual installments ranging from \$1,500,000 to \$3,325,000 through 2037, interest ranging from 2.00% to 3.00%	45,250,000
\$10,000,000 serial bond due in annual installments ranging from \$300,000 to \$860,000 through 2032, interest ranging from 3.00% to 3.125%	9,250,000
\$17,875,000 serial bond due in annual installments ranging from \$355,000 to \$1,655,000 through 2032, interest ranging from 4.00% to 5.00%	17,365,000
\$6,755,000 Energy bond due in annual installments ranging from \$640,000 to \$915,000 through 2023, interest at 5.00%	<u>3,315,000</u>
Total general obligation bonded debt	<u><u>\$ 148,575,000</u></u>

Waterford School District
Notes to the Financial Statements
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Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 13,890,000	\$ 4,782,313	\$ 18,672,313
2021	13,065,000	4,270,313	17,335,313
2022	13,775,000	3,825,213	17,600,213
2023	11,930,000	3,339,538	15,269,538
2024	8,565,000	2,953,812	11,518,812
2025-2029	44,265,000	10,800,674	55,065,674
2030-2034	30,410,000	4,573,672	34,983,672
2035-2037	12,675,000	729,300	13,404,300
Total	<u>\$ 148,575,000</u>	<u>\$ 35,274,835</u>	<u>\$ 183,849,835</u>

The general obligation bonds are payable from the Debt Service Funds, except for the Energy bond which is paid from the general fund. As of year-end, the debt funds had a balance of \$1,714,811 to pay this debt. Future debt and interest will be payable from future tax levies.

Deferred Amount on Refunding

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

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred amount on refunding	<u>\$ 113,575</u>	<u>\$ -</u>	<u>\$ 22,715</u>	<u>\$ 90,860</u>

Note 11 - Risk Management

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

The School District is self-insured under the Michigan Worker's Disability Compensation Act. Workers' compensation excess insurance has been retained for the aggregate claims exceeding \$1,826,681 for a two year policy period, to a maximum of \$5,000,000. This excess insurance also applies to individual occurrences exceeding \$400,000, with a statutory maximum for those individual occurrences. For governmental activities, the liability for workers' compensation benefits is primarily liquidated by the General Fund.

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

	2019	2018
Estimated liability at the beginning of the year	\$ 703,000	\$ 240,000
Estimated claims incurred including changes in estimates	25,754	735,624
Claim payments	<u>(340,271)</u>	<u>(272,624)</u>
Estimated liability end of year	<u>\$ 388,483</u>	<u>\$ 703,000</u>

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

Note 12 - Pension Plans

Plan Description

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

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

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

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

Benefits Provided

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 20-year period for the 2017 fiscal year.

Waterford School District
Notes to the Financial Statements
June 30, 2019

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2018.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	17.89%
Member Investment Plan	3.0 - 7.0%	17.89%
Pension Plus	3.0 - 6.4%	16.61%
Pension Plus 2	6.2%	19.74%
Defined Contribution	0.0%	13.54%

Required contributions to the pension plan from the School District were \$17,133,335 for the year ending September 30, 2018.

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

At June 30, 2019, the School District reported a liability of \$189,149,810 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. 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, 2018, the School District's proportion was 0.6292 percent, which was a decrease of 0.00081 percent from its proportion measured as of September 30, 2017. At September 30, 2018, the total pension expense for the School District was \$18,491,241. For the year ending June 30, 2019, the School District recognized pension expense of \$16,139,266.

At June 30, 2019, 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	\$ 877,690	\$ (1,374,519)	\$ (496,829)
Changes of assumptions	43,806,940	-	43,806,940
Net difference between projected and actual earnings on pension plan investments	-	(12,933,039)	(12,933,039)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	47,958	(8,375,091)	(8,327,133)
Total to be recognized in future	44,732,588	(22,682,649)	22,049,939
School District contributions subsequent to the measurement date	14,952,450	(6,911,310)	8,041,140
Total	<u>\$ 59,685,038</u>	<u>\$ (29,593,959)</u>	<u>\$ 30,091,079</u>

Waterford School District
Notes to the Financial Statements
June 30, 2019

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

- MIP and Basic Plans: 7.05%
- Pension Plus Plan: 7.00%
- Pension Plus 2 Plan: 6.00%
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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

2019	\$	7,772,633
2020		6,701,142
2021		5,303,584
2022		2,272,580
	\$	22,049,939

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, 2017
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:

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

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5304

The recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Waterford School District
Notes to the Financial Statements
June 30, 2019

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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	5.0
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
	<u>100.0%</u>	

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

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease*	Current Single Discount Rate Assumption*	1% Increase*
<u>6.05% / 6.0% / 5.0%</u>	<u>7.05% / 7.0% / 6.0%</u>	<u>8.05% / 8.0% / 7.0%</u>
<u>\$ 248,339,092</u>	<u>\$ 189,149,810</u>	<u>\$ 139,973,139</u>

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

Waterford School District
Notes to the Financial Statements
June 30, 2019

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

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

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

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

Note 13 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

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

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

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

Benefits Provided

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

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

Waterford School District
Notes to the Financial Statements
June 30, 2019

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, 2017 valuation will be amortized over a 20-year period for the 2018 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for the fiscal year ending September 30, 2018.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	6.44%
Personal Healthcare Fund (PHF)	0.0%	6.13%

Required contributions to the OPEB plan from the School District were \$4,060,200 for the year ended September 30, 2018.

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

At June 30, 2019, the School District reported a liability of \$49,721,940 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, the School District's proportion was 0.6255 percent, which is a decrease of 0.0118 percent from its proportion measured as of September 30, 2017. At September 30, 2018, the total OPEB expense for the School District was \$2,207,261. For the year ending June 30, 2019, the School District recognized total OPEB expense of \$4,199,646.

Waterford School District
Notes to the Financial Statements
June 30, 2019

At June 30, 2019, 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	\$ -	\$ (9,254,530)	\$ (9,254,530)
Changes of assumptions	5,265,579	-	5,265,579
Net difference between projected and actual earnings on OPEB plan investments	-	(1,910,933)	(1,910,933)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>14,151</u>	<u>(1,030,554)</u>	<u>(1,016,403)</u>
Total to be recognized in future	5,279,730	(12,196,017)	(6,916,287)
School District contributions subsequent to the measurement date	<u>3,555,990</u>	<u>-</u>	<u>3,555,990</u>
Total	<u>\$ 8,835,720</u>	<u>\$ (12,196,017)</u>	<u>\$ (3,360,297)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Deferred (Inflow) and Deferred Outflow of Resources by Year</u> <u>(To Be Recognized in Future OPEB Expenses)</u>	
2019	\$ (1,676,904)
2020	(1,676,904)
2021	(1,676,904)
2022	(1,289,041)
2023	<u>(596,534)</u>
	<u>\$ (6,916,287)</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, 2017
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%

Waterford School District
Notes to the Financial Statements
June 30, 2019

- Investment Rate of Return: 7.15%
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.0% Year 12
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
 - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

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

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

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018

The recognition period for assets is 5 years.

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

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	0.0
	100.0%	

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

Waterford School District
Notes to the Financial Statements
June 30, 2019

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
\$ 59,690,177	\$ 49,721,940	\$ 41,337,434

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 40,895,748	\$ 49,721,940	\$ 59,847,384

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

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

Note 14 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year ended June 30, 2019.

Waterford School District
Notes to the Financial Statements
June 30, 2019

Note 15 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions Waterford Township. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. Taxes abated were immaterial to the School District for the year ending June 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

Waterford School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 14,029,959	\$ 13,723,721	\$ 13,627,809	\$ (95,912)
State sources	72,642,381	73,380,914	73,371,328	(9,586)
Federal sources	7,436,949	7,572,277	6,830,735	(741,542)
Interdistrict sources	5,170,139	5,371,530	5,428,879	57,349
	<u>99,279,428</u>	<u>100,048,442</u>	<u>99,258,751</u>	<u>(789,691)</u>
Expenditures				
Current				
Instruction				
Basic programs	23,046,817	22,950,658	23,068,712	118,054
Added needs	14,498,837	15,363,064	14,213,877	(1,149,187)
Employee benefits	13,528,376	13,561,066	13,385,339	(175,727)
Supporting services				
Pupil	7,123,526	7,367,939	7,034,662	(333,277)
Instructional staff	2,137,411	2,224,468	2,165,670	(58,798)
General administration	1,338,914	1,337,914	1,081,821	(256,093)
School administration	3,898,954	3,927,503	3,989,304	61,801
Business	10,683,333	10,714,480	11,299,057	584,577
Central	3,903,559	3,992,439	3,187,939	(804,500)
Athletics	1,576,614	1,364,798	1,526,048	161,250
Civic	101,984	101,984	57,514	(44,470)
Employee benefits	7,410,141	7,428,047	7,194,458	(233,589)
Teacher retirement savings	(300,000)	-	-	-

Waterford School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Federal programs	\$ 7,823,995	\$ 7,961,550	\$ 7,099,349	\$ (862,201)
Debt service				
Principal	890,000	890,000	890,000	-
Interest and fiscal charges	188,000	188,000	188,800	800
	<u>97,850,461</u>	<u>99,373,910</u>	<u>96,382,550</u>	<u>(2,991,360)</u>
Total expenditures				
Excess of revenues over expenditures	1,428,967	674,532	2,876,201	2,201,669
Other financing sources (uses)				
Transfers out	<u>(190,170)</u>	<u>(625,303)</u>	<u>(622,376)</u>	<u>2,927</u>
Total other financing sources (uses)	<u>(190,170)</u>	<u>(625,303)</u>	<u>(622,376)</u>	<u>2,927</u>
Net change in fund balance	1,238,797	49,229	2,253,825	2,204,596
Fund balance - beginning	<u>7,172,056</u>	<u>7,172,056</u>	<u>7,172,056</u>	<u>-</u>
Fund balance - ending	<u>\$ 8,410,853</u>	<u>\$ 7,221,285</u>	<u>\$ 9,425,881</u>	<u>\$ 2,204,596</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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. School District's proportion of net pension liability (%)	0.6292%	0.6373%	0.6550%	0.6847%	0.7286%					
B. School District's proportionate share of net pension liability	\$ 189,149,810	\$ 165,146,402	\$ 163,414,471	\$ 167,238,058	\$ 160,486,652					
C. School District's covered-employee payroll	\$ 53,277,705	\$ 53,070,379	\$ 53,274,188	\$ 57,421,142	\$ 61,986,820					
D. School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	355.03%	311.18%	306.74%	291.25%	258.90%					
E. Plan fiduciary net position as a percentage of total pension liability	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 2018.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2018.

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,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. Statutorily required contributions	\$ 16,139,266	\$ 14,947,605	\$ 9,792,111	\$ 8,926,955	\$ 11,660,435					
B. Contributions in relation to statutorily required contributions	<u>16,139,266</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>					
D. School District's covered- employee payroll	\$ 52,727,396	\$ 53,278,044	\$ 52,042,873	\$ 53,717,246	\$ 58,630,710					
E. Contributions as a percentage of covered-employee payroll	30.61%	28.06%	18.82%	16.62%	19.89%					

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. School District's proportion of net OPEB liability (%)	0.6255%	0.6373%								
B. School District's proportionate share of net OPEB liability	\$ 49,721,940	\$ 56,436,215								
C. School District's covered-employee payroll	\$ 53,277,705	\$ 53,070,379								
D. School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	93.33%	106.34%								
E. Plan fiduciary net position as a percentage of total OPEB liability	42.95%	36.39%								

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2018.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2018.

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,									
		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A.	Statutorily required contributions	\$ 4,199,646	\$ 4,961,674								
B.	Contributions in relation to statutorily required contributions	<u>4,199,646</u>	<u>4,961,674</u>								
C.	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
D.	School District's covered- employee payroll	\$ 52,727,396	\$ 53,278,044								
E.	Contributions as a percentage of covered-employee payroll	7.96%	9.31%								

OTHER SUPPLEMENTARY INFORMATION

**Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019**

	Special Revenue Funds/School Service Funds						Total Special Revenue Funds
	Special Education Center Programs	Child Care	Senior Citizens	Pool and Fitness Centers	Performing Arts Centers	Food Service	
Assets							
Cash and cash equivalents	\$ 1,167,024	\$ -	\$ 6,643	\$ 14,981	\$ 2,757	\$ 2,159,779	\$ 3,351,184
Accounts receivable	-	19,281	-	-	-	267	19,548
Due from other governmental units	-	-	-	-	-	165,577	165,577
Prepays	-	6,164	-	-	-	-	6,164
Inventory	-	-	-	-	-	20,601	20,601
Total assets	<u>\$ 1,167,024</u>	<u>\$ 25,445</u>	<u>\$ 6,643</u>	<u>\$ 14,981</u>	<u>\$ 2,757</u>	<u>\$ 2,346,224</u>	<u>\$ 3,563,074</u>
Liabilities and fund balance							
Liabilities							
Accounts payable	\$ 4,991	\$ 25,445	\$ 6,643	\$ 14,981	\$ 2,757	\$ 65,770	\$ 120,587
Due to other funds	-	-	-	-	-	1,054,503	1,054,503
Unearned revenue	380,285	-	-	-	-	42,098	422,383
Total liabilities	<u>385,276</u>	<u>25,445</u>	<u>6,643</u>	<u>14,981</u>	<u>2,757</u>	<u>1,162,371</u>	<u>1,597,473</u>
Fund balance							
Non-spendable							
Inventory	-	-	-	-	-	20,601	20,601
Restricted							
Debt service	-	-	-	-	-	-	-
Special Education center programs	781,748	-	-	-	-	-	781,748
Food service	-	-	-	-	-	1,163,252	1,163,252
Assigned							
Capital projects	-	-	-	-	-	-	-
Total fund balance	<u>781,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,183,853</u>	<u>1,965,601</u>
Total liabilities and fund balance	<u>\$ 1,167,024</u>	<u>\$ 25,445</u>	<u>\$ 6,643</u>	<u>\$ 14,981</u>	<u>\$ 2,757</u>	<u>\$ 2,346,224</u>	<u>\$ 3,563,074</u>

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

Debt Service Funds

	2003 Series III	2013 Refunding	2014 Series IV	2014 Refunding	2003 Series V	2016 Series I	2016 Series II	2016 Series III	2017 Series IV	Total Debt Service Funds
Assets										
Cash and cash equivalents	\$ 196,885	\$ 446,441	\$ 168,481	\$ 238,033	\$ 128,864	\$ 132,663	\$ 333,166	\$ 60,570	\$ 9,708	\$ 1,714,811
Accounts receivable	-	-	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-	-	-	-
Prepays	-	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 196,885</u>	<u>\$ 446,441</u>	<u>\$ 168,481</u>	<u>\$ 238,033</u>	<u>\$ 128,864</u>	<u>\$ 132,663</u>	<u>\$ 333,166</u>	<u>\$ 60,570</u>	<u>\$ 9,708</u>	<u>\$ 1,714,811</u>
Liabilities and fund balance										
Liabilities										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance										
Non-spendable										
Inventory	-	-	-	-	-	-	-	-	-	-
Restricted										
Debt service	196,885	446,441	168,481	238,033	128,864	132,663	333,166	60,570	9,708	1,714,811
Special Education center programs	-	-	-	-	-	-	-	-	-	-
Food service	-	-	-	-	-	-	-	-	-	-
Assigned										
Capital projects	-	-	-	-	-	-	-	-	-	-
Total fund balance	<u>196,885</u>	<u>446,441</u>	<u>168,481</u>	<u>238,033</u>	<u>128,864</u>	<u>132,663</u>	<u>333,166</u>	<u>60,570</u>	<u>9,708</u>	<u>1,714,811</u>
Total liabilities and fund balance	<u>\$ 196,885</u>	<u>\$ 446,441</u>	<u>\$ 168,481</u>	<u>\$ 238,033</u>	<u>\$ 128,864</u>	<u>\$ 132,663</u>	<u>\$ 333,166</u>	<u>\$ 60,570</u>	<u>\$ 9,708</u>	<u>\$ 1,714,811</u>

**Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019**

	<u>Capital Projects</u>	
	<u>Building Maintenance</u>	<u>Total Non Major Funds</u>
Assets		
Cash and cash equivalents	\$ 1,263,147	\$ 6,329,142
Accounts receivable	-	19,548
Due from other governmental units	-	165,577
Prepays	-	6,164
Inventory	-	20,601
Total assets	\$ 1,263,147	\$ 6,541,032
 Liabilities and fund balance		
Liabilities		
Accounts payable	\$ -	\$ 120,587
Due to other funds	-	1,054,503
Unearned revenue	-	422,383
Total liabilities	-	1,597,473
Fund balance		
Non-spendable		
Inventory	-	20,601
Restricted		
Debt service	-	1,714,811
Special Education center programs	-	781,748
Food service	-	1,163,252
Assigned		
Capital projects	1,263,147	1,263,147
Total fund balance	1,263,147	4,943,559
Total liabilities and fund balance	\$ 1,263,147	\$ 6,541,032

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2019

	Special Revenue Funds/School Service Funds						Total Special Revenue Funds
	Special Education Center Programs	Child Care	Senior Citizens	Pool and Fitness Centers	Performing Arts Centers	Food Service	
Revenues							
Local sources	\$ -	\$ 1,110,909	\$ 501,051	\$ 582,211	\$ 249,077	\$ 1,530,116	\$ 3,973,364
State sources	1,390,386	-	-	-	-	150,511	1,540,897
Federal sources	-	-	204,102	-	-	3,271,647	3,475,749
Interdistrict sources	5,161,294	-	-	-	-	-	5,161,294
Total revenues	<u>6,551,680</u>	<u>1,110,909</u>	<u>705,153</u>	<u>582,211</u>	<u>249,077</u>	<u>4,952,274</u>	<u>14,151,304</u>
Expenditures							
Current							
Instruction	2,098,644	-	-	-	-	-	2,098,644
Supporting services	4,221,288	1,329,538	501,051	985,958	249,077	1,991,038	9,277,950
Federal programs	-	-	204,102	-	-	3,271,647	3,475,749
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Tax tribunal refunds	-	-	-	-	-	-	-
Total expenditures	<u>6,319,932</u>	<u>1,329,538</u>	<u>705,153</u>	<u>985,958</u>	<u>249,077</u>	<u>5,262,685</u>	<u>14,852,343</u>
Excess (deficiency) of revenues over expenditures	<u>231,748</u>	<u>(218,629)</u>	<u>-</u>	<u>(403,747)</u>	<u>-</u>	<u>(310,411)</u>	<u>(701,039)</u>
Other financing sources							
Proceeds from sale of fixed assets	-	-	-	-	-	-	-
Transfers in	-	218,629	-	403,747	-	-	622,376
Total other financing sources (uses)	<u>-</u>	<u>218,629</u>	<u>-</u>	<u>403,747</u>	<u>-</u>	<u>-</u>	<u>622,376</u>
Net change in fund balance	231,748	-	-	-	-	(310,411)	(78,663)
Fund balance - beginning	550,000	-	-	-	-	1,494,264	2,044,264
Fund balance - ending	<u>\$ 781,748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183,853</u>	<u>\$ 1,965,601</u>

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2019

	Debt Service Funds									
	2003 Series III	2013 Refunding	2014 Series IV	2014 Refunding	2003 Series V	2016 Series I	2016 Series II	2016 Series III	2016 Series IV	Total Debt Service
Revenues										
Local sources	\$ 1,780,894	\$ 4,330,528	\$ 1,585,365	\$ 2,165,950	\$ 1,208,145	\$ 1,255,465	\$ 3,289,064	\$ 584,767	\$ 628,015	\$ 16,828,193
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Interdistrict sources	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>1,780,894</u>	<u>4,330,528</u>	<u>1,585,365</u>	<u>2,165,950</u>	<u>1,208,145</u>	<u>1,255,465</u>	<u>3,289,064</u>	<u>584,767</u>	<u>628,015</u>	<u>16,828,193</u>
Expenditures										
Current										
Instruction	-	-	-	-	-	-	-	-	-	-
Supporting services	-	-	-	-	-	-	-	-	-	-
Federal programs	-	-	-	-	-	-	-	-	-	-
Debt service										
Principal	1,500,000	3,550,000	1,200,000	1,790,000	885,000	800,000	2,000,000	300,000	510,000	12,535,000
Interest and other	292,750	820,500	395,788	390,750	331,906	464,569	1,314,250	289,125	103,387	4,403,025
Tax tribunal refunds	7,839	23,139	7,099	9,411	5,420	5,617	12,336	2,578	4,920	78,359
Total expenditures	<u>1,800,589</u>	<u>4,393,639</u>	<u>1,602,887</u>	<u>2,190,161</u>	<u>1,222,326</u>	<u>1,270,186</u>	<u>3,326,586</u>	<u>591,703</u>	<u>618,307</u>	<u>17,016,384</u>
Excess (deficiency) of revenues over expenditures	<u>(19,695)</u>	<u>(63,111)</u>	<u>(17,522)</u>	<u>(24,211)</u>	<u>(14,181)</u>	<u>(14,721)</u>	<u>(37,522)</u>	<u>(6,936)</u>	<u>9,708</u>	<u>(188,191)</u>
Other financing sources										
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(19,695)	(63,111)	(17,522)	(24,211)	(14,181)	(14,721)	(37,522)	(6,936)	9,708	(188,191)
Fund balance - beginning	<u>216,580</u>	<u>509,552</u>	<u>186,003</u>	<u>262,244</u>	<u>143,045</u>	<u>147,384</u>	<u>370,688</u>	<u>67,506</u>	<u>-</u>	<u>1,903,002</u>
Fund balance - ending	<u>\$ 196,885</u>	<u>\$ 446,441</u>	<u>\$ 168,481</u>	<u>\$ 238,033</u>	<u>\$ 128,864</u>	<u>\$ 132,663</u>	<u>\$ 333,166</u>	<u>\$ 60,570</u>	<u>\$ 9,708</u>	<u>\$ 1,714,811</u>

Waterford School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2019

	<u>Capital Projects</u>	
	<u>Building Maintenance</u>	<u>Total Non Major Funds</u>
Revenues		
Local sources	\$ -	\$ 20,801,557
State sources	-	1,540,897
Federal sources	-	3,475,749
Interdistrict sources	-	5,161,294
	<u>-</u>	<u>5,161,294</u>
Total revenues	-	30,979,497
	<u>-</u>	<u>30,979,497</u>
Expenditures		
Current		
Instruction	-	2,098,644
Supporting services	-	9,277,950
Federal programs	-	3,475,749
Debt service		
Principal	-	12,535,000
Interest	-	4,403,025
Tax tribunal refunds	-	78,359
	<u>-</u>	<u>78,359</u>
Total expenditures	-	31,868,727
	<u>-</u>	<u>31,868,727</u>
Excess (deficiency) of revenues over expenditures	-	(889,230)
	<u>-</u>	<u>(889,230)</u>
Other financing sources		
Proceeds from sale of capital assets	458,383	458,383
Transfers in	-	622,376
	<u>458,383</u>	<u>622,376</u>
Total other financing sources (uses)	458,383	1,080,759
	<u>458,383</u>	<u>1,080,759</u>
Net change in fund balance	458,383	191,529
Fund balance - beginning	804,764	4,752,030
	<u>804,764</u>	<u>4,752,030</u>
Fund balance - ending	<u>\$ 1,263,147</u>	<u>\$ 4,943,559</u>

Waterford School District
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 8,046,106	\$ 14,525,272
Accounts receivable	847,771	800,294
Due from other funds	5,798,771	670,694
Due from other governmental units	17,084,010	15,881,159
Prepaid items	1,884	560,574
Total assets	\$ 31,778,542	\$ 32,437,993
Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 1,010,192	\$ 1,105,938
State aid anticipation note payable	9,640,000	13,500,000
Payroll deductions and withholdings	4,481,335	4,314,266
Accrued expenditures	68,950	70,249
Accrued salaries payable	5,392,318	5,372,718
Unearned revenue	1,505,135	902,766
Total liabilities	22,097,930	25,265,937
Deferred inflows of resources		
Operating grants	254,731	-
Fund balance		
Non-spendable		
Prepaid items	1,884	560,574
Assigned - computer leases	-	283,715
Unassigned	9,423,997	6,327,767
Total fund balance	9,425,881	7,172,056
Total liabilities, deferred inflows of resources and fund balance	\$ 31,778,542	\$ 32,437,993

Waterford School District
Other Supplementary Information
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2019

	Final Budget	Actual	Actual Over (Under) Budget
Local sources			
Property Taxes	\$ 11,749,768	\$ 11,586,177	\$ (163,591)
Other Taxes & Penalties	85,000	15,762	(69,238)
Preschool	249,857	190,949	(58,908)
Earnings on Investments		58,136	58,136
Outdoor Education	93,832	19,305	(74,527)
Summer Academy	46,401	49,119	2,718
Mail Services	19,919	15,956	(3,963)
Waterford Foundation	75,479	75,478	(1)
Waterford Foundation - Sweet Reads	-	4,031	4,031
Summer SLAM	-	4,790	4,790
eRate	15,000	-	(15,000)
Facility Use	50,000	45,888	(4,112)
Sale of Fixed Assets	25,000	15,803	(9,197)
School & Community Services	60,000	64,528	4,528
Food Service Contribution	275,000	303,732	28,732
Vending	13,500	-	(13,500)
High school parking passes	15,000	10,142	(4,858)
Medicaid	475,000	813,024	338,024
Athletics	120,000	118,549	(1,451)
Cell Tower Lease	38,100	56,600	18,500
Robotics (WIRED)	6,750	-	(6,750)
PEGS	72,115	13,996	(58,119)
New Gateway Lease	198,000	164,415	(33,585)
Great Start Readiness Program	-	1,089	1,089
Miscellaneous	40,000	340	(39,660)
	<u>13,723,721</u>	<u>13,627,809</u>	<u>(95,912)</u>
Total local sources			

Waterford School District
Other Supplementary Information
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2019

	Final Budget	Actual	Actual Over (Under) Budget
State sources			
Membership	\$ 52,263,551	\$ 52,570,476	\$ 306,925
Membership-Special Education	2,488,550	2,557,759	69,209
High School Membership Bonus	69,625	69,074	(551)
Property Tax Refunds	50,000	83,583	33,583
MPSERS Cost Offset 147a(1)	746,159	746,159	-
MPSERS Cost Offset 147a(2)	589,946	589,946	-
MPSERS UAAL Rate Stabilization 147c	6,911,310	6,911,310	-
MPSERS Reform - Defined Contribution	49,704	124,474	74,770
At-Risk	3,895,705	3,259,163	(636,542)
Special Education, Non-membership	2,814,569	3,171,254	356,685
Vocation Education	96,795	97,529	734
CTE	51,975	51,975	-
GSRP	1,660,161	1,660,161	-
Court Placed	1,013,238	956,075	(57,163)
Data Collection	218,733	218,428	(305)
Bilingual Education (Section 41)	41,654	22,364	(19,290)
Graduation Alliance	221,116	-	(221,116)
Computer Adaptive Tests	71,798	71,798	-
Targeted Literacy	115,825	199,300	83,475
First Robotics	10,500	10,500	-
	<u>73,380,914</u>	<u>73,371,328</u>	<u>(9,586)</u>
Total state sources			

Waterford School District
Other Supplementary Information
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2019

	Final Budget	Actual	Actual Over (Under) Budget
Interdistrict sources			
Oakland Schools	\$ 4,817,917	\$ 4,887,203	\$ 69,286
Oakland Schools - Foreign Exchange Students	30,000	20,000	(10,000)
Oakland Schools - PA 18 Transportation	75,000	108,484	33,484
Vocational Millage	198,613	154,354	(44,259)
Early On Intervention	-	53,363	53,363
C.V.S. Oakland County	250,000	205,475	(44,525)
	<u>5,371,530</u>	<u>5,428,879</u>	<u>57,349</u>
Total interdistrict sources			
Total revenue before federal sources	92,476,165	92,428,016	(48,149)
Federal sources	<u>7,572,277</u>	<u>6,830,735</u>	<u>(741,542)</u>
Total revenues	<u>\$ 100,048,442</u>	<u>\$ 99,258,751</u>	<u>\$ (789,691)</u>

Waterford School District
Other Supplementary Information
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
Basic program - elementary					
General Education	\$ 8,232,061	\$ 527,946	\$ 8,760,007	\$ 8,499,255	\$ 260,752
Spanish	177,328	2,904	180,232	185,955	(5,723)
Science	-	76,239	76,239	75,898	341
Phys Education	282,768	9,508	292,276	291,601	675
Music-Fine Arts	256,685	6,649	263,334	269,480	(6,146)
Art-Fine Arts	214,372	13,619	227,991	217,826	10,165
Total elementary	<u>9,163,214</u>	<u>636,865</u>	<u>9,800,079</u>	<u>9,540,015</u>	<u>260,064</u>
Basic program - middle school					
General Education	3,711,194	144,270	3,855,464	3,827,401	28,063
Music-Fine Arts	383,556	13,115	396,671	391,344	5,327
Art-Fine Arts	61,833	8,926	70,759	113,455	(42,696)
Physical Education	187,411	7,799	195,210	193,969	1,241
Outdoor Education	252	16,295	16,547	93,832	(77,285)
Total middle school	<u>4,344,246</u>	<u>190,405</u>	<u>4,534,651</u>	<u>4,620,001</u>	<u>(85,350)</u>
Basic program - high school					
General Education	4,346,476	356,009	4,702,485	4,483,650	218,835
Durant High School	333,451	240,041	573,492	580,244	(6,752)
Cyber Academy	-	70,232	70,232	87,141	(16,909)
Robotics - Best Buy Grant	-	2,000	2,000	7,580	(5,580)
Music-Fine Arts	388,270	12,818	401,088	442,555	(41,467)
Art-Fine Arts	323,496	15,556	339,052	340,952	(1,900)
Physical Education	201,364	4,153	205,517	203,885	1,632
Graduation Alliance (formerly WAY O/S)	-	36,800	36,800	200,000	(163,200)
International Academy	116,314	416,550	532,864	559,209	(26,345)
Total high school	<u>5,709,371</u>	<u>1,154,159</u>	<u>6,863,530</u>	<u>6,905,216</u>	<u>(41,686)</u>

Waterford School District
Other Supplementary Information
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Actual				Actual
	Salaries	Supplies and Expenses	Total	Final Budget	Over (Under) Budget
Basic program - summer school					
Summer Success - Literacy & Math	\$ -	\$ -	\$ -	\$ 1,600	\$ (1,600)
Summer Slam/Success - Literacy & Math	-	-	-	300	(300)
Summer Academy	78,091	57,039	135,130	131,132	3,998
Total summer school	78,091	57,039	135,130	133,032	2,098
Basic program - Pre-K programs					
Preschool	191,563	116,968	308,531	353,857	(45,326)
GSRP	853,282	573,509	1,426,791	1,398,537	28,254
Total Pre-K programs	1,044,845	690,477	1,735,322	1,752,394	(17,072)
Added needs - special education programs					
Emotionally Impaired	287,900	161,756	449,656	492,511	(42,855)
Education Mentally Impaired	183,122	115,326	298,448	323,092	(24,644)
CI - Local	290,381	187,457	477,838	569,173	(91,335)
CI (TMI)	422,991	294,749	717,740	721,987	(4,247)
AI	472,453	318,739	791,192	890,654	(99,462)
AI - Pierce	276,524	184,841	461,365	518,175	(56,810)
AI - H.S.	179,335	114,035	293,370	339,514	(46,144)
SCI	71,579	38,405	109,984	137,536	(27,552)
CVS Reg	692,087	524,604	1,216,691	1,237,841	(21,150)
CVS EI	478,715	364,521	843,236	861,734	(18,498)
CVS Summer School	48,447	25,818	74,265	73,300	965
Sec Res Teacher	1,249,357	865,146	2,114,503	2,110,180	4,323
Elementary Teacher	834,438	543,203	1,377,641	1,553,501	(175,860)
EI Middle School	169,454	112,264	281,718	261,200	20,518
EI High School	97,706	65,928	163,634	169,044	(5,410)
Resource/Speech	12,386	6,008	18,394	23,696	(5,302)
IDEA local	419,658	343,082	762,740	809,686	(46,946)
SXI local	102,761	54,749	157,510	99,769	57,741
Total special education programs	6,289,294	4,320,631	10,609,925	11,192,593	(582,668)

Waterford School District
Other Supplementary Information
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Actual				Actual
	Salaries	Supplies and Expenses	Total	Final Budget	Over (Under) Budget
Added needs - compensatory education					
31A	\$ 1,359,301	\$ 910,035	\$ 2,269,336	\$ 2,702,191	\$ (432,855)
Section 41	12,521	9,843	22,364	31,468	(9,104)
Targeted Literacy	85,079	86,359	171,438	146,940	24,498
Northwest Evaluation Association	-	-	-	6,800	(6,800)
English/Second Language	136,626	72,043	208,669	307,422	(98,753)
Total compensatory education	<u>1,593,527</u>	<u>1,078,280</u>	<u>2,671,807</u>	<u>3,194,821</u>	<u>(523,014)</u>
Added needs - vocational education					
General Vocational Education	879,663	46,017	925,680	959,820	(34,140)
Vocational Millage	-	4,137	4,137	1,500	2,637
Robotics	-	2,328	2,328	14,330	(12,002)
Total vocational education	<u>879,663</u>	<u>52,482</u>	<u>932,145</u>	<u>975,650</u>	<u>(43,505)</u>
Total Instruction	<u>29,102,251</u>	<u>8,180,338</u>	<u>37,282,589</u>	<u>38,313,722</u>	<u>(1,031,133)</u>
Pupils					
Guidance-Mid	381,459	161	381,620	370,071	11,549
Guidance-HS	562,447	432	562,879	580,147	(17,268)
31A Counselors	237,988	172,873	410,861	402,039	8,822
Pre-School	2,717	2,089	4,806	-	4,806
Alt. H.S.-Durant - Hall Monitors	45,031	23,495	68,526	48,630	19,896
Alt. H.S.-Durant - Counselors	84,851	72,694	157,545	140,348	17,197
Other Pupil Serv	363,114	7,032	370,146	642,094	(271,948)
SXI Local - Nurse	8,419	3,241	11,660	5,831	5,829
SXI Local - Speech	3,973	3,144	7,117	4,092	3,025
SXI Local - Social Worker	3,850	2,433	6,283	3,511	2,772

Waterford School District
Other Supplementary Information
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
Pupils (continued)					
SXI Local - Adaptive PE	\$ 11,005	\$ 7,797	\$ 18,802	\$ 18,975	\$ (173)
Elementary EI	46,483	32,418	78,901	79,149	(248)
CI Health	32,076	20,440	52,516	58,430	(5,914)
CI Speech	36,965	26,857	63,822	60,133	3,689
CI Social Worker	11,506	10,114	21,620	35,538	(13,918)
Gen Spec Ed	174,672	116,628	291,300	333,040	(41,740)
LD - Teacher Consultant	250,165	171,856	422,021	420,271	1,750
CI Local - O.T.	13,634	7,299	20,933	30,994	(10,061)
CI Local - Speech	38,601	28,646	67,247	70,849	(3,602)
CI Local - Social Worker	14,171	9,230	23,401	27,685	(4,284)
CI Local - Adaptive P.E.	7,037	4,840	11,877	11,806	71
CI (TMI) - O.T.	3,635	2,195	5,830	6,329	(499)
CI (TMI) - Social Worker	6,670	5,379	12,049	6,344	5,705
CI (TMI) - Adaptive P.E.	13,591	9,362	22,953	58,495	(35,542)
AI - O.T.	24,198	12,747	36,945	43,916	(6,971)
AI - Speech	35,374	24,872	60,246	59,204	1,042
AI M.S. - O.T.	8,881	4,955	13,836	17,814	(3,978)
AI M.S. - Social Worker	2,209	3,244	5,453	4,186	1,267
AI H.S. - O.T.	10,065	5,837	15,902	16,835	(933)
AI H.S. - Speech	18,288	11,770	30,058	30,592	(534)
AI H.S. - Social Worker	32,768	25,174	57,942	54,841	3,101
SCI - O.T. & P.T.	4,245	2,728	6,973	6,663	310
SCI - Speech	4,795	3,062	7,857	7,648	209
SCI - Social Worker	12,310	9,581	21,891	10,890	11,001
SCI - Adaptive P.E.	5,737	3,584	9,321	6,242	3,079
Early Intervention - O.T. & P.T.	58,730	96,625	155,355	238,683	(83,328)
Early Intervention - Speech	22,762	18,552	41,314	38,259	3,055
Early Intervention - TC	119,646	85,961	205,607	190,257	15,350

Waterford School District
Other Supplementary Information
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
Pupils (continued)					
CVS - EI, P.T. & O.T.	\$ 4,369	\$ 5,022	\$ 9,391	\$ 7,174	\$ 2,217
CVS - EI , Psychologist	24,503	13,798	38,301	42,434	(4,133)
CVS - EI , Speech	2,588	1,450	4,038	3,878	160
CVS - EI , Social Worker	23,343	12,316	35,659	40,012	(4,353)
EI - Middle School - OT	3,098	1,699	4,797	6,662	(1,865)
EI Middle School, Social Worker	13,697	9,460	23,157	22,944	213
EI Middle & High School - Psych Resource/Speech	32,768	23,660	56,428	54,841	1,587
Resource Room - Secondary	85,060	62,657	147,717	139,087	8,630
Section 54 D Speech	77,265	55,803	133,068	128,386	4,682
GSRP - Behavior Counseling	35,320	18,043	53,363	84,000	(30,637)
Sub Abuse Prevention	12,227	9,399	21,626	27,502	(5,876)
Speech Serv	64,613	41,584	106,197	121,400	(15,203)
Social Serv	601,943	398,964	1,000,907	979,542	21,365
Psychologist	606,536	410,292	1,016,828	963,461	53,367
31A Social Workers	35,785	23,708	59,493	58,521	972
Summer Academy	279,731	188,035	467,766	474,610	(6,844)
Robotics (WIRED)	1,746	863	2,609	3,082	(473)
IDEA local	-	11,595	11,595	10,000	1,595
Voc Ed Millage	14,337	7,243	21,580	-	21,580
	33,218	23,509	56,727	59,572	(2,845)
Total pupils	4,666,215	2,368,447	7,034,662	7,367,939	(333,277)

Waterford School District
Other Supplementary Information
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
Instructional staff					
Staff Development	\$ 270,063	\$ 341,598	\$ 611,661	\$ 502,186	\$ 109,475
English as a Second Language	25,131	11,463	36,594	39,210	(2,616)
Math Categorical	-	21,703	21,703	19,835	1,868
Secondary Ed Curriculum	45,377	-	45,377	69,495	(24,118)
Voc Ed Millage	32,192	31,009	63,201	84,277	(21,076)
Voc Ed Millage Admin	25,919	16,269	42,188	53,264	(11,076)
Vocational	82,827	-	82,827	84,351	(1,524)
Music -Fine Arts Adm	-	15,764	15,764	16,896	(1,132)
GSRP - On Site Regional Support	-	5,366	5,366	11,000	(5,634)
GSRP - Library Tech	3,134	1,578	4,712	6,709	(1,997)
GSRP - Instructional Support	90,964	109,285	200,249	208,913	(8,664)
Physical Ed - Adm	-	220	220	430	(210)
Special Ed Adm	145,857	147,817	293,674	301,916	(8,242)
CI (TMI)	-	19,143	19,143	22,200	(3,057)
Library-Elem	98,089	9,470	107,559	98,050	9,509
Library-Middle	23,051	10,646	33,697	34,006	(309)
Library-HS	19,321	8,293	27,614	30,734	(3,120)
Library Services	26,696	30,311	57,007	75,985	(18,978)
Library - Preschool	6,476	3,288	9,764	19,350	(9,586)
Preschool - Conference	-	3,280	3,280	2,500	780
Wtfd Found Grant	-	82,130	82,130	75,479	6,651
Talent Development Program	8,355	7,231	15,586	25,336	(9,750)
North Central Association	-	19,438	19,438	29,140	(9,702)
Targeted Literacy Grant	-	-	-	32,000	(32,000)
31A Elementary/Secondary	65,199	46,005	111,204	68,767	42,437
Section 41	-	-	-	6,479	(6,479)
Instructional Textbooks	5,073	230,872	235,945	290,000	(54,055)
Targeted Literacy Grant	515	19,252	19,767	15,660	4,107
Summer SLAM	-	-	-	300	(300)
Total instructional staff	974,239	1,191,431	2,165,670	2,224,468	(58,798)

Waterford School District
Other Supplementary Information
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Actual				Actual
	Salaries	Supplies and Expenses	Total	Final Budget	Over (Under) Budget
General administration					
Board of Education	\$ 84,342	\$ 304,456	\$ 388,798	\$ 475,027	\$ (86,229)
Executive Administration	293,226	7,095	300,321	280,367	19,954
Instruction - Director	208,429	144,291	352,720	519,613	(166,893)
Instruction - Curriculum & Assessment	39,128	854	39,982	62,907	(22,925)
Total general administration	<u>625,125</u>	<u>456,696</u>	<u>1,081,821</u>	<u>1,337,914</u>	<u>(256,093)</u>
School administration					
Elementary School Principal	1,317,541	138,710	1,456,251	1,443,721	12,530
Middle School Principal	631,424	79,912	711,336	684,826	26,510
High School Principal	1,084,419	40,542	1,124,961	1,075,431	49,530
Pre School Principal	31,570	20,911	52,481	66,650	(14,169)
CVS Principal	193,552	154,929	348,481	352,277	(3,796)
Alternative High School - Durant	167,793	121,655	289,448	287,629	1,819
GSRP Principal	-	1,404	1,404	1,000	404
Summer SLAM	-	183	183	700	(517)
Summer Academy	2,750	2,009	4,759	15,269	(10,510)
Total school administration	<u>3,429,049</u>	<u>560,255</u>	<u>3,989,304</u>	<u>3,927,503</u>	<u>61,801</u>
Business					
Fiscal Services	673,437	67,394	740,831	724,665	16,166
Utilities	-	2,235,809	2,235,809	2,004,587	231,222
Operations	627,143	2,051,096	2,678,239	2,654,321	23,918
Maintenance	213,810	1,144,693	1,358,503	1,272,823	85,680
Stadium Field Maintenance	-	112	112	1,250	(1,138)
Transportation	1,954,016	1,070,293	3,024,309	2,999,704	24,605
Transportation - Instruction	-	22,082	22,082	-	22,082
Transportation - Athletics & Other	-	72,343	72,343	106,300	(33,957)
Transportation - SpEd Work Experience	-	30,071	30,071	16,502	13,569

Waterford School District
Other Supplementary Information
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Actual			Actual	
	Salaries	Supplies and Expenses	Total	Final Budget	Over (Under) Budget
Business (continued)					
Transportation - GSRP	\$ -	\$ 9,569	\$ 9,569	\$ 6,000	\$ 3,569
Purchasing	28,404	2,667	31,071	29,185	1,886
Print & Copy	-	23,077	23,077	3,081	19,996
Mail Services	-	25,415	25,415	19,919	5,496
Other Services	-	21,914	21,914	236,000	(214,086)
Safety & Security	-	-	-	114,687	(114,687)
Safety & Security - 31a	32,241	380,135	412,376	340,456	71,920
Capital Improvement Projects	-	613,336	613,336	185,000	428,336
Total business	<u>3,529,051</u>	<u>7,770,006</u>	<u>11,299,057</u>	<u>10,714,480</u>	<u>584,577</u>
Central					
Computer Services	414,018	70,176	484,194	515,876	(31,682)
Central Enrollment/Pupil Accounting	125,867	5,518	131,385	137,582	(6,197)
Research & Evaluation	103,828	62,181	166,009	140,697	25,312
School Community Services	151,234	78,225	229,459	217,468	11,991
Human Resources	282,646	47,833	330,479	361,534	(31,055)
M.I.S.	237,196	269,200	506,396	578,426	(72,030)
M.I.S. - Communication	-	842,309	842,309	1,097,782	(255,473)
PEG Program - Cable	-	13,996	13,996	72,115	(58,119)
Other Services	-	483,637	483,637	370,959	112,678
GSRP	-	75	75	-	75
Contingency	-	-	-	500,000	(500,000)
Employee Benefits	400,000	20,179,797	20,579,797	20,989,113	(409,316)
Total central	<u>1,714,789</u>	<u>22,052,947</u>	<u>23,767,736</u>	<u>24,981,552</u>	<u>(1,213,816)</u>
Total supporting services	<u>14,938,468</u>	<u>34,399,782</u>	<u>49,338,250</u>	<u>50,553,856</u>	<u>(1,215,606)</u>
Total local share of expenditures	<u>44,040,719</u>	<u>42,580,120</u>	<u>86,620,839</u>	<u>88,867,578</u>	<u>(2,246,739)</u>

Waterford School District
Other Supplementary Information
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
Athletics					
Athletics	\$ 562,692	\$ 953,863	\$ 1,516,555	\$ 1,326,454	\$ 190,101
Hockey	-	9,493	9,493	38,344	(28,851)
Total athletics	<u>562,692</u>	<u>963,356</u>	<u>1,526,048</u>	<u>1,364,798</u>	<u>161,250</u>
Civic activity					
Facility Use	-	-	-	65,739	(65,739)
GSRP	-	125	125	500	(375)
Summer Camp	6,801	5,196	11,997	-	11,997
Community Education	30	45,362	45,392	35,745	9,647
Total civic activity	<u>6,831</u>	<u>50,683</u>	<u>57,514</u>	<u>101,984</u>	<u>(44,470)</u>
Federal programs	<u>3,619,611</u>	<u>3,211,124</u>	<u>6,830,735</u>	<u>7,572,277</u>	<u>(741,542)</u>
Other local match					
Headstart	106,401	128,356	234,757	337,350	(102,593)
Success	-	-	-	13,450	(13,450)
Medicaid	18,945	14,912	33,857	38,473	(4,616)
Total local federal	<u>125,346</u>	<u>143,268</u>	<u>268,614</u>	<u>389,273</u>	<u>(120,659)</u>
Total Federal Share	<u>3,744,957</u>	<u>3,354,392</u>	<u>7,099,349</u>	<u>7,961,550</u>	<u>(862,201)</u>
Debt service					
Principal	-	890,000	890,000	890,000	-
Interest	-	188,800	188,800	188,000	800
Total debt service	<u>-</u>	<u>1,078,800</u>	<u>1,078,800</u>	<u>1,078,000</u>	<u>800</u>

Waterford School District
Other Supplementary Information
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	<u>Salaries</u>	<u>Actual Supplies and Expenses</u>	<u>Total</u>	<u>Final Budget</u>	<u>Actual Over (Under) Budget</u>
Interfund transfers					
School service fund	\$ -	\$ 622,376	\$ 622,376	\$ 625,303	\$ (2,927)
Total expenditures	<u>\$ 48,355,199</u>	<u>\$ 48,649,727</u>	<u>\$ 97,004,926</u>	<u>\$ 99,999,213</u>	<u>\$ (2,994,287)</u>

Waterford School District
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2019

Year Ending June 30,	2003 Series III	2013 Refunding	2014 Series IV	2014 Refunding	2003 Series V	2016 Series I	2016 Series II	2016 Series III	2016 Series IV	Energy Refunding Bonds	Total
2020	\$ 1,500,000	\$ 4,560,000	\$ 1,225,000	\$ 1,815,000	\$ 905,000	\$ 815,000	\$ 1,500,000	\$ 300,000	\$ 355,000	\$ 915,000	\$ 13,890,000
2021	1,500,000	2,575,000	1,275,000	1,810,000	930,000	835,000	1,575,000	660,000	990,000	915,000	13,065,000
2022	1,500,000	2,575,000	1,300,000	2,395,000	960,000	855,000	1,650,000	670,000	1,025,000	845,000	13,775,000
2023	1,500,000	3,145,000	1,325,000	-	985,000	880,000	1,700,000	680,000	1,075,000	640,000	11,930,000
2024	1,500,000	-	1,375,000	-	1,015,000	905,000	1,950,000	690,000	1,130,000	-	8,565,000
2025	1,500,000	-	1,425,000	-	1,050,000	935,000	2,300,000	700,000	1,190,000	-	9,100,000
2026	1,000,000	-	1,475,000	-	1,085,000	960,000	2,400,000	720,000	1,245,000	-	8,885,000
2027	1,000,000	-	1,500,000	-	1,125,000	995,000	2,500,000	740,000	1,315,000	-	9,175,000
2028	-	-	1,550,000	-	1,165,000	1,025,000	2,550,000	760,000	1,360,000	-	8,410,000
2029	-	-	1,600,000	-	1,200,000	1,055,000	2,625,000	800,000	1,415,000	-	8,695,000
2030	-	-	-	-	1,245,000	1,095,000	2,700,000	830,000	1,475,000	-	7,345,000
2031	-	-	-	-	-	1,130,000	2,800,000	840,000	1,535,000	-	6,305,000
2032	-	-	-	-	-	1,170,000	2,900,000	860,000	1,600,000	-	6,530,000
2033	-	-	-	-	-	1,210,000	3,000,000	-	1,655,000	-	5,865,000
2034	-	-	-	-	-	1,265,000	3,100,000	-	-	-	4,365,000
2035	-	-	-	-	-	1,315,000	3,200,000	-	-	-	4,515,000
2036	-	-	-	-	-	1,360,000	3,325,000	-	-	-	4,685,000
2037	-	-	-	-	-	-	3,475,000	-	-	-	3,475,000
Total	<u>\$ 11,000,000</u>	<u>\$ 12,855,000</u>	<u>\$ 14,050,000</u>	<u>\$ 6,020,000</u>	<u>\$ 11,665,000</u>	<u>\$ 17,805,000</u>	<u>\$ 45,250,000</u>	<u>\$ 9,250,000</u>	<u>\$ 17,365,000</u>	<u>\$ 3,315,000</u>	<u>\$ 148,575,000</u>
Principal payments due the first day of	May	May	May	May	May	May	May	May	May	August	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	May and November	May and November	May and November	May and November	August and February	
Interest rate	2.00% - 3.00%	2.00% - 5.00%	2.00% - 3.10%	2.00% - 5.00%	2.00% - 3.125%	2.00% - 3.00%	2.00% - 3.00%	2.00% - 3.00%	4.00% - 5.00%	2.00 - 5.00%	
Original issue	<u>\$ 20,000,000</u>	<u>\$ 26,150,000</u>	<u>\$ 20,000,000</u>	<u>\$ 13,455,000</u>	<u>\$ 15,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 50,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 17,875,000</u>	<u>\$ 6,755,000</u>	

Waterford School District

Single Audit Report

June 30, 2019



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waterford School District, as of and for the year ended June 30, 2019, 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 11, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterford School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Yeo & Yeo, P.C.

Auburn Hills, Michigan
October 11, 2019



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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited Waterford School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Waterford School District's major federal programs for the year ended June 30, 2019. Waterford School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Waterford School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

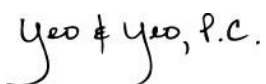
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waterford School District, as of and for the year ended June 30, 2019, 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 11, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Auburn Hills, Michigan
October 11, 2019

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2018	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2019
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance (commodities)								
Entitlement Commodities	10.555	N/A	\$ 297,966	\$ -	\$ -	\$ 297,966	\$ 297,966	\$ -
Cash assistance								
School Breakfast Program	10.553	191970	823,442	-	-	773,134	823,442	50,308
School Breakfast Program		181970	985,439	185,999	889,195	282,243	96,244	-
Total School Breakfast Program				185,999	889,195	1,055,377	919,686	50,308
National School Lunch Program	10.555	191960	1,742,692	-	-	1,648,184	1,742,692	94,508
National School Lunch Program		181960	2,062,781	370,355	1,844,205	588,931	218,576	-
Total National School Lunch Program				370,355	1,844,205	2,237,115	1,961,268	94,508
Summer Food Service Program for Children	10.559	190900	18,812	-	-	-	18,812	18,812
Summer Food Service Program for Children		191900	1,948	-	-	-	1,948	1,948
Summer Food Service Program for Children		180900	80,262	15,060	15,060	80,262	65,202	-
Summer Food Service Program for Children		181900	8,331	1,566	1,566	8,331	6,765	-
Total Summer Food Service Program for Children				16,626	16,626	88,593	92,727	20,760
Total Child Nutrition Cluster				572,980	2,750,026	3,679,051	3,271,647	165,576
Total U.S. Department of Agriculture				572,980	2,750,026	3,679,051	3,271,647	165,576
U.S. Department of Labor								
Passed through Oakland County Department of Health								
Employment Services Cluster								
Wagner-Peyser Employment Service	17.207	PY-18	90,907	-	-	31,583	84,172	52,589
Wagner-Peyser Employment Service		PY-17	122,357	22,076	36,122	85,407	63,331	-
Wagner-Peyser Employment Service		PY-16	157,667	22,903	157,667	22,903	-	-
Total Employment Services Cluster				44,979	193,789	139,893	147,503	52,589

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2018	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2019
Unemployment Insurance	17.225							
IFA- Unemployment Insurance		PY-19	\$ 4,570	\$ -	\$ -	\$ 3,302	\$ 4,435	\$ 1,133
IFA- Unemployment Insurance		PY-18	2,175	519	2,175	519	-	-
RESEA		PY-18	27,460	-	-	22,778	27,460	4,682
RESEA		PY-17	78,613	20,414	75,117	20,414	-	-
				<u>20,933</u>	<u>77,292</u>	<u>47,013</u>	<u>31,895</u>	<u>5,815</u>
Trade Adjustment Assistance	17.245	PY-19	3,095	-	-	3,095	3,095	-
Trade Adjustment Assistance		PY-18	18,483	15,748	15,748	15,748	-	-
				<u>15,748</u>	<u>15,748</u>	<u>18,843</u>	<u>3,095</u>	<u>-</u>
H-1B Job Training Grants	17.268	PY-19	18,000	-	-	13,500	18,000	4,500
H-1B Job Training Grants		PY-18	14,000	9,000	14,000	9,000	-	-
				<u>9,000</u>	<u>14,000</u>	<u>22,500</u>	<u>18,000</u>	<u>4,500</u>
Workforce Innovation and Opportunity Act Cluster								
WIOA Adult Program	17.258							
WIOA Admin		PY-18	18,934	-	-	10,054	16,552	6,498
WIOA Admin		PY-17	29,698	8,230	24,048	12,216	3,986	-
WIOA Adult		PY-18	423,176	-	-	-	8,254	8,254
WIOA Adult		PY-17	276,723	64,333	64,709	218,807	212,013	57,539
IFA- Veterans		PY-19	1,196	-	-	913	1,196	283
IFA- Veterans		PY-18	2,175	519	2,175	519	-	-
WIOA One Stop		PY-18	2,377	-	-	2,376	2,376	-
WIOA One Stop		PY-17	25,224	658	1,924	23,368	22,710	-
				<u>73,740</u>	<u>92,856</u>	<u>268,253</u>	<u>267,087</u>	<u>72,574</u>
WIOA Youth Activities	17.259	PY-18	150,907	-	-	-	2,669	2,669
WIOA Youth Activities		PY-17	207,669	36,600	39,775	104,663	88,847	20,784
WIOA Youth Activities		PY-16	183,562	6,676	183,562	6,676	-	-
				<u>43,276</u>	<u>223,337</u>	<u>111,339</u>	<u>91,516</u>	<u>23,453</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, 2019

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2018	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2019
WIOA Dislocated Worker Formula Grants	17.278							
WIOA Dislocated Worker		PY-18	\$ 77,092	\$ -	\$ -	\$ 26,137	\$ 65,227	\$ 39,090
WIOA Dislocated Worker		PY-17	86,890	32,451	43,369	74,000	41,549	-
WIOA Navigator		PY-19	15,000	-	-	12,275	15,000	2,725
				<u>32,451</u>	<u>43,369</u>	<u>112,412</u>	<u>121,776</u>	<u>41,815</u>
Total Workforce Innovation and Opportunity Act Cluster				<u>149,467</u>	<u>359,562</u>	<u>492,004</u>	<u>480,379</u>	<u>137,842</u>
Total U.S. Department of Labor				<u>240,127</u>	<u>660,391</u>	<u>720,253</u>	<u>680,872</u>	<u>200,746</u>
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies	84.010	191530 1819	1,647,259	-	-	918,863	1,513,840	594,977
Title I Grants to Local Educational Agencies		181530 1718	1,599,599	544,318	1,337,563	605,125	60,807	-
				<u>544,318</u>	<u>1,337,563</u>	<u>1,523,988</u>	<u>1,574,647</u>	<u>594,977</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	191700 1819	664,422	-	-	273,728	452,722	178,994
Title I State Agency Program for Neglected and Delinquent Children and Youth		181700 1718	590,060	130,701	363,755	138,308	7,607	-
				<u>130,701</u>	<u>363,755</u>	<u>412,036</u>	<u>460,329</u>	<u>178,994</u>
Passed through Oakland Schools								
Special Education Cluster								
Special Education Grants to States	84.027A	190450	2,712,453	-	-	907,405	2,627,859	1,720,454
Special Education Grants to States		180450	2,719,969	1,014,248	2,704,982	1,021,608	14,987	7,627
				<u>1,014,248</u>	<u>2,704,982</u>	<u>1,929,013</u>	<u>2,642,846</u>	<u>1,728,081</u>
Special Education - Preschool	84.173A	190460	74,762	-	-	12,454	40,136	27,682
Special Education - Preschool		180460	72,026	16,117	44,116	22,362	27,910	21,665
				<u>16,117</u>	<u>44,116</u>	<u>34,816</u>	<u>68,046</u>	<u>49,347</u>
Total Special Education Cluster				<u>1,030,365</u>	<u>2,749,098</u>	<u>1,963,829</u>	<u>2,710,892</u>	<u>1,777,428</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, 2019

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2018	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2019
Passed through Oakland County Department of Health Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	PY-19	\$ 2,285	\$ -	\$ -	\$ 1,564	\$ 2,130	\$ 566
Passed through Michigan Department of Education English Language Acquisition State Grants	84.365A	190580 1819	123,833	-	-	34,932	66,587	31,655
English Language Acquisition State Grants		180580 1718	136,286	38,429	79,513	44,790	6,361	-
				<u>38,429</u>	<u>79,513</u>	<u>79,722</u>	<u>72,948</u>	<u>31,655</u>
Passed through Michigan Department of Education English Language Acquisition State Grants	84.365	190570 1819	5,722	-	-	-	3,618	3,618
English Language Acquisition State Grants		180570 1718	14,878	10,140	12,600	10,140	-	-
				<u>10,140</u>	<u>12,600</u>	<u>10,140</u>	<u>3,618</u>	<u>3,618</u>
Passed through Michigan Department of Education Supporting Effective Instruction State Grants	84.367	190520 1819	513,374	-	-	185,658	339,636	153,978
Supporting Effective Instruction State Grants		180520 1718	386,316	134,967	290,795	141,404	6,437	-
				<u>134,967</u>	<u>290,795</u>	<u>327,062</u>	<u>346,073</u>	<u>153,978</u>
Passed through Michigan Department of Education Student Support and Academic Enrichment	84.424A	190750 1819	120,324	-	-	5,354	18,010	12,656
Student Support and Academic Enrichment		180750 1718	23,519	1,604	4,228	5,244	3,640	-
				<u>1,604</u>	<u>4,228</u>	<u>10,598</u>	<u>21,650</u>	<u>12,656</u>
Total U.S. Department of Education				<u>1,890,524</u>	<u>4,837,552</u>	<u>4,328,939</u>	<u>5,192,287</u>	<u>2,753,872</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	19-9052-03	204,102	-	-	183,587	204,102	20,515
Special Programs for the Aging Title III, Part C Nutrition Services		18-9052-03	190,210	15,432	190,210	15,432	-	-
				<u>15,432</u>	<u>190,210</u>	<u>199,019</u>	<u>204,102</u>	<u>20,515</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, 2019

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2018	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2019
Passed through Oakland County Department of Health								
Temporary Assistance for Needy Families								
Temporary Assistance for Needy Families (JET)	93.558	PY-19	\$ 277,210	\$ -	\$ -	\$ 110,854	\$ 186,251	\$ 75,397
Temporary Assistance for Needy Families (JET)		PY-18	291,749	88,217	186,967	191,230	103,013	-
PATH-ERSS		PY-17	1,154	-	-	1,154	1,154	-
				<u>88,217</u>	<u>186,967</u>	<u>303,238</u>	<u>290,418</u>	<u>75,397</u>
Passed through Oakland Livingston Human Services Agency (OLHSA)								
O.E.O. Headstart	93.600	05CH010367	703,918	-	-	267,390	667,158	399,768
O.E.O. Headstart		05CH010367	686,080	122,504	430,346	122,504	-	-
				<u>122,504</u>	<u>430,346</u>	<u>389,894</u>	<u>667,158</u>	<u>399,768</u>
Total U.S. Department of Health and Human Services				<u>226,153</u>	<u>807,523</u>	<u>892,151</u>	<u>1,161,678</u>	<u>495,680</u>
Total Federal Awards				<u>\$ 2,929,784</u>	<u>\$ 9,055,492</u>	<u>\$ 9,620,394</u>	<u>\$ 10,306,484</u>	<u>\$ 3,615,874</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, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Waterford School District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Waterford School District, it is not intended to and does not present the financial position, changes in financial positions, and where applicable, cash flows of Waterford School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures

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

Indirect Cost Rate

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

Note 3 - Reconciliation to the Financial Statements

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

Note 4 - Subrecipients

No amounts were provided to subrecipients.

Note 5 - Michigan Department of Education Disclosure

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

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, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.553, 10.555, 10.559	Child Nutrition Cluster

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, 2019

SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

Waterford School District
Summary Schedule of Prior Audit Findings
June 30, 2019

SECTION IV- PRIOR AUDIT FINDINGS

Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2018.

Federal Award Findings

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



October 11, 2019

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

We have completed our audit of the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Waterford School District as of and for the year ended June 30, 2019, and have issued our report dated October 11, 2019. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The first appendix to this letter sets forth those communications as follows:

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

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

II. Matters for Management's Consideration

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

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

Yeo & Yeo, P.C.

Auburn Hills, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 3, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. The School District has adopted the new Governmental Accounting Standards Board Statements as noted in the notes to the financial statements, effective July 1, 2018.

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

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

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

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

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

Accounting Standards and Regulatory Updates

Accounting Standards

The Governmental Accounting Standards Board has released the following Statements:

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

arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

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

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components. This statement is effective for the year ending June 30, 2020.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2022.

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

Regulatory and Other Updates

Federal Compliance

The Federal Compliance Supplement is being fully revised for 2019. Included in the revision is a mandate that the federal awarding agencies limit the requirement to test six of the compliance areas for each program. These program testing requirements are anticipated to vary on an annual basis. However, auditors will still need to perform a risk assessment to determine if any additional requirements may need to be tested, or if some of those requirements will not be necessary to test as it may not be direct and material to the program. This does not alleviate districts from following all of the compliance requirements as described in the grant agreement. It simply identifies which ones auditors will be testing.

Budget Assumptions & Early Warning

Each school district that has a general fund balance less than 5% of total unrestricted general revenue for either of the 2016-2017 or 2017-2018 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI).

Uniform Budgeting and Accounting Act (UBAA)

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all but an adjustment related to an invoice recorded in prior year accounts payable that included 18/19 expenses. This resulted in district-wide and general fund beginning fund balance/net position and expenditures being understated by \$82,218 and the net change in fund balance/net position being overstated by \$82,218.

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

Management has determined that the effects of the uncorrected misstatement noted above is immaterial both individually and in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

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

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

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

Report on Other Supplementary Information

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

Appendix II
Matters for Management's Consideration

In planning and performing our audit of the financial statements of Waterford School District as of and for the year ended June 30, 2019, we considered Waterford School District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of matters for management's consideration that are opportunities for strengthening internal controls. This letter does not affect our report dated October 11, 2019, on the financial statements of Waterford School District. Our comments and recommendations regarding those matters are:

Food Service Fixed Asset Records

Uniform Guidance requires that property records be retained for fixed assets with a cost of \$5,000 or more purchased with federal funds. These records must obtain the property description, identifying number, acquisition date, cost, depreciation, location, and the federal portion of the cost. Fixed assets are also required to be adequately tagged with their assigned identifying number. We noted that food service fixed assets were lacking the required information as noted above.

We recommend that fixed asset records be adequately documented for food service equipment. This should contain the required elements of Uniform Guidance and be updated annually. The School District is required to perform a physical inventory of its federal fixed assets at least every two years.

EduStaff Reconciliation

EduStaff is used by the School District to contract substitutes. The buildings have a method to ensure that substitutes sign in and verify the portion of the day worked. However, no one is reconciling each individual paid on the EduStaff invoice to the District's records.

We recommend the School District implement procedures and controls that result in the District agreeing the amount being paid and the detail on the EduStaff invoices to the District's approved records of the substitutes for the related period. They should also ensure that rates paid are in line with the contract between the District and EduStaff. This will ensure that the District is paying the accurate amount for substitutes used by the District at agreed upon rates.