

**Waterford School District**  
**Waterford, Michigan**  
**Annual Financial Statements**  
**and**  
**Independent Auditors' Report**  
**June 30, 2013**

## Table of Contents

<u>Section</u>	<u>Page</u>	
1	<b>Members of the Board of Education and Administration</b>	1 - 1
2	<b>Independent Auditors' Report</b>	2 - 1
3	<b>Administration's Discussion and Analysis</b>	3 - 1
4	<b>Basic Financial Statements</b>	
	District-wide Financial Statements	
	Statement of Net Position	4 - 1
	Statement of Activities	4 - 2
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	4 - 3
	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4 - 5
	Statement of Revenues, Expenditures and Changes in Fund Balances	4 - 6
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 - 8
	Proprietary Fund	
	Internal Service Fund	
	Statement of Assets & Liabilities	4 - 9
	Statement of Revenues, Expenses and Changes in Fund Net Position	4 - 10
	Statement of Cash Flows	4 - 11
	Fiduciary Funds	
	Statement of Assets and Liabilities	4 - 12
	Notes to Financial Statements	4 - 13
5	<b>Required Supplemental Information</b>	
	Budgetary Comparison Schedule – General Fund	5 - 1

Section

Page

6

**Other Supplemental Information**

Nonmajor Governmental Funds

Combining Balance Sheet

6 - 1

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

6 - 3

General Fund

Comparative Balance Sheet

6 - 5

Statement of Revenues Compared to Budget

6 - 6

Statement of Expenditures Compared to Budget

6 - 10

Schedule of Outstanding Bonded Indebtedness

6 - 19

**Waterford School District**  
**Members of the Board of Education and Administration**  
**June 30, 2013**

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Members of the Board of Education

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

Administration

John Silveri	Superintendent
Thomas W. Wiseman, CPA	Assistant Superintendent of Business and Operations
William D. Holbrook, CPA	Director of Business Services



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## Independent Auditors' Report

Management and the Board of Education  
Waterford School District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Waterford School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Waterford School District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Adoption of New Accounting Standards**

As described in Note 1 to the financial statements, during the year ended June 30, 2013, the District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

## **Other Matters:**

### **Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 supplemental 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 Supplemental Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waterford School District's basic financial statements. The list of the Members of the Board of Education and Administration and other supplemental 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 supplemental 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 supplemental 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 supplemental 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.

The list of the Members of the Board of Education and Administration, which is the responsibility of management, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### ***Prior Year 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, the Waterford School District's financial statements as of and for the year ended June 30, 2012, which are not presented with the accompanying financial statements. In our report dated October 5, 2012, we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waterford School District's financial statements as a whole. The 2012 information in the comparative supplemental schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2012 information in the comparative supplemental schedules are fairly stated in all material respects in relation to the 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 14, 2013 on our consideration of the Waterford School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterford School District's internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Saginaw, MI  
October 14, 2013

## ADMINISTRATION'S DISCUSSION AND ANALYSIS

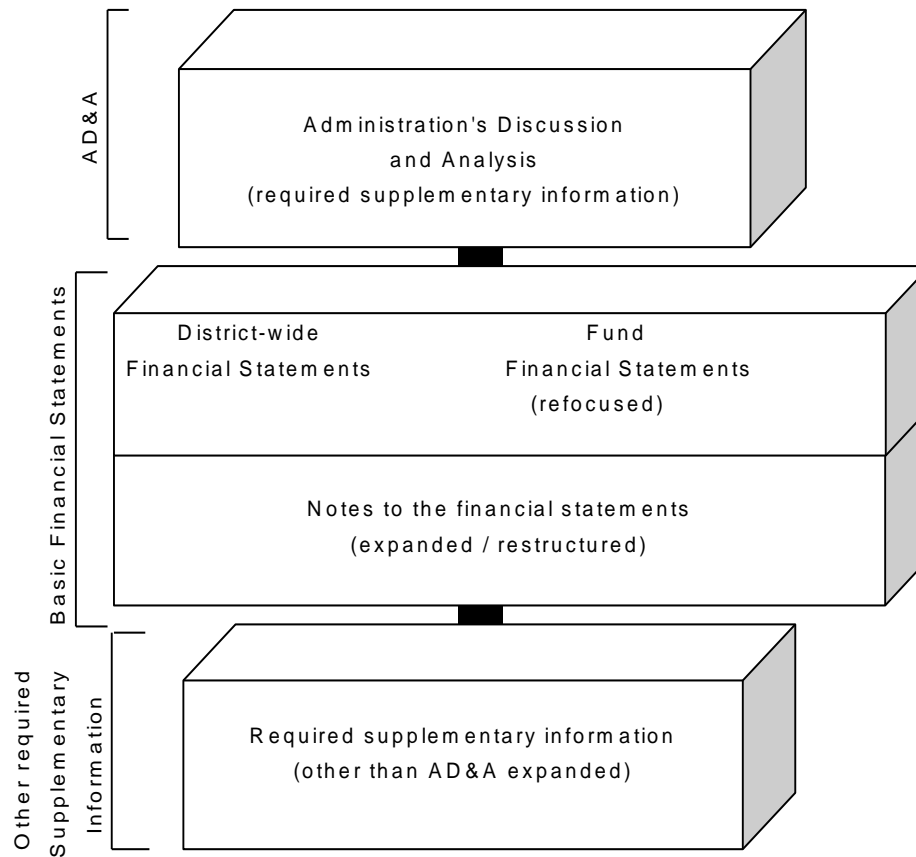


**Waterford School District  
Administration's Discussion and Analysis  
For the Year Ended June 30, 2013**

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Waterford School District's (the District) Administration discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position and its ability to address the next and subsequent year challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Managements Discussion Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2013.

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



**Waterford School District**  
**Administration's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

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

### **District Wide Financial Statements**

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

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

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

### **Fund Financial Statements**

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

Fund types utilized by the District include the General Fund, Internal Service Fund, School Service Fund, Debt Retirement Fund, Capital Projects Fund, and Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions and grants and other intergovernmental revenues. The Internal Service Fund is to account for employee fringe benefit costs. The School Service Fund is comprised of Special Education Center Programs, Child Care, Senior Citizens, Pool & Fitness Centers, Performing Arts Centers, and Food Service. Food Service, Child Care and Senior Citizens are self-supporting programs. The Debt Fund is used to record the funding and payment of principal and interest on bonded debt. The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction or improvement of major capital facilities 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, 2013**

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**Financial Analysis of the District as a Whole**

**Assets**

	<u>2012-2013</u>	<u>2011-2012</u>	<u>Change</u>
Current assets	\$ 51,116,538	\$ 32,672,863	\$ 18,443,675
Capital assets	236,837,841	237,300,777	(462,936)
Less: accumulated depreciation	<u>(100,104,614)</u>	<u>(96,513,427)</u>	<u>(3,591,187)</u>
Capital assets, net book value	<u>136,733,227</u>	<u>140,787,350</u>	<u>(4,054,123)</u>
Total assets	<u>187,849,765</u>	<u>173,460,213</u>	<u>14,389,552</u>

**Liabilities**

Current liabilities	41,403,206	35,670,568	5,732,638
Long-term liabilities	<u>87,050,366</u>	<u>77,754,063</u>	<u>9,296,303</u>
Total liabilities	128,453,572	113,424,631	15,028,941

**Net Assets**

Invested in capital assets, net of related debt	55,056,310	53,137,868	1,918,442
Restricted	543,458	1,514,566	(971,108)
Unrestricted	<u>3,796,425</u>	<u>5,383,148</u>	<u>(1,586,723)</u>
Total net assets	<u>\$ 59,396,193</u>	<u>\$ 60,035,582</u>	<u>\$ (639,389)</u>

**Waterford School District**  
**Administration's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

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As indicated by the statement above, total fiscal year 2012-2013 and 2011-2012 net assets are \$59,396,193 and \$60,035,582, respectively. Net assets can be separated into three categories: capital assets net of related debt, restricted assets, and unrestricted assets.

Net capital assets are a combination of funds available for capital assets, plus capital assets at original cost less accumulated depreciation and related debt. The original cost of capital assets for fiscal year 2012-2013 and 2011-2012 is \$236,837,841 and \$237,300,777, 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 2012-2013 and 2011-2012 is \$100,104,614 and \$96,513,427, 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 2012-2013 and 2011-2012 was \$98,153,413 and \$87,928,545, respectively.

Restricted net assets for fiscal year 2012-2013 consist of Food Service \$543,458. The remaining net assets of \$3,796,425 and \$5,383,148 for fiscal year 2012-2013 and 2011-2012, respectively, are unrestricted. The unrestricted fund balance is an accumulation of prior years' operating results. This balance is directly affected each year by the District's operating results.

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

- Current assets increased \$18,443,675 mainly due to the issuance of capital project bonds totaling \$20 million less expenditures thru June 30, 2013.
- Net Capital assets decreased \$3,591,187 as a result of scheduled depreciation for the 2012-2013 school year offset by new construction from the \$20 million bond projects net of any disposals.
- Current liabilities increased by \$5,732,638 as compared to prior year due to a greater amount of short-term borrowing, timing of the healthcare payment at year end, the MPERS 147c (retirement) liability, and bond project payables at year end.
- Long-term liabilities increased \$9,296,303 as compared to prior year as a result of issuing the \$20 million in bonds for capital projects offset by scheduled repayment of debt and the refunding of the 1999 Series IV and 2003 Series II bonds resulting in a reduction in outstanding debt of \$4,284,552.

**Waterford School District**  
**Administration's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

	<u>2012-2013</u>	<u>2011-2012</u>	<u>Change</u>
<b>Program revenue:</b>			
Charges for services local and intermediate	\$ 7,471,295	\$ 7,267,380	\$ 203,915
Operating grants - federal and state	32,453,650	31,083,734	1,369,916
Total revenue	39,924,945	38,351,114	1,573,831
<b>General revenue:</b>			
Property taxes, levied for general purposes	12,417,164	13,010,764	(593,600)
State of Michigan aid, unrestricted	66,509,534	67,442,629	(933,095)
State of Michigan aid, Durant	277,075	277,079	(4)
Total foundation allowance	79,203,773	80,730,472	(1,526,699)
Property taxes, levied for debt service	12,485,856	12,763,882	(278,026)
Other	179,729	74,388	105,341
Total revenues	131,794,303	131,919,856	(125,553)
<b>Expenses:</b>			
Instruction	71,920,755	71,256,510	664,245
Support services	38,847,174	38,842,708	4,466
Food service	5,532,247	5,051,261	480,986
Pool & Fitness centers	1,086,616	1,044,597	42,019
Performing arts center	201,501	194,267	7,234
Childcare	1,404,142	1,452,742	(48,600)
Senior citizens	790,500	706,814	83,686
Special education center programs	5,538,464	6,849,739	(1,311,275)
Unallocated depreciation expense	1,350,620	1,399,794	(49,174)
Bond issuance cost	256,943	-	256,943
Tax tribunal refunds	1,117,684	-	1,117,684
Building and site	874,562	-	874,562
Interest on long-term debt	3,512,484	3,766,114	(253,630)
Total expenses	132,433,692	130,564,546	1,869,146
Change in net assets	\$ (639,389)	\$ 1,355,310	\$ (1,994,699)

**Waterford School District  
Administration's Discussion and Analysis  
For the Year Ended June 30, 2013**

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As indicated above fiscal year 2012-2013 and 2011-2012 the change in net assets was (\$639,839) and \$1,355,310, respectively.

The 2012-2013 decrease in net assets as compared to fiscal year 2011-2012 is due to the following factors:

Revenues:

- Operating grants increased \$1,369,916 as a result of the additional MPERS cost offset (147c)
- Property taxes for operations declined \$593,600 as a result of declining property values
- Unrestricted State aid decreased \$933,095 as a result of a decrease of 220 students and decline in Best Practice revenues offset by an increase in MPERS 147c (retirement) categorical funding

Expenses:

- Instructional expenses increased \$664,245 over prior year as a result of increased instructional support staff, increased local support for IDEA and Title I type of programming, and memorandum of understanding with Pontiac School District to retain former Waterford resident students in the District
- Food Service increased \$480,986 over last year mainly from kitchen renovations
- Special Education Center Programs decreased \$1,311,275 as a result of moving some center based programs back to the General Fund
- Tax tribunal refunds is an added classification for the current year. The state has made a concerted effort to clear out backlogged tax tribunal appeals
- Building and Site increased as a result of the new \$20 million bond issuance and the related projects

**Waterford School District  
Administration's Discussion and Analysis  
For the Year Ended June 30, 2013**

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**Capital Assets and Debt Administration**

**Capital Assets**

At June 30, 2013, the District had \$136,733,227 invested in a broad range of capital assets, including land, buildings, furniture and equipment.

	<u>2013</u>	<u>2012</u>
Capital assets		
Land	\$ 1,177,339	\$ 1,177,339
Building & additions	224,465,485	225,308,192
Buses and other vehicles	3,798,537	4,897,099
Furniture and equipment	5,285,149	5,884,072
Construction in progress	<u>2,111,331</u>	<u>34,075</u>
Subtotal	236,837,841	237,300,777
Less: accumulated depreciation	<u>100,104,614</u>	<u>96,513,427</u>
Net capital assets	<u><u>\$ 136,733,227</u></u>	<u><u>\$ 140,787,350</u></u>

This is a decrease in net capital assets of \$4,054,123 from last year. During 2012-13 the District issued \$20,000,000 in capital project bonds and has \$2,111,331 in Construction in Progress as of June 30, 2013. Depreciation expense for the year is \$6,418,700. Additionally the District disposed of \$188,749 of net assets and had an impairment adjustment for the Manley site of a net \$480,459 as a result of the new athletic field construction at Kettering High School. The District has \$16,197,433 set aside for future capital projects plus an additional \$35 million available in voter approved future bond issuances.

**Waterford School District  
Administration's Discussion and Analysis  
For the Year Ended June 30, 2013**

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**Debt**

At the end of this fiscal year, the District had \$93,020,000 in General Obligation Bonds outstanding. This is an increase of \$5,635,000 compared to last year due to the \$20,000,000 bond issuance mentioned above off-set by scheduled principal payments, and a refunding of the 1999 Series IV and 2003 Series II bonds. The refunding resulted in reducing debt by \$4,284,552 resulting in an economic gain of \$3,869,913.

**Governmental Fund Revenues**

**Sources of Revenues:**

Local sources of revenues total \$32,644,407. This is an increase of \$108,974 as compared to prior year. Included in local revenues are General Fund, Internal Service Fund, Debt Fund, Special Education Center Programs Fund, Childcare Fund, Senior Citizen Fund, Pool & Fitness Fund, Performing Arts Centers Fund, Food Service Fund, and Capital Project Fund revenues. The General Fund revenues of \$15,594,142 increased \$496,689 over prior year as a result of increased Medicaid and eRate funding offset by declining property values. The Debt Fund local revenues of \$12,485,856 decreased \$278,026 from prior year which was a result of a decrease in property tax values (homestead and non-homestead properties). Special Education Center Programs revenues of \$39,351 decreased \$21,064 from prior year. The Childcare Fund revenues of \$1,404,142 decreased \$48,600 from prior year. The Senior Citizen Fund revenues of \$517,353 increased \$28,361 over prior year. The Pool & Fitness Center Fund of \$814,371 increased \$10,896. The Performing Arts Centers Fund had revenue of \$116,118 which was an increase of \$23,351 over prior year. The Food Service Fund revenues of \$1,673,074 decreased \$102,635 from prior year as a result of lower participation and a decline in the student population.

State sources of revenue total \$78,460,873. This is an increase of \$998,278 as compared to prior year. Included in State Sources of Funding are General Fund, Special Education Center Programs Fund, Debt Fund, and Food Service Fund revenues. General Fund revenues of \$76,103,472 increased \$610,971 over prior year. This increase is from the additional funding for the MPSERS Cost Offset categorical (147a&c), Special Education Non-Membership funding (Special Education Headlee Obligation), Section 24 (court placed), and new categorical funds for Technology Infrastructure and Teacher Evaluation grants. These increases were offset by less Best Practice Incentive funds and 220 fewer students. The Special Education Center Programs Fund of \$1,841,885 increased \$432,843 over prior year due to an increase in special education Headlee obligation. The Debt Fund of \$277,075 is consistent with prior year. This was the last payment for the Durant Bonds as they are now paid in full. The Food Service Fund of \$238,441 decreased \$45,532 from prior year. Included in the state sources of revenue is the membership foundation allowance of \$64,241,203 in the General Fund, a decrease of \$1,741,143 from prior year as explained above in regards to fewer General Fund students. State sources of revenue make up 72.2% of General Fund revenues. This ties the District directly to the State's overall economy.



**Waterford School District  
Administration's Discussion and Analysis  
For the Year Ended June 30, 2013**

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Federal sources of revenue total \$11,859,787, a decrease of \$888,275 from prior year. This was mainly due to 2011-12 being the completion of the Ed Jobs funding, 2012-2013 was the final year and reduced budget for Safe Schools Healthy Students, and IDEA funds had a smaller carryover from 2011-2012 so current year carryover revenues were lower.

Interdistrict sources of revenue total \$8,829,236, a decrease of \$344,530 from prior year mainly due to Children's Village School funding being sourced from the State of Michigan versus a partial funding from the County in 2011-2012. The Interdistrict funding is primarily for special education.

### **Property Taxes**

A significant portion of local revenue is provided from property taxes for the General Fund and Debt Retirement Fund. Property tax revenue totaled \$24,903,020 a decrease of \$871,626 from prior year. This decrease is due to continued declines in property values. The Debt Retirement millage rate is 5.85 and is used to cover scheduled debt payments. This amount is obtained through a voter approved 18-mill levy on the taxable value of non-homestead properties for the District's operations and a voter approved 5.85-mill levy (increased from the initial 3.67 mills) on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments.

### **Unrestricted State Aid Foundation Allowance**

A significant portion of state funding to the District is through the foundation allowance. The foundation allowance is funding from the state for each student. The District's foundation allowance is \$7,175 for 2012-2013 and 2011-2012 fiscal years. The number of students to be funded is calculated by student enrollment blended at 90% of current year Fall count and 10% of prior year Supplemental Count (February). Total blended student enrollment for this fiscal year is 10,836, a decrease of 220 students from prior year. The overall funding is then reduced by the District's non-homestead tax levy based on 18-mills.

### **Governmental Fund Expenditures**

Expenditures include Instruction, Support Services, Community Services, Internal Service Fund, School Service Funds, Federal Programs, Debt, and Capital Projects. Instruction expenses of \$57,588,460 increased \$661,421, and Support Services expenditures of \$39,351,154 increased \$657,996. Both Instruction and Support Service expenditure increases were a result of the MPSERS UAAL Rate Stabilization (retirement) 147c Categorical cost. Federal Program expenditures of \$8,804,477 decreased \$887,721 from last year as 2011-12 was the completion of the Ed Jobs funding, 2012-2013 was the final carryover year for the Safe Schools Healthy Students, and IDEA funds had a smaller carryover from 2011-2012 so total expenditures were lower. School Service Fund expenses of \$14,485,926 decreased \$744,168 from prior year mainly from a shift of Special Education Center based programming to local programs within the General Fund offset by increased Food Service expenditures from kitchen renovations. The Capital

**Waterford School District  
Administration's Discussion and Analysis  
For the Year Ended June 30, 2013**

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Projects fund of \$3,874,272 is new as the District issued \$20,000,000 in capital improvement bonds for various projects to be completed over the next year. The Debt Service Fund with expenditures of \$13,867,152 increased \$781,539 mainly as a result of Tax Tribunal refunds, principal and interest payments on the capital improvement bonds noted above do not begin until 2013-2014 fiscal 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 2014 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 2014 fiscal year is 90 percent and 10 percent of the Fall 2013 and Supplemental (February) 2014 student counts respectively. This is a change from the 2013 fiscal year where the blended count was 10 percent of the Supplemental (February) count of 2012 (previous year) and 90 percent of the 2012 Fall count. The 2014 budget was adopted in June 2013, based on an estimate of students that will be enrolled in September 2013 as well as State Aid funding. As a result, district funding is heavily dependent on the state's ability to fund local school operations. Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations. Since the District's revenue is heavily dependent upon state funding, actual funding depends on the state's ability to collect revenues to fund its appropriations to school districts.

The District has a contract with all bargaining groups. The 2012-2013 fiscal year had a continuation of the salary schedule that was in place for 2011-2012 except the WFSP bargaining group who had a 2% wage reduction on schedule and a 1% off schedule to reflect the concessions the other groups accepted in previous years. The contracts also included employee contributions to health benefits for those who qualify. The contribution on a per pay basis is \$36 for single, \$66 for 2 person, and \$96 for full family coverage. The District also has an agreement for 2013-2014 with all bargaining groups that reduces wages off schedule by 1% for everyone except the WEA and WFSP groups. The WEA and WFSP groups have 2 off schedule unpaid workdays which equates to approximately a 1% reduction in their annual salary. In addition, all steps and longevity for all employees were frozen at the 2012-13 level. Employee health benefit contributions remain the same as 2012-13 through December 31, 2013 with a health benefit re-opener at that time.

**Waterford School District  
Administration's Discussion and Analysis  
For the Year Ended June 30, 2013**

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**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 2012-2013, the budget was amended in June of 2013 to reflect the additional revenue and related expenditure for the MPSERS UAAL Rate Stabilization (retirement) 147c Categorical. The General Fund budget revenues for the final budget increased by 2.92% as compared to the original budget.

**General Fund Revenues:**

Total revenues final budget	\$ 106,534,218
Total revenues original budget	<u>103,512,477</u>
Increase in budget revenues	<u>\$ 3,021,741</u>

**Increase in Revenue Budget:**

Significant final budget adjustments for the year include:

- \$112 per student payment for MPSERS UAAL Rate Stabilization (retirement) 147c Categorical totaling \$1,216,098
- \$52 per student for the Best Practice Incentive from the state totaling \$563,679
- \$28 per student in additional state special education funding totaling \$306,018
- \$19 per student for a 28fte better than expected student count totaling \$200,900
- \$12 per student in additional Vocational Education Millage funds totaling \$127,144
- \$46 per student in tax tribunal refunds totaling \$500,000
- \$10 per student in Technology Infrastructure state aid funding totaling \$108,400

**Waterford School District  
Administration's Discussion and Analysis  
For the Year Ended June 30, 2013**

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**Actual General Fund Revenues vs. Final Budget:**

The District's actual general fund revenues were less than the final budget by \$1,027,186, a variance of 1.0%. This is a result of the following factors:

- Federal programs were lower by \$870,752 as a result of carrying over federal funds (two year rolling grants) into the next fiscal year, specifically for the Workforce Investment Act, IDEA, Headstart, and Safe School Healthy Students program.

**General Fund Expenditures:**

The District's budget for expenditures increased by 1.36% for the year ended June 30, 2013:

Total expenditures final budget	\$ 107,775,870
Total expenditures original budget	<u>106,326,894</u>
 Increase in budget revenues	 <u><u>\$ 1,448,976</u></u>

**Increase in Expenditure Budget:**

Some of the final budget adjustments for the year include:

- The change in teaching staff can be summarized:

2012-2013 General Fund	FTE Final Budget	FTE Original Budget	FTE Increase (Decrease)
Regular education teachers	485.81	484.70	1.11
Special education teachers	136.66	128.30	8.36
	<u>622.47</u>	<u>613.00</u>	<u>9.46</u>

**Waterford School District  
Administration's Discussion and Analysis  
For the Year Ended June 30, 2013**

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- \$112 per student expenditure for MPSERS UAAL Rate Stabilization (retirement) 147c Categorical totaling \$1,216,098
- \$34 per student for additional special education instructional staff totaling \$365,201
- \$21 per student for additional elementary, middle school, and high school instructional support staff totaling \$336,144
- \$27 per student for fringe benefits for the additional staff noted above totaling \$287,236
- \$17 per student for the memorandum of understanding with Pontiac School District to retain former Waterford resident students in the District totaling \$183,047
- \$12 per student for increased healthcare costs related to single/double coverage increasing to full family totaling \$126,000
- \$14 per student for increased staff development opportunities for instructional personnel totaling \$155,455
- \$20 per student for increased local support for IDEA and Title I expenditures totaling \$209,000
- \$4 per student for increased English as a Second Language expenditures totaling \$41,27
- 

**Actual General Fund Expenditures vs. Final Budget:**

The District's actual general fund expenditures were less than the final budget by 0.68%. This decrease of \$732,497 is a result of deferral of Federal program expenditures of \$846,566 (carryover funds to follow expenditures) into the 2013-2014 fiscal year as explained above, offset by an increase in bus costs such as fuel and repairs totaling \$612,251. Additionally, health benefits are allocated to tuition based programs such as preschool, special education, federal programs, and categorically funded programs such as At Risk, otherwise the benefits are budgeted in the Employee Benefits line under Support Services - Central. Allocation of health benefits to the program level was less than anticipate resulting in lowered costs at those budget lines and higher offsetting costs in the Employee Benefits line. Some projects were less than anticipated such as our MIS computer upgrades. Another item relates to tax tribunals being less than anticipated with the tax repayments being shared proportionately with the Debt Retirement Fund.

**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

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**Waterford School District**  
**Statement of Net Position**  
**June 30, 2013**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 30,422,682
Accounts receivable	2,476,665
Due from other governmental units	18,187,277
Inventory	29,339
Prepaid items	575
Capital assets not being depreciated	3,288,670
Capital assets - net of accumulated depreciation	<u>133,444,557</u>
Total assets	<u>187,849,765</u>
<b>Liabilities</b>	
Accounts payable	4,533,963
State aid anticipation note payable	13,000,000
Payroll deductions and withholdings	4,287,492
Accrued expenditures	1,654,266
Accrued salaries payable	6,760,177
Unearned revenue	64,261
Noncurrent liabilities	
Due within one year	11,103,047
Due in more than one year	<u>87,050,366</u>
Total liabilities	<u>128,453,572</u>
<b>Net position</b>	
Net investment in capital assets	55,056,310
Restricted	
Food service	543,458
Unrestricted	<u>3,796,425</u>
Total net position	<u>\$ 59,396,193</u>

See Accompanying Notes to Financial Statements

**Waterford School District**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Functions/Programs</b>					
Governmental activities					
Instruction	\$ 71,920,755	\$ 2,906,886	\$ 17,867,749	\$ -	\$ (51,146,120)
Supporting services	38,847,174	-	5,503,470	-	(33,343,704)
Food services	5,532,247	1,673,074	3,377,715	-	(481,458)
Pool and fitness centers	1,086,616	814,371	-	-	(272,245)
Performing Arts Centers	201,501	116,118	-	-	(85,383)
Child care	1,404,142	1,404,142	-	-	-
Senior citizens	790,500	517,353	271,739	-	(1,408)
Special education center program	5,538,464	39,351	5,432,977	-	(66,136)
Unallocated depreciation expense	1,350,620	-	-	-	(1,350,620)
Bond issuance cost	256,943	-	-	-	(256,943)
Tax tribunals refunds	1,117,684	-	-	-	(1,117,684)
Building and site	874,562	-	-	-	(874,562)
Interest on long-term debt	3,512,484	-	-	-	(3,512,484)
<b>Total governmental activities</b>	<b>\$ 132,433,692</b>	<b>\$ 7,471,295</b>	<b>\$ 32,453,650</b>	<b>\$ -</b>	<b>(92,508,747)</b>
General revenues					
Property taxes, levied for general purposes					12,417,164
Property taxes, levied for debt service					12,485,856
State aid - unrestricted					66,509,534
State aid - Durant					277,075
Other					179,729
Total general revenues					<u>91,869,358</u>
Change in net position					(639,389)
Net position - beginning					<u>60,035,582</u>
<b>Net position - ending</b>					<b><u>\$ 59,396,193</u></b>

See Accompanying Notes to Financial Statements



**Waterford School District**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2013**

	General Fund	Capital Projects April 30, 2013 Series III	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 10,043,663	\$ 19,525,822	\$ 853,197	\$ 30,422,682
Accounts receivable	2,471,404	-	5,261	2,476,665
Due from other funds	1,794,703	-	129,650	1,924,353
Due from other governmental units	18,082,619	-	104,658	18,187,277
Inventory	-	-	29,339	29,339
Prepaid items	575	-	-	575
<b>Total assets</b>	<b>\$ 32,392,964</b>	<b>\$ 19,525,822</b>	<b>\$ 1,122,105</b>	<b>\$ 53,040,891</b>
<b>Liabilities and fund balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 2,465,706	\$ 2,029,837	\$ 38,420	\$ 4,533,963
State aid anticipation note payable	13,000,000	-	-	13,000,000
Due to other funds	729,739	1,298,552	496,151	2,524,442
Payroll deductions and withholdings	4,287,492	-	-	4,287,492
Accrued expenditures	102,133	-	-	102,133
Accrued salaries payable	6,760,177	-	-	6,760,177
Unearned revenue	20,774	-	43,487	64,261
<b>Total liabilities</b>	<b>27,366,021</b>	<b>3,328,389</b>	<b>578,058</b>	<b>31,272,468</b>

See Accompanying Notes to Financial Statements

**Waterford School District  
Governmental Funds  
Balance Sheet  
June 30, 2013**

	<u>General Fund</u>	<u>Capital Projects April 30, 2013 Series III</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balance				
Non-spendable				
Inventory	\$ -	\$ -	\$ 29,339	\$ 29,339
Prepaid items	575	-	-	575
Restricted				
Food service	-	-	514,119	514,119
Capital projects	-	16,197,433	-	16,197,433
Assigned				
Capital projects	-	-	589	589
Unassigned	<u>5,026,368</u>	<u>-</u>	<u>-</u>	<u>5,026,368</u>
 Total fund balance	 <u>5,026,943</u>	 <u>16,197,433</u>	 <u>544,047</u>	 <u>21,768,423</u>
 <b>Total liabilities and fund balance</b>	 <b><u>\$ 32,392,964</u></b>	 <b><u>\$ 19,525,822</u></b>	 <b><u>\$ 1,122,105</u></b>	 <b><u>\$ 53,040,891</u></b>

See Accompanying Notes to Financial Statements

**Waterford School District**  
**Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2013**

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<b>Total fund balances for governmental funds</b>	\$ 21,768,423
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	3,288,670
Capital assets - net of accumulated depreciation	133,444,557
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(631,044)
Incurred but not reported benefit claims	(321,000)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(279,063)
Bonds payable	(97,773,648)
Capital lease payable	<u>(100,702)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 59,396,193</u></b>

See Accompanying Notes to Financial Statements

**Waterford School District**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2013**

	General Fund	Capital Projects April 30, 2013 Series III	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 15,594,142	\$ -	\$ 17,050,265	\$ 32,644,407
State sources	76,103,472	-	2,357,401	78,460,873
Federal sources	8,448,774	-	3,411,013	11,859,787
Interdistrict sources	5,238,144	-	3,591,092	8,829,236
	<u>105,384,532</u>	<u>-</u>	<u>26,409,771</u>	<u>131,794,303</u>
<b>Expenditures</b>				
Current				
Education				
Instruction	57,588,460	-	-	57,588,460
Supporting services	39,351,154	-	-	39,351,154
Federal programs	8,804,477	-	-	8,804,477
Food services	-	-	5,532,247	5,532,247
Pool and fitness centers	-	-	1,086,616	1,086,616
Performing Arts Centers	-	-	201,501	201,501
Child care	-	-	1,404,142	1,404,142
Senior citizens	-	-	789,092	789,092
Special education center program	-	-	5,472,328	5,472,328
Building and site	-	3,874,272	-	3,874,272
Debt service				
Principal	540,000	-	9,664,482	10,204,482
Interest and other expenditures	401,654	-	3,091,948	3,493,602
Bond issuance cost	-	-	256,943	256,943
Payment to bond refunding escrow agent	-	-	357,628	357,628
Tax tribunals refunds	-	-	496,151	496,151
	<u>106,685,745</u>	<u>3,874,272</u>	<u>28,353,078</u>	<u>138,913,095</u>

See Accompanying Notes to Financial Statements

**Waterford School District**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2013**

	General Fund	Capital Projects April 30, 2013 Series III	Nonmajor Governmental Funds	Total Governmental Funds
Deficiency of revenues under expenditures	\$ (1,301,213)	\$ (3,874,272)	\$ (1,943,307)	\$ (7,118,792)
<b>Other financing sources (uses)</b>				
Proceeds from refunding bonds	-	-	26,150,000	26,150,000
Payment to bond refunding escrow agent	-	-	(30,217,372)	(30,217,372)
Proceeds from issuance of bonds	-	20,000,000	-	20,000,000
Premium on issuance of bonds	-	71,705	4,681,943	4,753,648
Capital leases	122,500	-	-	122,500
Transfers in	-	-	357,628	357,628
Transfers out	(357,628)	-	-	(357,628)
Total other financing sources (uses)	(235,128)	20,071,705	972,199	20,808,776
Net change in fund balance	(1,536,341)	16,197,433	(971,108)	13,689,984
Fund balance - beginning	6,563,284	-	1,515,155	8,078,439
<b>Fund balance - ending</b>	<b>\$ 5,026,943</b>	<b>\$ 16,197,433</b>	<b>\$ 544,047</b>	<b>\$ 21,768,423</b>

See Accompanying Notes to Financial Statements

**Waterford School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2013**

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**Net change in fund balances - Total governmental funds** \$ 13,689,984

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(6,418,700)
Capitalized capital outlay	2,999,710
Disposal/impairment of capital assets (net book value)	(635,133)

Expenses are recorded when incurred in the statement of activities.

Interest	(48,882)
Benefit claims	(31,500)

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 financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.

Repayments of long-term debt	10,592,110
Payment to bond refunding escrow agent	30,217,372
Proceeds from issuance of bonds	(50,903,648)
Capital lease	(122,500)
Repayment of capital lease	<u>21,798</u>

**Change in net position of governmental activities** **\$ (639,389)**

See Accompanying Notes to Financial Statements

**Waterford School District**  
**Proprietary Fund**  
**Internal Service Fund**  
**Statement of Assets and Liabilities**  
**June 30, 2013**

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	<u>Internal Service Fund</u>
<b>Assets</b>	
Due from other funds	\$ <u>600,089</u>
<b>Liabilities</b>	
Workers' compensation	\$ 321,025
Compensated absences	<u>279,064</u>
<b>Total liabilities</b>	<u>\$ 600,089</u>

**Waterford School District**  
**Proprietary Fund**  
**Internal Service Fund**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended June 30, 2013**

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	<u>Internal Service Fund</u>
<b>Revenues</b>	
Employee contributions	\$ 1,951,307
Fee for service	<u>33,707,116</u>
Total revenues	<u>35,658,423</u>
<b>Expenses</b>	
Health, dental and vision	13,032,636
Retirement	17,248,675
Social security	4,777,023
Compensated absences	279,064
Workers compensation	<u>321,025</u>
Total expenses	<u>35,658,423</u>
Net income	-
Net position - beginning	<u>-</u>
<b>Net position - ending</b>	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements



**Waterford School District**  
**Proprietary Fund**  
**Internal Service Fund**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2013**

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	Internal Service Fund
<b>Cash flows from operating activities</b>	
Employee contributions	\$ 1,951,307
Fee for service	33,707,116
Health, dental and vision	(13,032,636)
Retirement	(17,248,675)
Social security	(4,777,023)
Compensated absences	(279,064)
Workers' compensation	(321,025)
	-
Net cash used by operating activities	-
Cash and cash equivalents - beginning of year	-
<b>Cash and cash equivalents - end of year</b>	<b>\$ -</b>

See Accompanying Notes to Financial Statements

**Waterford School District**  
**Fiduciary Funds**  
**Statement of Assets and Liabilities**  
**June 30, 2013**

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	<u>Agency Funds</u>
<b>Assets</b>	
Cash	<u>\$ 1,538,693</u>
<b>Liabilities</b>	
Due to student activities	<u>\$ 1,538,693</u>

**Waterford School District**  
**Notes to Financial Statements**  
**June 30, 2013**

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**Note 1 - Summary of Significant Accounting Policies**

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

**Reporting Entity**

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

**District-wide Financial Statements**

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

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

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

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

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

**Fund Financial Statements**

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

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

**Waterford School District**  
**Notes to Financial Statements**  
**June 30, 2013**

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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.

2013 Capital Projects Funds – Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, building, equipment, and for remodeling and repairs. The funds are kept open until the purpose for which the funds were created has been accomplished.

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.

Building Maintenance Capital Projects Funds – Capital Projects Funds are used to record bond proceeds or other revenue and

the disbursement of invoices specifically designated for acquiring new school sites, building, equipment, and for remodeling and repairs. The funds are kept open until the purpose for which the funds were created has been accomplished.

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

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

**Assets, Liabilities and 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 state at fair value.

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

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2013, the rates are as follows per \$1,000 of assessed value.

**Waterford School District**  
**Notes to Financial Statements**  
**June 30, 2013**

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General Fund	
Non principal residence exemption	18.00000
Commercial personal property	6.00000
 Debt Service Funds	 5.85000

Buildings and additions	7-50 years
Equipment and furniture	5-8 years
Buses and other vehicles	5-20 years

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

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

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

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

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 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.

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

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net 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.

**Waterford School District**  
**Notes to Financial Statements**  
**June 30, 2013**

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

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

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

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

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

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

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

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

**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**

The Government Accounting Standards Board has issued Statements 63 and 65, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and Items Previously Reported as Assets and Liabilities*, which the government adopted effective July 1, 2012. The new standards provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of net position and related disclosures.

**Upcoming Accounting and Reporting Changes**

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

**Waterford School District**  
**Notes to Financial Statements**  
**June 30, 2013**

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

**Budgetary Information**

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

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

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

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

**Excess of Expenditures over Appropriations**

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Instruction			
Employee benefits	\$ 12,620,741	\$ 14,981,556	\$ 2,360,815
Support			
Business	11,334,553	11,863,424	528,871
Employee benefits	8,413,828	8,463,650	49,822
Transfers out	196,484	357,628	161,144
Pool and Fitness Center	971,788	1,086,616	114,828

**Compliance Bond Proceeds**

The Capital Projects April 30, 2013 Series III Fund includes capital project activities funded with bonds issued after June 9, 2003. The following is a summary of the revenue and expenditures from the inception of the funds through the current fiscal year:

Expenditures	\$ 3,874,272
Proceeds from issuance of bonds	20,000,000

**Note 3 - Deposits and Investments**

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and cash equivalents	\$ 30,422,682	\$ 1,538,693	\$ 31,961,375

**Waterford School District**  
**Notes to Financial Statements**  
**June 30, 2013**

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 31,958,232
Petty cash and cash on hand	<u>3,143</u>
 Total	 <u>\$ 31,961,375</u>

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

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

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

*Custodial credit risk – deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, \$ 30,474,949 of the District’s bank balance of \$ 31,745,112 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

**Note 4 - Capital Assets**

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

	Beginning Balance	Increases	Decreases	Impairment Adjustment	Ending Balance
<b>Governmental activities</b>					
Capital assets not being depreciated					
Land	\$ 1,177,339	\$ -	\$ -	\$ -	\$ 1,177,339
Construction in progress	<u>34,075</u>	<u>2,111,331</u>	<u>34,075</u>	<u>-</u>	<u>2,111,331</u>
Total capital assets not being depreciated	<u>1,211,414</u>	<u>2,111,331</u>	<u>34,075</u>	<u>-</u>	<u>3,288,670</u>
Capital assets being depreciated					
Buildings and additions	225,308,192	534,404	-	1,377,111	224,465,485
Equipment and furniture	4,897,099	388,050	-	-	5,285,149
Buses and other vehicles	<u>5,884,072</u>	<u>-</u>	<u>2,085,535</u>	<u>-</u>	<u>3,798,537</u>
Total capital assets being depreciated	<u>236,089,363</u>	<u>922,454</u>	<u>2,085,535</u>	<u>1,377,111</u>	<u>233,549,171</u>
Less accumulated depreciation for					
Buildings and additions	87,656,707	6,003,713	-	896,652	92,763,768
Equipment and furniture	3,636,867	246,909	-	-	3,883,776
Buses and other vehicles	<u>5,219,853</u>	<u>168,078</u>	<u>1,930,861</u>	<u>-</u>	<u>3,457,070</u>
Total accumulated depreciation	<u>96,513,427</u>	<u>6,418,700</u>	<u>1,930,861</u>	<u>896,652</u>	<u>100,104,614</u>
Net capital assets being depreciated	<u>139,575,936</u>	<u>(5,496,246)</u>	<u>154,674</u>	<u>480,459</u>	<u>133,444,557</u>
Net capital assets	<u>\$ 140,787,350</u>	<u>\$ (3,384,915)</u>	<u>\$ 188,749</u>	<u>\$ 480,459</u>	<u>\$ 136,733,227</u>



**Waterford School District**  
**Notes to Financial Statements**  
**June 30, 2013**

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

**Governmental activities**

Instruction	\$	4,888,172
Support services		112,364
Senior citizens		1,408
Special education center program		66,136
Unallocated		<u>1,350,620</u>
 Total governmental activities	 \$	 <u>6,418,700</u>

**Construction Contracts**

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

	Remaining Construction Commitment at Year End	Contract Payable at Year End
Capital Projects	<u>\$ 9,584,328</u>	<u>\$ 1,314,511</u>

**Note 5 - Interfund Receivable and Payable and Transfers**

Individual interfund receivable and payable balances at year end were:

	<u>Due From Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
Capital Projects April 30, 2013			
Series III		General	\$ 1,298,552
General		Non major governmental	129,650
Non major governmental		General Fund	496,151
General		Internal Service Fund	<u>600,089</u>
			<u>\$ 2,524,442</u>

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

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

Interfund transfers consist of the following:

	<u>Transfers Out</u>
	<u>General Fund</u>
<b>Transfers in</b>	
Nonmajor governmental funds	<u>\$ 357,628</u>

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

**Waterford School District**  
**Notes to Financial Statements**  
**June 30, 2013**

**Note 6 - Unearned Revenue**

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

	<u>Unearned</u>
Prepayment of student meals	\$ 43,487
Computer deposits	2,900
Grant and categorical aid payments received prior to meeting all eligibility requirements	17,874
<b>Total</b>	<b>\$ 64,261</b>

**Note 7 - State Aid Anticipation Note**

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

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

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	\$ <u>12,500,000</u>	\$ <u>13,000,000</u>	\$ <u>12,500,000</u>	\$ <u>13,000,000</u>

**Note 8 - Long-Term Debt**

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

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Government obligation bonds	\$ 87,385,000	\$ 46,150,000	\$ 40,515,000	\$ 93,020,000	\$ 11,080,000
Durant bonds	264,482	-	264,482	-	-
Capital lease	-	122,500	21,798	100,702	23,047
Compensated absences	279,063	-	-	279,063	-
Premium on bonds	-	4,753,648	-	4,753,648	-
<b>Total</b>	<b>\$ 87,928,545</b>	<b>\$ 51,026,148</b>	<b>\$ 40,801,280</b>	<b>\$ 98,153,413</b>	<b>\$ 11,103,047</b>

**Waterford School District**  
**Notes to Financial Statements**  
**June 30, 2013**

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

\$30,030,000 serial bond due in annual installments ranging from \$3,020,000 to \$3,630,000 through 2023, interest ranging from 3.63% to 5.00%	\$ 3,250,000
\$22,680,000 serial bond due in annual installments ranging from \$250,000 to \$5,120,000 through 2017, interest ranging from 2.0% to 4.0%	18,160,000
\$26,150,000 serial bond due in annual installments ranging from \$1,530,000 to \$3,145,000 through 2023, interest ranging from 2.0% to 5.00%	26,150,000
\$20,000,000 serial bond (callable beginning 2015) due in annual installments ranging from \$500,000 to \$2,600,000 through 2022, interest ranging from 2.25% to 4.13%	16,600,000
\$20,000,000 serial bond due in annual installments ranging from \$1,000,000 to \$1,500,000 through 2027, interest ranging from 2.0% to 3.00%	20,000,000
\$11,950,000 serial bond (callable beginning 2016) due in annual installments ranging from \$525,000 to \$995,000 through 2022, interest of 4.40%	<u>8,860,000</u>
Total general obligation bonded debt	<u>\$ 93,020,000</u>

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

	Principal	Interest	Total
<b>Year Ending June 30,</b>			
2014	\$ 11,080,000	\$ 3,627,423	\$ 14,707,423
2015	10,595,000	3,088,840	13,683,840
2016	11,135,000	2,700,790	13,835,790
2017	11,095,000	2,261,890	13,356,890
2018	7,005,000	1,925,630	8,930,630
2019-2023	37,110,000	4,884,590	41,994,590
2024-2027	5,000,000	330,000	5,330,000
Total	<u>\$ 93,020,000</u>	<u>\$ 18,819,163</u>	<u>\$ 111,839,163</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$28,036 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest expenditures for the fiscal year were and \$3,091,948.

**Refunding Bond**

On April 1, 2013 the School District issued general obligation bonds of \$26,150,000 (par value) with interest rates from 2.00 – 5.00% to advance refund the 1999 Series IV Bond and the 2003 Series II Bond with interest rates from 2.00 – 4.40% and combined principal and interest of \$39,155,150. The general obligation bonds were issued at par value and after paying issuance costs of \$256,943 and accrued interest of \$28,035, the net proceeds were \$30,575,000. The net proceeds from the issuance of the general obligation bonds were deposited with an escrow agent to provide debt service payments. The advance refunding met the requirements of an in-substance debt defeasance and the refunded portion of the 1999 Series IV Bond and the 2003 Series II Bond were removed from the School District's financial statements.

**Waterford School District**  
**Notes to Financial Statements**  
**June 30, 2013**

As a result of the advance refunding, the School District reduced its total debt service requirements by \$4,284,552, which resulted in an economic gain of \$3,869,913.

**Compensated Absences**

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

**Note 9 - Leases**

**Capital Lease**

The School District has a capital lease for 9 copy machines. The future lease payments are as follows:

<b>Year ending June 30,</b>	
2014	\$ 23,047
2015	28,200
2016	28,200
2017	<u>28,288</u>
Total minimum lease payments	107,735
Less amount representing interest	<u>12,186</u>
Present value of minimum lease payments	<u>\$ 95,549</u>
Assets	
Equipment	\$ 122,500
Less accumulated depreciation	<u>23,696</u>
Total	<u>\$ 98,804</u>

**Operating Lease**

In the current year the District entered into leasing arrangements for 15 busses. Under the lease agreements the District paid \$199,226 in the current year.

The future minimum lease payments for the year ended June 30, 2013 were as follows:

<b>Year ending June 30,</b>	
2014	<u>\$ 118,463</u>

**Note 10 - Risk Management**

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

The School District is self-insured under the Michigan Worker's Disability Compensation Act. Workers' compensation excess insurance has been retained for the aggregate claims exceeding \$350,000 for each annual policy period, to a maximum of \$1,000,000. This excess insurance also applies to individual occurrences exceeding \$300,000, with a statutory maximum for those individual occurrences. The expenditures for the year were:

**Waterford School District**  
**Notes to Financial Statements**  
**June 30, 2013**

	2013	2012
Estimated liability at the beginning of the year	\$ 289,500	\$ 233,000
Estimated claims incurred including changes in estimates	227,531	239,408
Claim payments	(196,006)	(182,908)
Estimated liability end of year	\$ 321,025	\$ 289,500

The School District is subject to Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had \$94,109 in unemployment compensation expense for the year. No provision has been made for possible future claims.

**Note 11 - Pension Plans and Post Employment Benefits**

**Plan Description**

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

The plans provide retirement, survivor and disability benefits to plan members and their beneficiaries.

MPSERS operates within the Michigan Department of Technology, Management and Budget, Office of Retirement Services, under the authority established by the Michigan Public School Employees Retirement Act (Retirement Act), as enacted and amended by the Michigan Legislature. The Michigan Legislature has the authority to amend the Retirement Act. The Michigan Department of

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

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

In September 2012, the Michigan legislature enacted additional changes (2012 Retirement Reform) to the Retirement Act, with different aspects becoming effective in late 2012 and early 2013. With these changes MPSERS offers eight retirement plans: Basic, Member Investment Plan (MIP), Basic 4%, MIP 7%, Basic DC Converted, MIP DC Converted, Pension Plus, and the Defined Contribution (DC) plan. Multiple options exist within some of these plans.

Full details on each of these plans are available on the MPSERS website at the address provided above.

**Funding Policy**

For the defined benefit plans the District is required by state law to contribute to MPSERS an actuarially determined percentage of payroll for all eligible participating employees. The District's actual contributions match the required contributions. Additionally, employees participating in the various defined benefit pension plans contribute the following amounts of their pretax salaries: (a) Member

**Waterford School District**  
**Notes to Financial Statements**  
**June 30, 2013**

Investment Plan participants contribute 3% to 6.4%; (b) Basic 4% participants contribute 4%; and (c) MIP 7% participants contribute 3.9% to 7%. The following table discloses pertinent information relative to MPSERS defined benefit pension retirement plan funding for the three-year period beginning July 1, 2010 through June 30, 2013:

	2013	2012	2011
Funding percentage range	12.78 - 16.25 %	10.66 - 15.96 %	8.63 - 12.16 %
School district defined benefit pension contributions	<u>\$ 10,496,679</u>	<u>\$ 9,504,578</u>	<u>\$ 9,926,584</u>

**Defined Contribution Savings Plans**

For the Pension Plus savings plan, eligible participants are automatically enrolled and 2% of their pay is withheld and deposited into the account. Participants may elect to not contribute, or may elect to increase their personal contribution up to the annual limits established by the IRS. The District matches 50 percent of the employee contributions into the Pension Plus savings plan, up to 1 percent. Participants opting to not contribute receive no employer matching contribution. Participants in the Basic DC Converted and MIP DC Converted plans receive 4% employer contributions to a tax-deferred 401(k) plan. The Defined Contribution Plan provides a 50% employer match (up to 3% of salary) on employee contributions. Participants in any of these defined contribution options may elect to make contributions to a tax-deferred 457 account up to the maximum amounts permitted by the IRS.

Contributions by the District and participants during the year ended June 30, 2013, were:

	School District	Participants
Contributions to the Defined Contribution Plans	<u>\$ 146,108</u>	<u>\$ 98,388</u>

**Post Employment Benefits**

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

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

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

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

The District's actual contributions match the required contributions.

The following table discloses pertinent information relative to the District's MPSERS defined benefit post employment benefits funding for the three-year period beginning July 1, 2010 through June 30, 2013:

**Waterford School District**  
**Notes to Financial Statements**  
**June 30, 2013**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Funding percentage range	8.18 - 9.11 %	8.50 %	6.81 - 8.50 %
School district defined benefit post employment benefit plan contributions	<u>\$ 5,352,149</u>	<u>\$ 5,399,970</u>	<u>\$ 6,784,837</u>

**Note 13 - Subsequent Event**

Subsequent to year end, the School District repaid the state aid anticipation note of \$13,000,000 that was outstanding at the end of the year. In addition, the District borrowed \$12,540,000 in state aid anticipation notes that is due September 2013.

Subsequent to year end, Manley school building was dismantled. All remaining assets attributable to this building were considered fully impaired at June 30, 2013.

Contributions by the District and participants to the MPSERS defined contribution Personal Healthcare Fund during the year ended June 30, 2013, were:

	<u>School District</u>	<u>Participants</u>
Contributions to the Personal Healthcare Fund	<u>\$ 37,640</u>	<u>\$ 37,640</u>

**Unfunded Accrued Actuarial Liability**

During the year ended June 30, 2013, the District had contributions in the amount of \$1,216,098 to the Michigan Public School Employee Retirement System (MPSERS). This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was 4.56% for the year. These contributions are not included in the above tables.

**Note 12 - Contingent Liabilities**

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

## REQUIRED SUPPLEMENTAL INFORMATION



**Waterford School District**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Local sources	\$ 15,372,983	\$ 15,754,423	\$ 15,594,142	\$ (160,281)
State sources	73,535,748	76,476,276	76,103,472	(372,804)
Federal sources	9,684,243	9,319,526	8,448,774	(870,752)
Interdistrict sources	4,919,503	4,983,993	5,238,144	254,151
	<u>103,512,477</u>	<u>106,534,218</u>	<u>105,384,532</u>	<u>(1,149,686)</u>
<b>Expenditures</b>				
Current				
Instruction				
Basic programs	31,664,651	32,443,013	32,017,788	(425,225)
Added needs	10,683,708	11,553,664	10,589,116	(964,548)
Employee benefits	12,893,943	12,620,741	14,981,556	2,360,815
Supporting services				
Pupil	6,330,127	6,812,220	6,450,016	(362,204)
Instructional staff	2,965,236	3,043,320	2,623,648	(419,672)
General administration	1,179,618	1,261,153	1,212,451	(48,702)
School administration	4,640,701	4,638,445	4,482,195	(156,250)
Business	11,227,640	11,334,553	11,863,424	528,871
Central	3,040,710	3,210,369	3,037,704	(172,665)
Athletics	1,496,221	1,514,221	1,146,661	(367,560)
Civil	113,697	114,997	71,405	(43,592)
Employee benefits	8,595,962	8,413,828	8,463,650	49,822

**Waterford School District**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Federal programs	\$ 10,068,476	\$ 9,677,142	\$ 8,804,477	\$ (872,665)
Debt service				
Principal	540,000	540,000	540,000	-
Interest and fiscal charges	401,720	401,720	401,654	(66)
Total expenditures	<u>105,842,410</u>	<u>107,579,386</u>	<u>106,685,745</u>	<u>(893,641)</u>
Deficiency of revenues over expenditures	<u>(2,329,933)</u>	<u>(1,045,168)</u>	<u>(1,301,213)</u>	<u>(256,045)</u>
<b>Other financing sources (uses)</b>				
Capital leases	-	-	122,500	122,500
Transfers out	<u>(484,484)</u>	<u>(196,484)</u>	<u>(357,628)</u>	<u>(161,144)</u>
Total other financing sources (uses)	<u>(484,484)</u>	<u>(196,484)</u>	<u>(235,128)</u>	<u>(38,644)</u>
Net change in fund balance	(2,814,417)	(1,241,652)	(1,536,341)	(294,689)
Fund balance - beginning	<u>6,563,284</u>	<u>6,563,284</u>	<u>6,563,284</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 3,748,867</u>	<u>\$ 5,321,632</u>	<u>\$ 5,026,943</u>	<u>\$ (294,689)</u>

## OTHER SUPPLEMENTAL INFORMATION

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**Waterford School District  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2013**

	Special Revenue Funds/School Service Funds					
	Special Education Center Programs	Child Care	Senior Citizens	Pool and Fitness Centers	Performing Arts Centers	Food Service
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 356,457
Accounts receivable	-	-	-	-	-	5,261
Due from other governmental units	-	-	-	-	-	104,658
Due from other funds	-	-	-	-	-	101,614
Inventory	-	-	-	-	-	29,339
<b>Total assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 597,329</b>
<b>Liabilities and fund balance</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,384
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	43,487
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,871</b>
<b>Fund balance</b>						
Non-spendable						
Inventory	-	-	-	-	-	29,339
Restricted						
Food service	-	-	-	-	-	514,119
Assigned						
Capital projects	-	-	-	-	-	-
<b>Total fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>543,458</b>
<b>Total liabilities and fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 597,329</b>

**Waterford School District**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2013**

	Debt Service Funds						Capital Projects		Total Non Major Funds
	1997 Refunding	1999 Series III	1999 Series II & III Refunding	1999 Series IV	2003 Series I	2003 Series II	2013 Refunding	Building Maintenance	
<b>Assets</b>									
Cash and cash equivalents	\$ 142,991	\$ -	\$ 140,230	\$ -	\$ 91,124	\$ -	\$ 121,806	\$ 589	\$ 853,197
Accounts receivable	-	-	-	-	-	-	-	-	5,261
Due from other governmental units	-	-	-	-	-	-	-	-	104,658
Due from other funds	-	-	-	-	-	-	28,036	-	129,650
Inventory	-	-	-	-	-	-	-	-	29,339
<b>Total assets</b>	<b><u>\$ 142,991</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 140,230</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 91,124</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 149,842</u></b>	<b><u>\$ 589</u></b>	<b><u>\$ 1,122,105</u></b>
<b>Liabilities and fund balance</b>									
<b>Liabilities</b>									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,036	\$ -	\$ 38,420
Due to other funds	142,991	-	140,230	-	91,124	-	121,806	-	496,151
Unearned revenue	-	-	-	-	-	-	-	-	43,487
<b>Total liabilities</b>	<b><u>142,991</u></b>	<b><u>-</u></b>	<b><u>140,230</u></b>	<b><u>-</u></b>	<b><u>91,124</u></b>	<b><u>-</u></b>	<b><u>149,842</u></b>	<b><u>-</u></b>	<b><u>578,058</u></b>
<b>Fund balance</b>									
Non-spendable									
Inventory	-	-	-	-	-	-	-	-	29,339
Restricted									
Food service	-	-	-	-	-	-	-	-	514,119
Assigned									
Capital projects	-	-	-	-	-	-	-	589	589
<b>Total fund balance</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>589</u></b>	<b><u>544,047</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 142,991</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 140,230</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 91,124</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 149,842</u></b>	<b><u>\$ 589</u></b>	<b><u>\$ 1,122,105</u></b>

**Waterford School District**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2013**

	Special Revenue Funds/School Service Funds					
	Special Education Center Programs	Child Care	Senior Citizens	Pool and Fitness Centers	Performing Arts Centers	Food Service
<b>Revenues</b>						
Local sources	\$ 39,351	\$ 1,404,142	\$ 517,353	\$ 814,371	\$ 116,118	\$ 1,673,074
State sources	1,841,885	-	-	-	-	238,441
Federal sources	-	-	271,739	-	-	3,139,274
Interdistrict sources	<u>3,591,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>5,472,328</u>	<u>1,404,142</u>	<u>789,092</u>	<u>814,371</u>	<u>116,118</u>	<u>5,050,789</u>
<b>Expenditures</b>						
Current						
Instruction	2,593,151	-	-	-	-	-
Supporting services	2,879,177	1,404,142	517,353	1,086,616	201,501	2,392,973
Federal programs	-	-	271,739	-	-	3,139,274
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Refunding costs	-	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	-	-
Tax tribunal refunds	-	-	-	-	-	-
Total expenditures	<u>5,472,328</u>	<u>1,404,142</u>	<u>789,092</u>	<u>1,086,616</u>	<u>201,501</u>	<u>5,532,247</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(272,245)</u>	<u>(85,383)</u>	<u>(481,458)</u>
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	272,245	85,383	-
Proceeds from refunding bonds	-	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>272,245</u>	<u>85,383</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(481,458)</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,024,916</u>
<b>Fund balance - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 543,458</u>

**Waterford School District**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2013**

	Debt Service Funds						Capital Projects		Total Non Major Funds	
	1997 Refunding	1999	1999 Series II & III Refunding	1999 Series IV	2003 Series I	2003 Series II	2013 Refunding	Durant Package		Building Maintenance
<b>Revenues</b>										
Local sources	\$ 3,391,520	\$ 1,987,514	\$ 3,063,715	\$ 1,354,468	\$ 1,252,905	\$ 1,435,734	\$ -	\$ -	\$ -	\$ 17,050,265
State sources	-	-	-	-	-	-	-	277,075	-	2,357,401
Federal sources	-	-	-	-	-	-	-	-	-	3,411,013
Interdistrict sources	-	-	-	-	-	-	-	-	-	3,591,092
<b>Total revenues</b>	<u>3,391,520</u>	<u>1,987,514</u>	<u>3,063,715</u>	<u>1,354,468</u>	<u>1,252,905</u>	<u>1,435,734</u>	<u>-</u>	<u>277,075</u>	<u>-</u>	<u>26,409,771</u>
<b>Expenditures</b>										
Current										
Instruction	-	-	-	-	-	-	-	-	-	2,593,151
Supporting services	-	-	-	-	-	-	-	-	-	8,481,762
Federal programs	-	-	-	-	-	-	-	-	-	3,411,013
Debt service										
Principal	3,060,000	1,970,000	2,370,000	1,000,000	500,000	500,000	-	264,482	-	9,664,482
Interest	284,900	52,205	695,200	387,750	689,250	970,050	-	12,593	-	3,091,948
Refunding costs	-	-	-	-	-	-	256,943	-	-	256,943
Payment to bond refunding escrow agent	-	-	-	-	-	-	357,628	-	-	357,628
Tax tribunal refunds	142,991	-	262,036	-	91,124	-	-	-	-	496,151
<b>Total expenditures</b>	<u>3,487,891</u>	<u>2,022,205</u>	<u>3,327,236</u>	<u>1,387,750</u>	<u>1,280,374</u>	<u>1,470,050</u>	<u>614,571</u>	<u>277,075</u>	<u>-</u>	<u>28,353,078</u>
Excess (deficiency) of revenues over expenditures	<u>(96,371)</u>	<u>(34,691)</u>	<u>(263,521)</u>	<u>(33,282)</u>	<u>(27,469)</u>	<u>(34,316)</u>	<u>(614,571)</u>	<u>-</u>	<u>-</u>	<u>(1,943,307)</u>
<b>Other financing sources (uses)</b>										
Transfers in	-	-	-	-	-	-	-	-	-	357,628
Proceeds from refunding bonds	-	-	-	-	-	-	30,831,943	-	-	30,831,943
Payment to bond refunding escrow agent	-	-	-	-	-	-	(30,217,372)	-	-	(30,217,372)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>614,571</u>	<u>-</u>	<u>-</u>	<u>972,199</u>
<b>Net change in fund balance</b>	<u>(96,371)</u>	<u>(34,691)</u>	<u>(263,521)</u>	<u>(33,282)</u>	<u>(27,469)</u>	<u>(34,316)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(971,108)</u>
Fund balance - beginning	<u>96,371</u>	<u>34,691</u>	<u>263,521</u>	<u>33,282</u>	<u>27,469</u>	<u>34,316</u>	<u>-</u>	<u>-</u>	<u>589</u>	<u>1,515,155</u>
<b>Fund balance - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 589</u>	<u>\$ 544,047</u>

**Waterford School District**  
**Other Supplemental Information**  
**General Fund**  
**Comparative Balance Sheet**  
**June 30, 2013**

	2013	2012
<b>Assets</b>		
Cash and cash equivalents	\$ 10,043,663	\$ 12,323,034
Accounts receivable	2,471,404	889,281
Due from other funds	1,794,703	-
Due from other governmental units	18,082,619	17,660,221
Prepaid items	575	638,982
<b>Total assets</b>	<b>\$ 32,392,964</b>	<b>\$ 31,511,518</b>
<b>Liabilities and fund balance</b>		
Liabilities		
Accounts payable	\$ 2,465,706	\$ 1,464,633
State aid anticipation note payable	13,000,000	12,500,000
Due to other funds	729,739	995,520
Payroll deductions and withholdings	4,287,492	2,989,271
Accrued expenditures	102,133	47,725
Accrued salaries payable	6,760,177	6,842,255
Unearned revenue	20,774	108,830
Total liabilities	27,366,021	24,948,234
Fund balance		
Non-spendable		
Prepaid items	575	638,982
Unassigned	5,026,368	5,924,302
Total fund balance	5,026,943	6,563,284
<b>Total liabilities and fund balance</b>	<b>\$ 32,392,964</b>	<b>\$ 31,511,518</b>



**Waterford School District**  
**General Fund**  
**Statement of Revenues Compared to Budget**  
**For the Year Ended June 30, 2013**

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	Final Budget	Actual	Actual Over (Under) Budget
<b>Local sources</b>			
Property Taxes	\$ 12,312,167	\$ 12,233,068	\$ (79,099)
Other Taxes & Penalties	85,000	184,096	99,096
Preschool	512,078	324,890	(187,188)
Outdoor Education	113,850	109,884	(3,966)
Summer Academy	107,514	48,626	(58,888)
Mail Services	49,200	15,752	(33,448)
Waterford Foundation	87,329	85,981	(1,348)
Apex	48,432	48,960	528
Credit recovery	-	10,375	10,375
Summer SLAM	3,220	4,382	1,162
Metro North grants	4,500	-	(4,500)
eRate	400,000	354,982	(45,018)
Facility Use	142,827	76,921	(65,906)
Sale of Fixed Assets	25,000	-	(25,000)
University Stipends	-	5,738	5,738
Fingerprinting	3,500	713	(2,787)
Video Services	500	-	(500)
School & Community Services	88,000	22,908	(65,092)
Transportation	40,000	-	(40,000)

**Waterford School District**  
**General Fund**  
**Statement of Revenues Compared to Budget**  
**For the Year Ended June 30, 2013**

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	Final Budget	Actual	Actual Over (Under) Budget
<b>Local sources (continued)</b>			
Food Service Contribution	\$ 467,466	\$ 425,355	\$ (42,111)
Vending	30,000	35,000	5,000
Child Care Contribution	275,000	277,212	2,212
Senior Center Contribution	50,000	-	(50,000)
High school parking passes	15,000	17,804	2,804
Medicaid	600,000	1,052,477	452,477
Athletics	150,000	107,872	(42,128)
Hockey	67,040	54,076	(12,964)
Waterford Community Garden Grant	11,800	47	(11,753)
Miscellaneous	65,000	97,023	32,023
Total local sources	15,754,423	15,594,142	(160,281)

**Waterford School District**  
**General Fund**  
**Statement of Revenues Compared to Budget**  
**For the Year Ended June 30, 2013**

	Final Budget	Actual	Actual Over (Under) Budget
<b>State sources</b>			
Membership	\$ 62,157,842	\$ 61,908,883	\$ (248,959)
Membership-Special Education	2,527,631	2,332,320	(195,311)
Property Tax Refunds	1,100,000	882,167	(217,833)
Best Practice Incentive	563,679	590,872	27,193
MPSERS Cost Offset 147a & 147c	2,494,912	2,500,016	5,104
At-Risk	2,377,439	2,272,045	(105,394)
Special Education, Non-membership	2,881,749	2,949,722	67,973
Vocation Education	241,952	246,545	4,593
Preschool Enrichment	628,574	652,257	23,683
Court Placed	1,120,121	1,386,164	266,043
Data Collection	265,577	265,681	104
Technology Infrastructure	108,400	108,400	-
Teacher Evaluation Grant	8,400	8,400	-
	<u>76,476,276</u>	<u>76,103,472</u>	<u>(372,804)</u>
<b>Interdistrict sources</b>			
Oakland Schools	4,538,031	4,987,198	449,167
Oakland Schools - PA 18 Equity	-	51,851	51,851
IDEA Local	-	7,026	7,026

**Waterford School District**  
**General Fund**  
**Statement of Revenues Compared to Budget**  
**For the Year Ended June 30, 2013**

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	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
<b>Interdistrict sources (continued)</b>			
Vocational Millage	\$ 195,962	\$ 192,069	\$ (3,893)
C.V.S. Oakland County	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
Total interdistrict sources	<u>4,983,993</u>	<u>5,238,144</u>	<u>254,151</u>
<b>Other financing source</b>			
Capital lease	<u>-</u>	<u>122,500</u>	<u>122,500</u>
Total revenue before federal sources	97,214,692	97,058,258	(156,434)
<b>Federal sources</b>	<u>9,319,526</u>	<u>8,448,774</u>	<u>(870,752)</u>
<b>Total revenues</b>	<u>\$ 106,534,218</u>	<u>\$ 105,507,032</u>	<u>\$ (1,027,186)</u>

**Waterford School District**  
**General Fund**  
**Statement of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2013**

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
<b>Basic program - elementary</b>					
General Ed	\$ 10,627,230	\$ 614,925	\$ 11,242,155	\$ 11,527,307	\$ (285,152)
Science	-	47,494	47,494	49,221	(1,727)
Phys Ed	606,803	7,756	614,559	589,837	24,722
Art-Fine Arts	650,490	27,088	677,578	669,411	8,167
31A	545,921	28,630	574,551	552,664	21,887
FAST - Donelson Hills	548,840	270,408	819,248	1,088,686	(269,438)
Youth Wellness Grant	-	-	-	3,500	(3,500)
FAST-Burt	-	161	161	-	161
FAST-Burt	-	-	-	3,700	(3,700)
Total elementary	<u>12,979,284</u>	<u>996,462</u>	<u>13,975,746</u>	<u>14,484,326</u>	<u>(508,580)</u>
<b>Basic program - middle school</b>					
General Ed	5,424,545	174,197	5,598,742	5,528,696	70,046
Music-Fine Arts	524,136	17,408	541,544	504,289	37,255
Art-Fine Arts	135,875	5,720	141,595	142,147	(552)
Physical Ed	257,734	3,889	261,623	263,137	(1,514)
31A	363,161	247,254	610,415	562,877	47,538
Outdoor Ed	10,754	99,131	109,885	113,850	(3,965)
Total middle school	<u>6,716,205</u>	<u>547,599</u>	<u>7,263,804</u>	<u>7,114,996</u>	<u>148,808</u>
<b>Basic program - high school</b>					
General Ed	5,675,379	858,503	6,533,882	5,849,840	684,042
Alt. H.S.-Manley	738,586	318,478	1,057,064	1,150,053	(92,989)
Cyber Academy	199,197	314,050	513,247	743,960	(230,713)
Music-Fine Arts	428,687	14,195	442,882	388,029	54,853
Art-Fine Arts	359,415	12,341	371,756	392,066	(20,310)
Physical Ed	285,779	5,154	290,933	360,670	(69,737)
31A	156,235	282,452	438,687	622,680	(183,993)

**Waterford School District**  
**General Fund**  
**Statement of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2013**

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
<b>Basic program - high school (continued)</b>					
Physical Ed	\$ -	\$ -	\$ -	\$ 20,100	\$ (20,100)
International Academy	41,301	153,724	195,025	241,525	(46,500)
Total high school	<u>7,884,579</u>	<u>1,958,897</u>	<u>9,843,476</u>	<u>9,768,923</u>	<u>74,553</u>
<b>Basic program - summer school</b>					
Summer Success - Lit & Math	-	1,926	1,926	3,220	(1,294)
Summer Academy	74,939	20,088	95,027	107,514	(12,487)
Total summer school	<u>74,939</u>	<u>22,014</u>	<u>96,953</u>	<u>110,734</u>	<u>(13,781)</u>
<b>Basic program - Pre-K programs</b>					
Preschool	230,017	95,548	325,565	417,204	(91,639)
Preschool enrichment	319,675	157,110	476,785	498,398	(21,613)
Apex I	26,224	9,235	35,459	48,432	(12,973)
Total Pre-K programs	<u>575,916</u>	<u>261,893</u>	<u>837,809</u>	<u>964,034</u>	<u>(126,225)</u>
<b>Added needs - special education programs</b>					
Emot Impaired	108,085	50,663	158,748	164,627	(5,879)
Educ Ment Imp	131,393	69,590	200,983	214,393	(13,410)
CI - Local	150,568	97,165	247,733	295,688	(47,955)
CI (TMI)	273,049	152,503	425,552	460,959	(35,407)
AI	385,635	168,744	554,379	728,038	(173,659)
AI - Summer	3,627	2,250	5,877	28,856	(22,979)
AI - Pierce	103,516	56,023	159,539	168,583	(9,044)
AI - H.S.	102,773	42,704	145,477	163,899	(18,422)
Early Intervention - POHI	109,604	60,593	170,197	161,496	8,701
CVS Reg	552,151	334,839	886,990	927,408	(40,418)
CVS EI	641,041	421,247	1,062,288	1,054,051	8,237
CVS Summer School	37,879	22,683	60,562	59,814	748

**Waterford School District**  
**General Fund**  
**Statement of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2013**

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
<b>Added needs - special education programs (continued)</b>					
Sec Res Teacher	\$ 1,492,451	\$ 819,198	\$ 2,311,649	\$ 2,585,829	\$ (274,180)
EI Teacher	745,804	351,788	1,097,592	1,120,087	(22,495)
EI Middle School	65,301	38,293	103,594	113,262	(9,668)
EI High School	94,229	48,007	142,236	146,142	(3,906)
Resource/Speech	24,333	8,443	32,776	22,596	10,180
IDEA local	391,955	331,112	723,067	903,213	(180,146)
SXI local	344,774	214,254	559,028	607,804	(48,776)
	<u>5,758,168</u>	<u>3,290,099</u>	<u>9,048,267</u>	<u>9,926,745</u>	<u>(878,478)</u>
Total special education programs					
<b>Added needs - compensatory education</b>					
Extended school year - secondary	-	-	-	26,577	(26,577)
English as a Second Language	139,243	68,008	207,251	231,934	(24,683)
	<u>139,243</u>	<u>68,008</u>	<u>207,251</u>	<u>258,511</u>	<u>(51,260)</u>
Total compensatory education					
<b>Added needs - vocational education</b>					
Gen Voc Ed	1,207,768	81,657	1,289,425	1,324,051	(34,626)
Vocational Millage	-	2,241	2,241	2,504	(263)
Aviation	-	41,932	41,932	41,853	79
	<u>1,207,768</u>	<u>125,830</u>	<u>1,333,598</u>	<u>1,368,408</u>	<u>(34,810)</u>
Total vocational education					
Total Instruction	<u>35,336,102</u>	<u>7,270,802</u>	<u>42,606,904</u>	<u>43,996,677</u>	<u>(1,389,773)</u>

**Waterford School District**  
**General Fund**  
**Statement of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2013**

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
<b>Pupils</b>					
Guidance-Mid	\$ 605,752	\$ 5,247	\$ 610,999	\$ 592,056	\$ 18,943
Guidance-HS	788,159	232	788,391	746,629	41,762
31A Counselor	60,054	36,064	96,118	-	96,118
Alt. H.S.-Manley - Hall Monitors	31,002	9,940	40,942	30,633	10,309
Alt. H.S.-Manley - Counselors	-	-	-	91,731	(91,731)
Other Pupil Serv	275,957	22,447	298,404	535,809	(237,405)
SXI Local - Nurse	18,042	26,939	44,981	54,675	(9,694)
SXI Local - Psych	10,702	5,196	15,898	17,353	(1,455)
SXI Local - Speech	17,492	9,771	27,263	24,884	2,379
SXI Local - Social Worker	10,997	5,425	16,422	17,924	(1,502)
SXI Local - Adaptive PE	10,971	4,674	15,645	16,981	(1,336)
CI	-	-	-	15,428	(15,428)
Gen Spec Ed	108,528	103,529	212,487	328,350	(115,863)
LD - Teacher Consultant	112,254	56,601	168,855	156,674	12,181
CI Local - O.T.	9,982	10,503	20,485	25,168	(4,683)
CI Local - Psych	6,175	4,057	10,232	10,057	175
CI Local - Speech	19,908	11,580	31,488	21,298	10,190
CI Local - Social Worker	9,109	3,960	13,069	21,246	(8,177)
CI Local - Adaptive P.E.	10,599	3,558	14,157	15,964	(1,807)
CI (TMI) - O.T.	4,754	6,780	11,534	11,159	375
CI (TMI) - Psych	4,390	2,906	7,296	6,804	492
CI (TMI) - Speech	6,159	3,333	9,492	10,331	(839)
CI (TMI) - Social Worker	4,449	3,683	8,132	6,896	1,236
CI (TMI) - Adaptive P.E.	7,066	2,671	9,737	10,742	(1,005)
AI - O.T.	41,047	17,821	58,868	78,124	(19,256)
AI - Psych	6,498	3,802	10,300	10,072	228
AI - Speech	50,343	21,393	71,736	78,894	(7,158)
AI - Social Worker	48,327	25,814	74,141	74,907	(766)
AI M.S. - O.T.	7,605	4,729	12,334	13,584	(1,250)
AI M.S. - Psych	2,195	1,929	4,124	3,888	236
AI M.S. - Speech	10,840	6,929	17,769	14,831	2,938
AI M.S. - Social Worker	6,743	2,856	9,599	17,705	(8,106)



**Waterford School District**  
**General Fund**  
**Statement of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2013**

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
<b>Pupils (continued)</b>					
Al H.S. - O.T.	\$ 11,408	\$ 4,736	\$ 16,144	\$ 24,864	\$ (8,720)
Al H.S. - Psych	2,651	1,503	4,154	4,109	45
Al H.S. - Speech	17,798	9,311	27,109	33,234	(6,125)
Al H.S. - Social Worker	1,859	1,127	2,986	3,541	(555)
Early Intervention - O.T. & P.T.	13,998	53,338	67,336	102,530	(35,194)
Early Intervention - Psych	19,493	11,407	30,900	30,214	686
Early Intervention - Speech	9,038	3,000	12,038	13,970	(1,932)
CVS - EI, P.T. & O.T.	11,561	3,262	14,823	20,065	(5,242)
CVS - EI, Psychologist	31,840	12,800	44,640	51,066	(6,426)
CVS - EI, Speech	3,193	1,740	4,933	4,252	681
CVS - EI, Social Worker	22,845	19,290	42,135	36,639	5,496
EI - Middle School, Speech	1,860	1,116	2,976	3,888	(912)
EI Middle School, Social Worker	58,766	33,314	92,080	91,087	993
Resource/Speech	103,239	51,920	155,159	155,846	(687)
Resource Room - Secondary	88,853	34,754	123,607	141,456	(17,849)
Preschool Enrichment - Speech	20,663	8,552	29,215	32,102	(2,887)
Preschool Enrichment - Social Worker	7,960	3,833	11,793	20,436	(8,643)
Sub Abuse Prevention	109,245	64,618	173,863	184,340	(10,477)
Speech Serv	717,757	442,900	1,160,657	1,135,477	25,180
Social Serv	641,944	356,009	997,953	973,266	24,687
Psychologist	321,111	199,470	520,581	496,653	23,928
Educable Mentally Impaired	-	11,924	11,924	15,428	(3,504)
31A	-	103,196	103,196	103,196	-
Summer Academy	2,055	684	2,739	2,741	(2)
Voc Ed Millage	46,685	19,492	66,177	71,023	(4,846)
<b>Total pupils</b>	<b>4,572,351</b>	<b>1,877,665</b>	<b>6,450,016</b>	<b>6,812,220</b>	<b>(362,204)</b>
<b>Instructional staff</b>					
Staff Development	449,632	2,491	452,123	753,006	(300,883)
Cyber Academy	109,626	68,189	177,815	216,175	(38,360)
Math Categorical	-	17,460	17,460	19,835	(2,375)
Secondary Ed Curriculum	67,704	-	67,704	83,328	(15,624)
Voc Ed Millage	-	70	70	81,290	(81,220)
Voc Ed Millage Admin	2,609	13,896	16,505	15,104	1,401
Vocational	109,669	1,599	111,268	106,608	4,660
Science Adm	-	-	-	400	(400)
Music -Fine Arts Adm	41,500	12,401	53,901	62,082	(8,181)
Art-Fine Arts Adm	5,208	11,050	16,258	15,635	623

**Waterford School District**  
**General Fund**  
**Statement of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2013**

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
<b>Instructional staff (continued)</b>					
Preschool Enrichment - Library Tech	\$ -	\$ -	\$ -	\$ 8,494	\$ (8,494)
Preschool Enrichment - Instr Support	42,888	24,193	67,081	69,144	(2,063)
Adult Credit	-	69	69	-	69
Physical Ed - Adm	-	995	995	3,400	(2,405)
Special Ed Adm	202,414	122,185	324,599	396,353	(71,754)
CI (TMI)	-	43,528	43,528	25,200	18,328
Library-Elem	287,130	12,659	299,789	301,939	(2,150)
Library-Middle	144,329	15,687	160,016	158,371	1,645
Library-HS	158,324	12,913	171,237	172,103	(866)
Library Services	-	80,868	80,868	62,072	18,796
Wtfd Found Grant	-	64,337	64,337	72,329	(7,992)
Talent Development Program	10,226	32,622	42,848	45,288	(2,440)
North Central Association	19,601	68,720	88,321	70,000	18,321
Durant Foundation	22,057	255,504	277,561	295,000	(17,439)
Metro North Grants	-	-	-	4,500	(4,500)
Vocational Millage	38,124	46,869	84,993	-	84,993
Waterford Success - Local	-	3,910	3,910	5,134	(1,224)
SXI - Local	-	-	-	230	(230)
Summer Success-Lit. & Math	-	392	392	300	92
	<u>1,711,041</u>	<u>912,607</u>	<u>2,623,648</u>	<u>3,043,320</u>	<u>(419,672)</u>
<b>Total instructional staff</b>					
<b>General administration</b>					
Board of Ed	73,901	259,143	333,044	338,688	(5,644)
Executive Adm	244,412	8,440	252,852	276,218	(23,366)
Instruction - Director	378,049	47,430	425,479	418,917	6,562
Instruction - Curriculum & Assessment	170,753	30,323	201,076	227,330	(26,254)
	<u>867,115</u>	<u>345,336</u>	<u>1,212,451</u>	<u>1,261,153</u>	<u>(48,702)</u>
<b>Total general administration</b>					

**Waterford School District**  
**General Fund**  
**Statement of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2013**

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
<b>School administration</b>					
Elem Principal	\$ 1,771,266	\$ 89,273	\$ 1,860,539	\$ 1,905,023	\$ (44,484)
Mid Principal	689,200	44,372	733,572	770,039	(36,467)
HS Principal	1,030,304	171,984	1,202,288	1,207,707	(5,419)
Pre School Principal	45,477	23,563	69,040	94,874	(25,834)
CVS Principal	203,888	129,604	333,492	353,268	(19,776)
Alt. H.S.-Manley	178,100	85,432	263,532	292,212	(28,680)
Summer SLAM	-	-	-	700	(700)
Summer Academy	15,633	4,099	19,732	14,622	5,110
	<u>3,933,868</u>	<u>548,327</u>	<u>4,482,195</u>	<u>4,638,445</u>	<u>(156,250)</u>
Total school administration					
<b>Business</b>					
Fiscal Services	355,068	74,325	429,393	442,999	(13,606)
Great Start Readiness	-	4,896	4,896	-	4,896
Utilities	-	2,199,967	2,199,967	2,121,250	78,717
Operations	2,783,588	511,730	3,295,318	3,244,316	51,002
Maintenance	815,191	919,037	1,734,228	1,586,613	147,615
Facility Use	17,406	-	17,406	-	17,406
Transportation	2,179,899	800,371	2,980,270	2,368,019	612,251
Transportation - Athletics & Other	-	17,127	17,127	54,900	(37,773)
Transportation - SpEd Work Experience	-	73,554	73,554	58,804	14,750
Purchasing	39,931	4,457	44,388	42,604	1,784
Warehouse	4,473	-	4,473	41,538	(37,065)
Print & Copy	-	125,356	125,356	14,581	110,775
Mail Services	-	47,723	47,723	49,200	(1,477)
Other Services	-	749,020	749,020	1,222,807	(473,787)
Safety & Security	40,352	80,719	121,071	86,922	34,149
KMS Project	-	8,325	8,325	-	8,325
COPS Grant	-	10,909	10,909	-	10,909
	<u>6,235,908</u>	<u>5,627,516</u>	<u>11,863,424</u>	<u>11,334,553</u>	<u>528,871</u>
Total business					

**Waterford School District**  
**General Fund**  
**Statement of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2013**

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
<b>Central</b>					
Computer Services	\$ 402,156	\$ 122,235	\$ 524,391	\$ 532,039	\$ (7,648)
Central Enrollment/Pupil Accounting	115,193	5,616	120,809	142,188	(21,379)
Voc Ed	16,461	5,481	21,942	-	21,942
Independent Examinations	-	2,035	2,035	-	2,035
Teacher/Student Data Reporting	-	-	-	-	-
Research & Evaluation	131,750	180,934	312,684	206,263	106,421
School Community Services	92,708	75,429	168,137	204,080	(35,943)
Human Resources	230,978	68,488	299,466	288,261	11,205
M.I.S.	204,585	582,161	786,746	733,098	53,648
M.I.S. - Communication	-	732,473	732,473	1,043,149	(310,676)
Voc Ed Millage	-	35	35	26,041	(26,006)
Other Services	25,740	43,246	68,986	35,250	33,736
Employee Benefits	163,942	23,281,264	23,445,206	21,034,569	2,410,637
	<u>1,383,513</u>	<u>25,099,397</u>	<u>26,482,910</u>	<u>24,244,938</u>	<u>2,237,972</u>
Total central					
	<u>18,703,796</u>	<u>34,410,848</u>	<u>53,114,644</u>	<u>51,334,629</u>	<u>1,780,015</u>
Total supporting services					
	<u>54,039,898</u>	<u>41,681,650</u>	<u>95,721,548</u>	<u>95,331,306</u>	<u>390,242</u>
Total local share of expenditures					
<b>Athletics</b>					
Athletics	443,851	654,747	1,098,598	1,447,181	(348,583)
Hockey	4,235	43,828	48,063	67,040	(18,977)
	<u>448,086</u>	<u>698,575</u>	<u>1,146,661</u>	<u>1,514,221</u>	<u>(367,560)</u>
Total athletics					
<b>Civic Activity</b>					
Facility Use	400	9,562	9,962	65,739	(55,777)
Waterford Community Garden Grant	-	-	-	11,800	(11,800)
Community Education	7,416	54,027	61,443	37,458	23,985
	<u>7,816</u>	<u>63,589</u>	<u>71,405</u>	<u>114,997</u>	<u>(43,592)</u>
Total civic activity					

**Waterford School District**  
**General Fund**  
**Statement of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2013**

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
<b>Federal programs</b>	\$ 4,482,400	\$ 3,990,560	\$ 8,472,960	\$ 9,319,526	\$ (846,566)
<b>Debt service</b>					
Principal	-	540,000	540,000	540,000	-
Interest	-	401,654	401,654	401,720	(66)
Total debt service	-	941,654	941,654	941,720	(66)
<b>Other local match</b>					
Headstart	185,761	81,092	266,853	303,858	(37,005)
Area Agency	-	10,581	10,581	-	10,581
Medicaid	37,327	16,756	54,083	53,758	325
Total other local match	223,088	108,429	331,517	357,616	(26,099)
<b>Interfund Transfers</b>					
School service fund	-	357,628	357,628	196,484	161,144
Total expenditures	<u>\$ 59,201,288</u>	<u>\$ 47,842,085</u>	<u>\$ 107,043,373</u>	<u>\$ 107,775,870</u>	<u>\$ (732,497)</u>

**Waterford School District**  
**Other Supplemental Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2013**

Year Ending June 30,	March 1, 2006 Issue	May 1, 2011 Series 2011	April 1, 2013 Refunding	June 1, 2003 Series I	April 30, 2013 Series III	Energy Bonds	Total
2014	\$ 3,250,000	\$ 2,700,000	\$ 1,530,000	\$ 1,500,000	\$ 1,500,000	\$ 600,000	\$ 11,080,000
2015	-	5,160,000	1,560,000	1,500,000	1,500,000	875,000	10,595,000
2016	-	5,180,000	2,055,000	1,500,000	1,500,000	900,000	11,135,000
2017	-	5,120,000	2,050,000	1,500,000	1,500,000	925,000	11,095,000
2018	-	-	2,550,000	2,000,000	1,500,000	955,000	7,005,000
2019	-	-	3,550,000	2,000,000	1,500,000	975,000	8,025,000
2020	-	-	4,560,000	2,000,000	1,500,000	995,000	9,055,000
2021	-	-	2,575,000	2,000,000	1,500,000	995,000	7,070,000
2022	-	-	2,575,000	2,600,000	1,500,000	925,000	7,600,000
2023	-	-	3,145,000	-	1,500,000	715,000	5,360,000
2024	-	-	-	-	1,500,000	-	1,500,000
2025	-	-	-	-	1,500,000	-	1,500,000
2026	-	-	-	-	1,000,000	-	1,000,000
2027	-	-	-	-	1,000,000	-	1,000,000
Total	<u>\$ 3,250,000</u>	<u>\$ 18,160,000</u>	<u>\$ 26,150,000</u>	<u>\$ 16,600,000</u>	<u>\$ 20,000,000</u>	<u>\$ 8,860,000</u>	<u>\$ 93,020,000</u>
Principal payments due the first day of	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	August and February	
Interest rate	3.63% - 5.00%	2.00% - 4.00%	2.00% - 5.00%	2.25% - 4.13%	2.00% - 3.00%	4.40%	
Original issue	<u>\$ 30,030,000</u>	<u>\$ 22,680,000</u>	<u>\$ 26,150,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 11,950,000</u>	

**Waterford School District**

**Waterford, Michigan**

**Single Audit Report**

**June 30, 2013**

# CONTENTS

	<u>Page</u>
Single Audit Report	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	10
Schedule of Findings and Questioned Costs	11
Summary Schedule of Prior Audit Findings	13
Corrective Action Plan	14



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

**Independent Auditors' Report**

Management and the Board of Education  
Waterford School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the proprietary fund, each major fund, and the aggregate remaining fund information of Waterford School District as of and for the year ended June 30, 2013, 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 14, 2013.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
October 14, 2013

## **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 OMB Circular A-133**

### **Independent Auditors' Report**

Management and the Board of Education  
Waterford School District

#### **Report on Compliance for Each Major Federal Program**

We have audited Waterford School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Waterford School District's major federal programs for the year ended June 30, 2013. Waterford School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Waterford School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## ***Unmodified 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, 2013.

## ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items 2013-001. Our opinion on each major federal program is not modified with respect to this matter.

Waterford School District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Waterford School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

## **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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Waterford School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the proprietary fund, each major fund, and the aggregate remaining fund information of Waterford School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Waterford School District's basic financial statements. We issued our report thereon October 14, 2013, 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 OMB Circular A-133 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
October 14, 2013

**Waterford School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2013**

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2012	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2013
U.S. Department of Agriculture									
Passed through Michigan Department of Education									
Nutrition Cluster									
Non-cash assistance (commodities)									
Entitlement Commodities	10.555	N/A	\$ 239,675	\$ -	\$ -	\$ 239,675	\$ 239,675	\$ -	\$ -
Cash assistance									
National School Breakfast Program	10.553	121970	857,871	51,055	857,871	51,055	-	-	-
National School Breakfast Program		131970	834,080	-	-	802,493	834,080	-	31,587
				<u>51,055</u>	<u>857,871</u>	<u>853,548</u>	<u>834,080</u>	<u>-</u>	<u>31,587</u>
National School Lunch Program	10.555	121960	2,023,194	104,883	2,023,194	104,883	-	-	-
National School Lunch Program		131960	2,023,568	-	-	1,959,748	2,023,568	-	63,820
Farm to School		N/A	40,410	-	-	40,410	26,874	-	(13,536)
				<u>104,883</u>	<u>2,023,194</u>	<u>2,105,041</u>	<u>2,050,442</u>	<u>-</u>	<u>50,284</u>
Summer Food Service Program	10.559	120900	29,640	-	-	29,640	29,640	-	-
Summer Food Service Program		121900	12,311	-	-	3,025	12,311	-	9,286
				<u>-</u>	<u>-</u>	<u>32,665</u>	<u>41,951</u>	<u>-</u>	<u>9,286</u>
Total Nutrition Cluster				<u>155,938</u>	<u>2,881,065</u>	<u>3,230,929</u>	<u>3,166,148</u>	<u>-</u>	<u>91,157</u>
Total U.S. Department of Agriculture				<u>155,938</u>	<u>2,881,065</u>	<u>3,230,929</u>	<u>3,166,148</u>	<u>-</u>	<u>91,157</u>
U.S. Department of Justice									
Direct Program									
Mentoring Program	16.726	2013-JU-FX-0111	206,028	97,378	97,378	155,166	108,649	-	50,861
Site Based Mentoring Program			121,775	46,027	46,027	93,313	75,747	-	28,461
Total U.S. Department of Justice				<u>143,405</u>	<u>143,405</u>	<u>248,479</u>	<u>184,396</u>	<u>-</u>	<u>79,322</u>
U.S. Department of Labor									
Passed through Oakland County Department of Health									
Workforce Investment Act	17.259	12/13-219	2,754,736	359,649	1,189,031	1,371,356	1,237,168	-	225,461
Total U.S. Department of Labor				<u>359,649</u>	<u>1,189,031</u>	<u>1,371,356</u>	<u>1,237,168</u>	<u>-</u>	<u>225,461</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Waterford School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2013**

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2012	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2013
U.S. Department of Education									
Passed through Michigan Department of Education									
Adult Education - ABE Instruction	84.002	1211 3012 1597	\$ 66,275	\$ 41,576	\$ 41,576	\$ 41,576	\$ -	\$ -	\$ -
Adult Education - English Literacy/Civics		1211 2012 5217	20,000	18,024	18,024	18,024	-	-	-
				<u>59,600</u>	<u>59,600</u>	<u>59,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
Title I - Part A	84.010	11 1530 1011	1,654,301	28,531	1,434,687	7,028	-	(21,503)	-
Title I - Part A		12 1530 1112	1,822,602	165,859	1,348,200	468,341	326,671	(24,190)	-
Title I - Part A		13 1530 1213	1,708,534	-	-	512,430	1,294,858	-	782,428
				<u>194,390</u>	<u>2,782,887</u>	<u>987,799</u>	<u>1,621,529</u>	<u>(45,693)</u>	<u>782,428</u>
Title I - ARRA	84.389	10 1535 1011	996,395	-	996,395	(41,622)	-	(41,622)	-
Title I - Part D ARRA	84.389	11 1705 1011	362,010	(68,603)	293,407	(68,603)	-	-	-
Total Title I Cluster				<u>125,787</u>	<u>4,072,689</u>	<u>877,574</u>	<u>1,621,529</u>	<u>(87,315)</u>	<u>782,428</u>
Title I - Part D	84.013	12 1700 1112	555,427	-	278,908	64,370	64,370	-	-
Title I - Part D		13 1700 1213	585,140	-	-	207,662	468,964	-	261,302
Title I - Part D CVS		11 1705 1011	308,143	-	-	285,944	285,944	-	-
				<u>-</u>	<u>278,908</u>	<u>557,976</u>	<u>819,278</u>	<u>-</u>	<u>261,302</u>
Special Education Cluster									
Passed through Oakland Schools									
IDEA Flowthrough	84.027A	110450	2,510,349	190,951	2,510,349	190,951	-	-	-
IDEA Flowthrough		120450	2,492,307	659,561	2,398,433	708,165	93,878	-	45,274
IDEA Flowthrough		130450	2,440,762	-	-	1,661,854	2,353,399	-	691,545
				<u>850,512</u>	<u>4,908,782</u>	<u>2,560,970</u>	<u>2,447,277</u>	<u>-</u>	<u>736,819</u>
Passed through Michigan Department of Education									
Preschool Incentive	84.173A	120460	84,689	30,962	54,021	47,047	30,668	-	14,583
Preschool Incentive		130460	72,098	35,995	-	69,606	67,665	-	34,054
				<u>66,957</u>	<u>54,021</u>	<u>116,653</u>	<u>98,333</u>	<u>-</u>	<u>48,637</u>
Total Special Education Cluster				<u>917,469</u>	<u>4,962,803</u>	<u>2,677,623</u>	<u>2,545,610</u>	<u>-</u>	<u>785,456</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Waterford School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2013**

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2012	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2013
U.S. Department of Education									
Direct Program									
Safe Schools/ Healthy Students	84.184	Q184L080310	\$ 1,411,459	\$ 1,159,061	\$ 1,159,061	\$ 1,159,061	\$ -	\$ -	\$ -
Safe Schools/ Healthy Students		Q184L080310	915,638	-	-	439,375	762,000	-	322,625
				<u>1,159,061</u>	<u>1,159,061</u>	<u>1,598,436</u>	<u>762,000</u>	<u>-</u>	<u>322,625</u>
Passed through Michigan Department of Education									
Historians & Teachers Together	84.215X	U215X090374	499,689	150,210	150,210	175,064	51,540	-	26,686
Title III - Immigrant Students									
Title III - English Language	84.365	1105801011	90,708	-	-	(163)	-	(163)	-
Title III - English Language		1205801112	78,662	-	31,728	46,644	46,644	-	-
Title III - English Language		1305801213	58,089	-	-	23,763	27,025	-	3,262
				<u>-</u>	<u>31,728</u>	<u>70,244</u>	<u>73,669</u>	<u>(163)</u>	<u>3,262</u>
Passed through Michigan Department of Education									
Teacher/Principal Training & Recruiting	84.367	1305201213	327,625	-	-	-	315,993	-	315,993
Total U.S. Department of Education									
				<u>2,412,127</u>	<u>10,714,999</u>	<u>6,016,517</u>	<u>6,189,619</u>	<u>(87,478)</u>	<u>2,497,752</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards



**Waterford School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2013**

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2012	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2013
U.S. Department of Health and Human Services									
Passed through Regional Area of Aging:									
Title III - Nutrition	93.045	12-9052-03	248,742	\$ 4,656	\$ 216,414	\$ 4,656	\$ -	\$ -	\$ -
Title III - Nutrition		13-9052-03	271,739	-	-	254,895	271,739	-	16,844
				<u>4,656</u>	<u>216,414</u>	<u>259,551</u>	<u>271,739</u>	<u>-</u>	<u>16,844</u>
Passed through Oakland Livingston Human Services Agency (OLHSA)									
O.E.O. Headstart	93.600	H5012-520	715,968	404,948	404,948	715,965	311,017	-	-
O.E.O. Headstart		H5013-520	715,968	-	-	250,143	445,172	-	195,029
Total Head Start Cluster				<u>404,948</u>	<u>404,948</u>	<u>966,108</u>	<u>756,189</u>	<u>-</u>	<u>195,029</u>
Passed through Oakland County Department of Health Success									
	93.959	N/A	137,430	(13,185)	58,622	65,533	78,718	-	-
Total U.S. Department of Health and Human Services				<u>396,419</u>	<u>679,984</u>	<u>1,291,192</u>	<u>1,106,646</u>	<u>-</u>	<u>211,873</u>
				<u>\$ 3,467,538</u>	<u>\$ 15,608,484</u>	<u>\$ 12,158,473</u>	<u>\$ 11,883,977</u>	<u>\$ (87,478)</u>	<u>\$ 3,105,565</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Waterford School District**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2013**

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1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.

Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2013.

The federal amounts reported on the Grant Auditor Report (GAR) are in agreement with the Schedule of Expenditures of Federal Awards (SEFA), except for the following awards:

	Receipts per GAR	Receipts per SEFA	Difference
National School Breakfast Program 131970	\$ 834,079	\$ 802,493	\$ 31,586
National School Lunch Program 131960	2,023,568	1,959,748	63,820
Title III - Immigrant Students	17,995	46,644	(28,649)
Title I - Part D	<u>(121,494)</u>	<u>64,370</u>	<u>(185,864)</u>
	<u>\$ 2,754,148</u>	<u>\$ 2,873,255</u>	<u>\$ (119,107)</u>

Differences in the National School Breakfast and Lunch Program are due to the payments on the GAR recorded in payments as of June 30, 2013; however, the school district received the amounts after June 30, 2013. These amounts are properly excluded as receipts on the SEFA for the year ending June 30, 2013.

For Title III and Title I Part D, the differences are due to adjustments from the 2012 fiscal year. This was due to the school district submitting an incorrect cash request for fiscal year 2012. The school district had caught this error immediately after submission; however, it was too late to reverse the request. The amount was paid and corrected in fiscal year 2013, so adjustments were necessary for fiscal year 2013 to properly report the receipts under these programs.

2. 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.
3. The Michigan Department of Education has determined that \$21,503 of Title I Part A, \$41,622 of Title I ARRA, and \$163 of Title III Limited English were unallowable/questionable costs of the grants and have been recaptured through current cash draws.
4. Reconciliation of the Schedule of Federal Awards to the Financial Statements

Federal expenditures per the SEFA	\$ 11,883,977
Prior year spent but not requested before close out	<u>(24,190)</u>
Federal revenues per financial statements	<u>\$ 11,859,787</u>

**Waterford School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2013**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

*Federal Awards*

Internal control over major programs:

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

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

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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
17.259	Workforce Investment Act Cluster
84.027A & 84.173A	Special Education Cluster
93.600	Head Start

Dollar threshold used to distinguish between type A and type B programs: \$356,519

Auditee qualified as low-risk auditee?   X   yes    \_\_\_\_\_ no

**Waterford School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2013**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2013.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Finding 2013-001 – Noncompliance

Program information: Workforce Investment Act (WIA), U.S. Department of Labor, passed through Oakland County Department of Health CFDA #17.259

Specific requirement: The School District is required to report grant funds separately.

Condition: The WIA program includes all WIA funded activities.

Cause/Effect: The programs have the same general purpose, so the School District includes them within the same account.

Context: Programs need to be identified separately.

Recommendation: The School District should separately account for the different grants within its accounting structure and make sure they are separately reported.

Views of Responsible Officials and Corrective Action Plan: The School District agrees with the finding and corrective action plan is included on page 14.

**Waterford School District**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2013**

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**SECTION IV- PRIOR AUDIT FINDINGS**

There were no prior year audit findings.

**KURZMAN ADMINISTRATION SERVICES**

**CRARY CAMPUS**

BUSINESS SERVICES  
501 N. Cass Lake Road  
Waterford, Michigan 48328-2307  
www.waterford.k12.mi.us



PHONE: (248) 682-7800  
FAX: (248) 706-4889

October 11, 2013

David Youngstrom, CPA  
Yeo & Yeo  
3023 Davenport Ave.  
Saginaw, MI 48602

Dear Mr. Youngstrom,

In response to the federal awards audit finding for the WIA program the Waterford School District will take corrective action as follows:

The District will consult with Oakland County (pass through agency) and Yeo & Yeo as to the WIA program requirements and structure the program's general ledger account codes in a way that separates the individual WIA grants.

If you have any questions, then please contact my office at 248-682-0524.

Sincerely,

William Holbrook  
Director of Business Services  
Waterford School District





3023 Davenport Ave.  
Saginaw, MI 48602  
(989) 793-9830 / (800) 968-0010  
Fax (989) 793-0186

October 14, 2013

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

We have completed our audit of the financial statements of Waterford School District as of and for the year ended June 30, 2013, and have issued our report dated October 14, 2013. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Other Comments

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

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

*Yeo & Yeo, P.C.*  
Saginaw, Michigan

## Appendix I

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

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and OMB Circular A-133 as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated April 17, 2013. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies are described in Note 1 of the financial statements. The school district has adopted Government Accounting Standards *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012. The new standards provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related disclosures. The Government Accounting Standards Board has issued *Statements 67, Financial Reporting for Pension Plans* and *68 Accounting and Financial Reporting for Pensions*. These changes change pension liabilities are calculated and reported. Statement 67 is effective for the year ending June 30, 2014 and Statement 68 is effective for the year ending June 30, 2015. 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 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 Waterford School District's financial statements were:

Management's estimate of the useful lives of fixed assets, which is based on the length of time management believes those assets will provide some economic benefit in the future.

Management's estimate for the compensated absence accrual is based maintenance, operations, and warehouse employees and secretaries that work the entire year. Three weeks of wages is accrued for the number of the next year's budgeted employees in maintenance, operations, and warehouse departments. Three weeks of the average wage rate is accrued for the number of secretaries during the year.

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



### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

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

There were three proposed audit adjustments. One was a reclassification for Title I ARRA funds and the second one was to record the proceeds from the capital lease of \$122,500 and capital outlay relating to the lease for \$122,500. These two entries had no effect on net income. The third adjustment was adjusting the interest revenue reported from the refunded bonds and the new bond issuance due to the timing of when the bonds were actually issued and purchased. This decreased net income by \$52,619.

There were no uncorrected misstatements that were more than trivial.

### *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: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133. Please read all information included in those reports to ensure you are aware of relevant information.

### *Report on Required Supplemental Information*

With respect to the required supplemental information accompanying the financial statements, which includes management's discussion and analysis 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 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.

### *Report on Other Supplemental Information*

With respect to the supplemental information accompanying the financial statements, other than list of the Members of the Board of Education and Administration, 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 supplemental information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

## Appendix II Other Comments

In planning and performing our audit of the financial statements of Waterford School District as of and for the year ended June 30, 2013, we considered Waterford School District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls. This letter does not affect our report dated October 14, 2013, on the financial statements of Waterford School District. Our comments and recommendations regarding those matters are:

### **CURRENT YEAR COMMENT**

#### **Payroll Expenditures**

During our payroll testing of the grants, we noted certain employees were charged to a grant based on a predetermined percentage of their wages. These employees worked on more than one cost objective and were subject to preparing personal activity reports (PARs). The PARs actually supported that these employees worked more time on the program than what was actually being charged to the grant. This grant was not fully expensed, so the school district could have requested additional reimbursements in the current year.

We recommend that payroll be charged to grants based on actual hours worked, as reported on PARs rather than on an estimated or budgeted amount. This will make sure that the District is capturing all of the funds that it is allowed and also provide more accurate expenditures to the grant accounts.

### **PRIOR YEAR COMMENT**

#### **Athletic Activities Procedures**

*This has been followed up in the current year and it appears to have been corrected.*