



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

October 16, 2011

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

We have completed our audit of the financial statements of Waterford School District as of and for the year ended June 30, 2011 and have issued our report dated October 16, 2011. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

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

II Management Comments

We discussed these matters with various personnel in the organization during the audit and with management on October 16, 2011. We would also be pleased to meet with you to discuss these matters at your convenience.

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

Yeo & Yeo, P.C.

Saginaw, Michigan

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

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated April 25, 2011. 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 District has adopted Government Accounting Standards Board Statement No. 54 effective July 1, 2010. The new standard changes fund balance classifications to depict the relative strength of the spending constraints and clarifies the definitions of various governmental fund types. The standard includes a new definition of special revenue funds, and athletic funds no longer meet that definition. As a result, balances and activities previously reported under the athletic fund are combined with the general fund. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

As shown below, we only detected one significant adjustment as a result of our audit procedures which were corrected by management immediately.

- An adjustment of \$480,818 was made to account for compensated absences and workers' compensation liabilities in the internal service fund.

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

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

District Wide Statements	Net Income Effect
Unrecorded bond premium	\$ 690,236
Unrecorded bond issuance cost	(306,696)
IBNR not reported	<u>333,800</u>
	717,340
Prior Year Unadjusted	<u>(50,284)</u>
Total Net Income Effect	<u>\$ 667,056</u>

General Fund	Net Income Effect
Revenue not received within 60 days	\$ 121,346
IBNR not reported	<u>333,800</u>
Total Net Income Effect	<u>455,146</u>
Prior Year Unadjusted	<u>(296,925)</u>
Total Net Income Effect	<u>\$ 158,221</u>

Disagreements with Management

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

Management Representations

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

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Other Reports

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

Other Information in Documents Containing Audited Financial Statements

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

Appendix II Management Comments

In planning and performing our audit of the financial statements of Waterford School District as of and for the year ended June 30, 2011, we considered Waterford School District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and improving operating efficiency. This letter does not affect our report dated October 16, 2011, on the financial statements of Waterford School District. Our comments and recommendations regarding those matters are:

CURRENT YEAR COMMENTS

Employee Benefits Accrual

Management does not currently have a formal procedure in place to make sure that employees that retire do not receive benefits for the next month. In addition, there is no policy covering for when 10 month employee who is off for the summer and receives insurance benefits for July and August quits at the beginning of the school year.

We recommend that management creates procedures to ensure that employees that retired do not receive benefits for the next period. We also recommend that management implements a policy for those employees who received benefits in July and August, but quit at the beginning of the school year.

Student Activity Accounts

We noted that management does not record all the student activity accounts in the school district's general ledger. Some of the student activity accounts are only kept on file by the bookkeeper at each school and are never recorded on the school district's books. All school district accounts have to be recorded in the general ledger to make sure activity is being properly recorded.

We recommend that management record all student activity accounts within the general ledger of the school district.

Outstanding Checks

We noted there were a number of outstanding checks which were many years old. The State of Michigan requires that all old outstanding checks be sent to escheats after the minimum criteria.

Management should establish a process to review outstanding checks and remove old items from the bank reconciliations. This process should also be in compliance with the State of Michigan escheat laws.

Athletic Activities Procedures

During our testing of athletic activity, we noted there was no formal policy in place for cash handling at athletic events. Currently, there is no way to track the number of people attending each event and the amount of revenue that should have been collected. This basic check and balance should be set up to ensure all funds are being properly collected.

We recommend that management create a policy and corresponding procedures to account for athletic events. Pre-numbered tickets should be given out at each game, and there should be a reconciliation of the number of tickets sold and the revenue collected. Many districts use a game recap for all events.

PRIOR YEAR COMMENTS

Supporting Documentation

During our testing of credit cards we noted instances where District staff had difficulty locating supporting documentation for credit card transactions. In some instances the staff was unable to provide any supporting documentation for the transactions other than a statement. Although all of the transactions appeared to be for appropriate school business and we found no evidence of fraud or abuse, we feel that the District should be following the policies and procedures in place and make sure that we are maintaining those records.

We recommend management review the policies and procedures and make sure that all supporting documentation for these transactions is complete prior to payment of the invoices.

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

Waterford School District

Waterford, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2011

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Waterford School District
Members of the Board of Education and Administration
June 30, 2011

Members of the Board of Education

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

Administration

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



3023 Davenport
Saginaw, MI 48602
Phone (989) 793-9830 / (800) 968-0010
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Independent Auditors' Report

To the Board of Education
Waterford School District
Waterford, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Waterford School District as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Waterford School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Waterford School District as of June 30, 2011, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Entity adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 16, 2011 on our consideration of Waterford School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

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

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

We also have previously audited, in accordance with auditing standards generally accepted in the United States, Waterford School District's financial statements for the year ended June 30, 2010, which are not presented with the accompanying financial statements. In our report dated October 7, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waterford School District's financial statements as a whole. The 2010 information in the comparative statements is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2010 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 2010 information in the comparative statements is fairly stated in all material respects in relation to the financial statements from which they have been derived.

Yeo & Yeo, P.C.

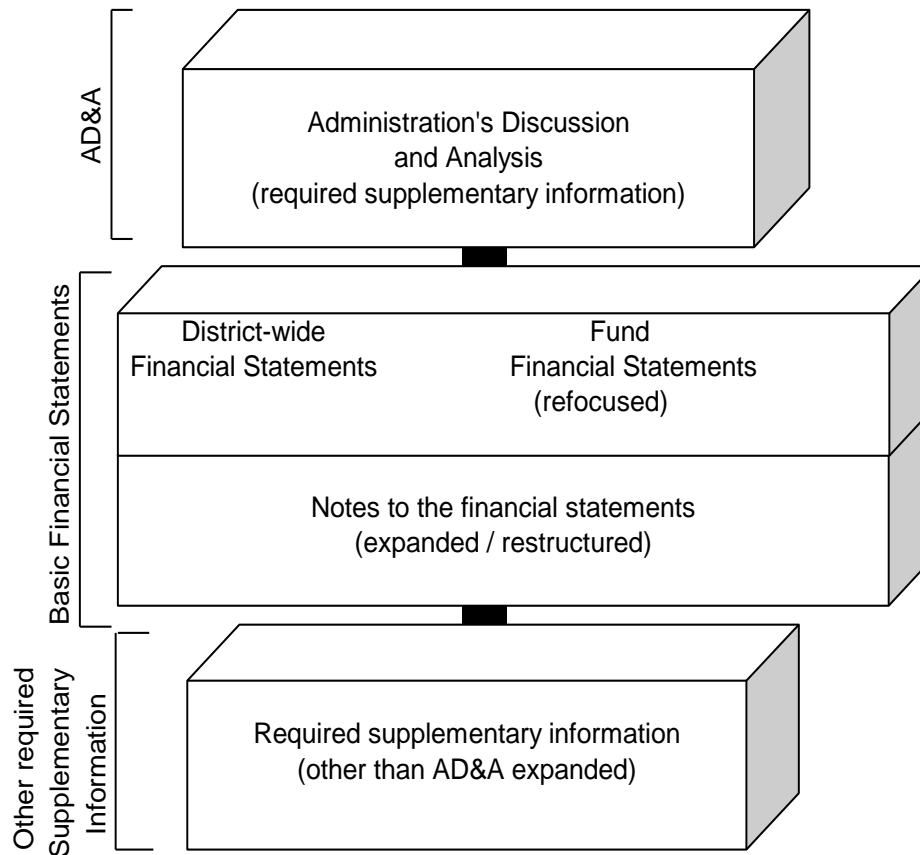
Saginaw, Michigan
October 16, 2011

ADMINISTRATION'S DISCUSSION AND ANALYSIS

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011**

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, 2011.

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, 2011

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, Athletic Activities, Pool & Fitness Centers, Performing Arts Centers, and Food Service. Food Service, Child Care and Senior Citizens are self-supporting programs. The Debt Fund is used to record the funding and payment of principal and interest on bonded debt. The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction or improvement of major capital facilities. The Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent for various student groups and related activities.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011

Financial Analysis of the District as a Whole

Assets	<u>2010-2011</u>	<u>2009-2010</u>	<u>Change</u>
Current assets	\$ 34,853,470	\$ 30,247,254	\$ 4,606,216
Capital assets	237,022,268	234,592,707	2,429,561
Less: accumulated depreciation	<u>(90,027,720)</u>	<u>(83,520,489)</u>	<u>(6,507,231)</u>
Capital assets, net book value	<u>146,994,548</u>	<u>151,072,218</u>	<u>(4,077,670)</u>
Total assets	<u>181,848,018</u>	<u>181,319,472</u>	<u>528,546</u>
Liabilities			
Current liabilities	35,201,446	30,079,953	5,121,493
Long-term liabilities	<u>87,966,300</u>	<u>98,364,717</u>	<u>(10,398,417)</u>
Total liabilities	123,167,746	128,444,670	(5,276,924)
Net Assets			
Invested in capital assets, net of related debt	49,098,190	43,738,390	5,359,800
Restricted	1,412,107	108,997	1,303,110
Unrestricted	<u>8,169,975</u>	<u>9,027,415</u>	<u>(857,440)</u>
Total net assets	<u>\$ 58,680,272</u>	<u>\$ 52,874,802</u>	<u>\$ 5,805,470</u>

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011

As indicated by the statement above, total fiscal year 2010-2011 and 2009-2010 net assets are \$58,680,272 and \$52,874,802, 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 2010-11 and 2009-2010 are \$237,022,268 and \$234,592,707, 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 2010-2011 and 2009-2010 is \$90,027,720 and \$83,520,489, 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 2010-2011 and 2009-2010 was \$98,183,765 and \$107,665,721, respectively.

Restricted net assets for fiscal year 2010-2011 consist of Food Service \$877,805 and Debt Retirement of \$534,302 totaling \$1,412,107. The remaining net assets of \$8,169,975 and \$9,027,415 for fiscal year 2010-2011 and 2009-2010, 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 4,606,216 mainly due to an increase in cash and cash equivalents that was due to the timing of payments as noted from the increases in current liabilities.
- Capital assets increased \$2,429,561 as a result of the final construction of the Kingsley Montgomery School renovations (funded through Oakland Schools PA-18). The increase in capital assets was off-set by normal annual depreciation of \$6,507,231.
- Current liabilities increased by \$5,121,493 as compared to prior year due to the timing of payments at year end as noted with the offsetting increase in current assets.
- Long-term liabilities decreased \$10,398,417 as compared to prior year mainly due to the normally scheduled repayment of debt.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011**

	<u>2010-2011</u>	<u>2009-2010</u>	<u>Change</u>
Program revenue:			
Charges for services local and intermediate	\$ 7,118,295	\$ 6,166,510	\$ 951,785
Operating grants - federal and state	31,414,129	31,217,558	196,571
Capital grants and contributions	1,753,779	8,580,076	(6,826,297)
Total revenue	<u>40,286,203</u>	<u>45,964,144</u>	<u>(5,677,941)</u>
General revenue:			
Property taxes, levied for general purposes	13,816,257	15,186,064	(1,369,807)
State of Michigan aid, unrestricted	71,697,539	68,920,593	2,776,946
State of Michigan aid, Durant	277,093	277,089	4
Total foundation allowance	<u>85,790,889</u>	<u>84,383,746</u>	<u>1,407,143</u>
Property taxes, levied for debt service	12,863,573	10,632,655	2,230,918
Other	152,397	234,378	(81,981)
Total revenues	<u>139,093,062</u>	<u>141,214,923</u>	<u>(2,121,861)</u>
Expenses:			
Instruction	73,284,898	72,548,393	736,505
Support services	39,123,236	36,903,785	2,219,451
Food service	5,202,606	4,407,034	795,572
Athletic activities	-	1,495,737	(1,495,737)
Community services	-	-	-
Pool & Fitness centers	992,140	1,037,393	(45,253)
Performing arts center	172,607	185,754	(13,147)
Childcare	1,317,355	1,345,584	(28,229)
Senior citizens	782,766	739,190	43,576
Special education center programs	6,815,044	5,862,843	952,201
Unallocated depreciation expense	1,362,621	1,114,275	248,346
Interest on long-term debt	4,234,319	4,564,663	(330,344)
Total expenses	<u>133,287,592</u>	<u>130,204,651</u>	<u>3,082,941</u>
Change in net assets	<u>\$ 5,805,470</u>	<u>\$ 11,010,272</u>	<u>\$ (5,204,802)</u>

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011**

As indicated above fiscal year 2010-2011 and 2009-2010 the change net assets increased \$5,885,470 and \$11,010,272, respectively.

The 2010-2011 increase in net assets as compared to fiscal year 2009-2010 is due to the following factors:

Revenues:

- Charges for services increased \$951,785 over prior year due to increases in revenues for Outdoor Education, eRate, Medicaid, Hockey (Athletics), Food Service charges, and Childcare contributions
- Capital grants decreased \$6,826,297 from prior year due to the final completion of the Kingsley Montgomery School renovations
- Property taxes for operations declined as a result of declining property values
- Unrestricted resources of revenue increased \$2,776,946 as a result of no executive proration as was the case in 2009-2010 and less use by the state of federal ARRA stabilization funds to make up the difference in state aid off-set by 94 fewer students
- Property taxes for Debt Retirement increased \$2,230,918 over prior year due to an increase in the millage rate from 3.67 mills to 5.22 mills to cover current debt obligations

Expenses:

- Instructional expenses increased \$736,505 over prior year as a result of benefit increases
- Support services increased by \$2,219,451 over prior due mainly to higher fringe benefits costs plus Athletics now being charged in the General Fund, support for pupils, and instructional staff off-set by declines in general administration, school administration, utilities, and operation and maintenance costs
- Food Service increased \$795,572 as a result of higher fringe benefit costs, higher product costs, and support costs
- Athletics is now recorded under the General Fund support activities
- Special Education Center Program expenses increased \$952,201 due to greater Center programming and support for Center based students
- Interest expenditure decreases of \$330,344 are a result of further repayment of outstanding debt and favorable interest costs on the outstanding debt

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011**

Capital Assets and Debt Administration

Capital Assets

At June 30, 2011, the District had \$146,994,548 invested in a broad range of capital assets, including land, buildings, furniture and equipment.

	<u>2011</u>	<u>2010</u>
Capital assets		
Land	\$ 1,177,339	\$ 1,177,339
Building & additions	225,135,777	212,790,965
Buses and other vehicles	4,885,349	5,652,562
Furniture and equipment	5,823,803	4,769,263
Construction in progress	-	10,202,578
	<u>237,022,268</u>	<u>234,592,707</u>
Subtotal		
Less: accumulated depreciation	<u>90,027,720</u>	<u>83,520,489</u>
Net capital assets	<u>\$ 146,994,548</u>	<u>\$ 151,072,218</u>

This is a decrease in net capital assets of \$4,077,670 from last year. Construction in progress decreased \$10,202,578 as a result of the completion of the Kingsley Montgomery School building renovation funded through Oakland Schools PA-18 funds, plus Energy Conservation Improvement Bond building renovations. Depreciation expense for the year is \$6,507,231. The District has \$589 set aside for future capital projects plus an additional \$55 million available in voter approved future bond issuances.

Debt

At the end of this fiscal year, the District had \$97,380,000 in General Obligation Bonds outstanding. This is a decrease of \$9,230,000 compared to last year, based on scheduled principal payments. During the fiscal year the District refunded the 1999 Series II and Series III bonds. 1999 Series II had a refunded balance of \$17,000,000 and 1999 Series III had a refunded balance of \$5,600,000.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011**

Governmental Fund Revenues

Sources of Revenues:

Local sources of revenues total \$34,093,034. This is an increase of \$1,788,111 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, Athletic Fund, Pool & Fitness Fund, Performing Arts Centers Fund, Food Service Fund, and Capital Project Fund revenues. The General Fund revenues of \$16,580,439 increased \$948 from prior year. The Debt Fund local revenues of \$12,863,573 increased \$2,223,168 over prior year which was a result of a millage increase from 3.67 to 5.22 to cover debt payment obligations off-set by a decrease in property tax values (homestead and non-homestead properties). Special Education Center Programs of \$44,097 decreased \$36,860 from prior year. The Childcare Fund of \$1,317,355 decreased \$28,229 from prior year. The Senior Citizen Fund of \$502,591 increased \$27,612 over prior year. The Athletic Activities Fund was incorporated into the General Fund for 2010-2011. The Pool & Fitness Center Fund of \$796,357 decreased \$32,555. The Performing Arts Centers Fund had revenue of \$102,897 which was an increase of \$43,620 from prior year. The Food Service Fund of \$1,817,680 decreased \$160,939 from prior year as a result of a shift from paid breakfast and lunches to free and reduced sales (federally funded).

State sources of revenue total \$76,379,463. This is an increase of \$3,342,750 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 \$74,811,605 increased \$3,408,100 over prior year as a result of no executive proration as was in 2009-2010 and less use by the state of federal ARRA stabilization funds to make up the difference in state aid off-set by 94 fewer students. The Special Education Center Programs Fund of \$1,042,090 decreased \$15,523 from prior year. The Debt Fund of \$277,093 is consistent with prior year. The Food Service Fund of \$248,675 decreased \$80,877 from prior year. Included in the state sources of revenue is the membership foundation allowance of \$70,764,341 in the General Fund, an increase of \$4,822,198 over prior year as explained above in regards to the executive proration, ARRA Stabilization and 94 fewer students. State sources of revenue make up 68.3% of General Fund revenues. This ties the District directly to the State's overall economy.

Federal sources of revenue total \$17,247,879, a decrease of \$238,616 from prior year due to a decrease in IDEA Flow through (including ARRA) of \$347,768, Preschool Incentive decrease of \$91,747, Safe Schools Healthy Students decrease of \$119,160, ARRA stabilization decrease of \$1,875,705, and an increase of \$2,324,062 in new funding through the Ed Jobs program.

Interdistrict sources of revenue total \$11,420,899, a decrease of \$6,917,680 from prior year due to a decrease in funding of \$6,826,297 for the Kingsley Montgomery School (Special Education Center) renovation project as that project is now complete. The Interdistrict funding is primarily for special education.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011

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 \$26,679,830 an increase of \$861,111 over prior year. This increase is due to an increase in the Debt Retirement Millage from 3.67 mills to 5.22 mills generating \$2,550,979 off-set by declines in property values totaling \$1,539,646 in the General Fund. 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 5.22-mill levy (increased from prior year's 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 \$7,645 per student for the 2010-2011 fiscal year. This is the same as the 2009-2010 and 2008-2009 fiscal years. Not included in these foundation allowances is a discretionary adjustment decrease of \$1,321,881 (\$117 per student) and a Categorical pupil deduct of \$1,918,933 (\$170 per student) for 2010-2011. The decreases in funding for 2009-2010 were \$3,197,585 (\$280 per student) plus an executive proration of \$1,752,797 (\$154 per student), and for 2008-2009 a discretionary decrease adjustment of \$4,240,370 (\$372 per student). The number of students to be funded is calculated by student enrollment blended at 75% of current year September count and 25% of prior year February count. Total blended student enrollment for this fiscal year is 11,288, a decrease of 94 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 \$54,309,038 increased \$1,581,807 as a result of changes in demographics and increased costs as they relate to fringe benefits, Support Services expenses of \$38,981,965 increased \$2,139,999 due mainly to higher fringe benefits costs plus Athletics being charged in the General Fund, support for pupils and instructional staff off-set by declines in general administration, school administration, utilities, and operation and maintenance costs. Federal Programs decreased \$400,901 from last year as explained above under Federal Revenues mainly due to less ARRA funds for Stabilization off-set by the new Ed Jobs funds. School Service Fund expenses of \$15,213,779 increased \$211,097. Capital outlay of \$1,959,739 decreased \$7,211,049 as a result of completing the final construction of the Kingsley Montgomery School renovation project. Debt Service of \$13,073,172 increased \$931,566 due to normally scheduled debt payments plus the refunding bond issuance cost for the refunding of the 1999 Series II & Series III bonds.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011**

Economic Factors and Next Year's Budgets and Rates

The Board of Education and administration consider many factors when setting the School District's 2012 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 (note: State of Michigan has not finalized its budget). The blended count for the 2012 fiscal year is 10 percent and 90 percent of the February 2011 and September 2011 student counts respectively. The 2012 budget was adopted in June 2011, based on an estimate of students that will be enrolled in September 2011. 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 except the WFSP group. For the 2010-2011 school year this agreement reflects a 2% wage reduction. The District also has an agreement for 2011-2012 with all bargaining groups except the WFSP to continue the salary schedule that was in place for 2010-2011 along with employee contributions to health benefits for those who qualify. The contribution on a per pay basis is \$30 for single, \$60 for 2 person, and \$90 for full family coverage.

Original vs. Revised Budget

The Uniform Budget Act of the State of Michigan requires the local board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, the District amends its budget once during the school year unless significant factors require further amendments. For fiscal year 2010-2011, the budget was amended in March of 2011, and again in June 2011 to recognize the Ed Jobs federal funding. The General Fund budget revenues for the final budget increased by 8.98% as compared to the original budget.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011**

General Fund Revenues:

General Fund Revenues

Total revenues final budget	\$ 111,443,391
Total revenues original budget	<u>102,262,944</u>
Increase in budget revenues	<u><u>\$ 9,180,447</u></u>

Increase in Revenue Budget:

Significant revised budget adjustments for the year include:

- A \$268 per student increase in the Foundation Allowance totaling \$3,026,256
- Actual fall student enrollments were 57 more than projected in the original budget totaling \$426,360
- State Aid Categorical increase in At Risk funds of \$366,000, and Data Collection of \$124,212
- Special Education Non Membership increase of \$620,154
- Oakland Schools PA-18 funding increase of \$344,433 as property values declined, but at a slower pace than originally budgeted
- Federal awards increased \$4,253,505, and of that amount \$2,324,062 was from the Ed Jobs grant, IDEA ARRA carryover of \$487,000, Waterford Career Center increase of \$412,000, Title I increase of \$800,000, and Title II increase of \$180,000

Actual General Fund Revenues vs. Final Budget:

The District's actual general fund revenues were less than the final budget by \$1,939,773, a variance of 1.7%. This is a result of the following factors:

- Local revenues increased from the final budget by \$195,016 as a result of higher Medicaid funds due to a one-time only state wide adjustment, Food Service, and Childcare contributions off-set by decreases in property taxes and Preschool tuition.
- State sourced revenues increased by \$1,460,419 mostly as a result of higher than anticipated membership funding and special education non membership funding.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011**

- Interdistrict funds were lower by \$1,195,253 due to an increased allocation of PA-18 funds to the Special Education Center Program Fund.
- Federal programs were lower by \$2,399,955 as a result of carrying over federal funds (two year rolling grants) into the next fiscal year to assist in offsetting any future financial declines from the State of Michigan.

General Fund Expenditures:

The District's budget for expenditures increased by 3.92% for the year ended June 30, 2011:

General Fund Expenditures	
Total expenditures final budget	\$ 110,656,908
Total expenditures original budget	<u>106,477,995</u>
 Increase in budget revenues	 <u><u>\$ 4,178,913</u></u>

Increase in Expenditure Budget:

Some of the revised budget adjustments for the year include:

- The change in teaching staff for 2010-2011 can be summarized:

2010-2011 General Fund	FTE Final Budget	FTE Original Budget	FTE Increase (Decrease)
Regular education teachers	498.50	492.50	6.00
Special education teachers	<u>120.61</u>	<u>120.05</u>	<u>0.56</u>
	<u><u>619.11</u></u>	<u><u>612.55</u></u>	<u><u>6.56</u></u>

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2011**

- Teaching staff increased 6.56 fte due to increased enrollment over projections and class size adjustments
- In addition to teacher increases 2.00 fte counselors were added for the secondary students
- The retirement rate increased from 19.41% to 20.66% increasing costs by \$810,000
- Healthcare costs increased \$830,000
- The Cyber Academy costs were \$634,000
- Federal awards increased \$2,007,563, as mentioned above under the changes in revenue
- State data collection requirements totaling \$124,212
- The increases in costs were offset by savings from the State of Michigan's retirement incentive program

Actual General Fund Expenditures vs. Final Budget:

The District's actual general fund expenditures were less than the final budget by 1.4%. This decrease of \$1,522,138 is a result of deferral of Federal program expenditures of \$2,400,064 into the 2011-2012 fiscal year, as explained above in revenues, offset mainly by an increase of 2.2% in employee benefits thru the expensing of workers compensation and compensated absences totaling \$518,179, and property tax refunds of \$486,055.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

Waterford School District
Statement of Net Assets
June 30, 2011

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 13,433,302
Accounts receivable	1,657,444
Due from other governmental units	19,728,519
Inventory	32,714
Prepaid items	1,491
Capital assets not being depreciated	1,177,339
Capital assets - net of accumulated depreciation	<u>145,817,209</u>
Total assets	<u>181,848,018</u>
Liabilities	
Accounts payable	2,179,663
State aid anticipation note payable	11,750,000
Payroll deductions and withholdings	2,601,243
Accrued expenditures	1,450,804
Accrued salaries payable	6,721,591
Deferred revenue	280,680
Noncurrent liabilities	
Due within one year	10,217,465
Due in more than one year	<u>87,966,300</u>
Total liabilities	<u>123,167,746</u>
Net assets	
Invested in capital assets, net of related debt	49,098,190
Restricted	
Debt service	534,302
Food service	877,805
Unrestricted	<u>8,169,975</u>
Total net assets	<u>\$ 58,680,272</u>

See Accompanying Notes to Financial Statements

Waterford School District
Statement of Activities
For the Year Ended June 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
Governmental activities					
Instruction	\$ 73,284,898	\$ 2,537,318	\$ 18,761,546	\$ 1,753,779	\$ (50,232,255)
Supporting services	39,123,236	-	2,558,393	-	(36,564,843)
Food services	5,202,606	1,817,680	3,111,807	-	(273,119)
Pool and fitness centers	992,140	796,357	-	-	(195,783)
Performing Arts Centers	172,607	102,897	-	-	(69,710)
Child care	1,317,355	1,317,355	-	-	-
Senior citizens	782,766	502,591	279,354	-	(821)
Special education center program	6,815,044	44,097	6,703,029	-	(67,918)
Unallocated depreciation expense	1,362,621	-	-	-	(1,362,621)
Interest on long-term debt	4,234,319	-	-	-	(4,234,319)
Total governmental activities	\$ 133,287,592	\$ 7,118,295	\$ 31,414,129	\$ 1,753,779	(93,001,389)
General revenues					
Property taxes, levied for general purposes					13,816,257
Property taxes, levied for debt service					12,863,573
State aid - unrestricted					71,697,539
State aid - Durant					277,093
Interest and investment earnings					77,608
Other					74,789
Total general revenues					<u>98,806,859</u>
Change in net assets					5,805,470
Net assets - beginning					<u>52,874,802</u>
Net assets - ending					<u>\$ 58,680,272</u>

See Accompanying Notes to Financial Statements

Waterford School District
Governmental Funds
Balance Sheet
June 30, 2011

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 12,332,317	\$ 1,100,985	\$ 13,433,302
Accounts receivable	1,652,610	4,834	1,657,444
Due from other funds	74,168	261,738	335,906
Due from other governmental units	19,566,152	162,367	19,728,519
Inventory	-	32,714	32,714
Prepaid items	1,491	-	1,491
	<u>1,491</u>	<u>-</u>	<u>1,491</u>
Total assets	<u>\$ 33,626,738</u>	<u>\$ 1,562,638</u>	<u>\$ 35,189,376</u>
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 2,171,884	\$ 7,779	\$ 2,179,663
State aid anticipation note payable	11,750,000	-	11,750,000
Due to other funds	742,556	74,168	816,724
Payroll deductions and withholdings	2,601,243	-	2,601,243
Accrued expenditures	102,768	-	102,768
Accrued salaries payable	6,721,591	-	6,721,591
Deferred revenue	212,685	67,995	280,680
	<u>212,685</u>	<u>67,995</u>	<u>280,680</u>
Total liabilities	<u>24,302,727</u>	<u>149,942</u>	<u>24,452,669</u>

See Accompanying Notes to Financial Statements

**Waterford School District
Governmental Funds
Balance Sheet
June 30, 2011**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balance			
Non-spendable			
Inventory	\$ -	\$ 32,714	\$ 32,714
Prepaid costs	1,491	-	1,491
Restricted			
Debt service	-	534,302	534,302
Food service	-	845,091	845,091
Assigned			
Capital projects	-	589	589
Unassigned	<u>9,322,520</u>	<u>-</u>	<u>9,322,520</u>
Total fund balance	<u>9,324,011</u>	<u>1,412,696</u>	<u>10,736,707</u>
Total liabilities and fund balance	<u><u>\$ 33,626,738</u></u>	<u><u>\$ 1,562,638</u></u>	<u><u>\$ 35,189,376</u></u>

See Accompanying Notes to Financial Statements

Waterford School District
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2011

Total fund balances for governmental funds	\$ 10,736,707
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	1,177,339
Capital assets - net of accumulated depreciation	145,817,209
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(634,218)
Incurred but not reported benefit claims	(233,000)
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	(286,818)
Bonds payable	<u>(97,896,947)</u>
Net assets of governmental activities	<u><u>\$ 58,680,272</u></u>

See Accompanying Notes to Financial Statements

Waterford School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 16,580,439	\$ 17,512,595	\$ 34,093,034
State sources	74,811,605	1,567,858	76,379,463
Federal sources	14,107,459	3,140,420	17,247,879
Interdistrict sources	4,004,115	7,416,784	11,420,899
Total revenues	<u>109,503,618</u>	<u>29,637,657</u>	<u>139,141,275</u>
Expenditures			
Current			
Education			
Instruction	54,309,038	-	54,309,038
Supporting services	38,981,965	-	38,981,965
Federal programs	14,483,034	-	14,483,034
Food services	-	5,202,606	5,202,606
Pool and fitness centers	-	992,140	992,140
Performing Arts Centers	-	172,607	172,607
Child care	-	1,317,355	1,317,355
Senior citizens	-	781,945	781,945
Special education center program	-	6,747,126	6,747,126
Capital outlay	-	1,959,739	1,959,739
Debt service			
Principal	525,000	9,026,004	9,551,004
Interest and other expenditures	570,240	3,548,354	4,118,594
Bond issuance cost	-	357,811	357,811
Miscellaneous charge	-	141,003	141,003
Total expenditures	<u>108,869,277</u>	<u>30,246,690</u>	<u>139,115,967</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, 2011

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues over expenditures	\$ 634,341	\$ (609,033)	\$ 25,308
Other financing sources (uses)			
Payment to bond refunding escrow agent	-	(23,127,464)	(23,127,464)
Proceeds from issuance of bonds	-	23,485,275	23,485,275
Transfers in	-	265,493	265,493
Transfers out	(265,493)	-	(265,493)
Total other financing sources (uses)	(265,493)	623,304	357,811
Net change in fund balance	368,848	14,271	383,119
Fund balance - beginning	8,955,163	1,398,425	10,353,588
Fund balance - ending	\$ 9,324,011	\$ 1,412,696	\$ 10,736,707

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, 2011

Net change in fund balances - Total governmental funds	\$ 383,119
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating grants	(48,213)
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	(6,507,230)
Capitalized capital outlay	2,429,560
Expenses are recorded when incurred in the statement of activities.	
Interest	105,278
Benefit claims	(39,000)
Compensated absences	10,952
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Repayments of long-term debt	9,551,004
Loss on refunding	(80,000)
Bond issuance cost	(357,811)
Payment to bond refunding escrow agent	(23,127,464)
Proceeds from issuance of bonds	<u>23,485,275</u>
Change in net assets of governmental activities	<u>\$ 5,805,470</u>

See Accompanying Notes to Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Assets & Liabilities
June 30, 2011

	<u>Internal Service Fund</u>
Assets	
Due from other funds	<u>\$ 480,818</u>
Liabilities	
Workers' compensation	194,000
Compensated absences	<u>286,818</u>
Total liabilities	<u><u>\$ 480,818</u></u>

See Accompanying Notes to Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2011

	<u>Internal Service Fund</u>
Revenues	
Employee contributions	\$ 406,423
Fee for service	<u>36,619,865</u>
Total revenues	<u>37,026,288</u>
Expenses	
Health, dental and vision	19,341,096
Retirement	12,420,111
Social security	4,784,263
Compensated absences	286,818
Workers compensation	<u>194,000</u>
Total expenses	<u>37,026,288</u>
Net income	<u>-</u>
Net assets - beginning	<u>-</u>
Net assets - ending	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Cash Flows
For the Year Ended June 30, 2011

	<u>Internal Service Fund</u>
Cash flows from operating activities	
Employee contributions	\$ 406,423
Fee for service	36,619,865
Health, dental and vision	(19,341,096)
Retirement	(12,420,111)
Social security	(4,784,263)
Compensated absences	(286,818)
Workers compensation	<u>(194,000)</u>
Net cash used by operating activities	<u>-</u>
Cash and cash equivalents - beginning of year	<u>-</u>
Cash and cash equivalents - end of year	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

Waterford School District
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2011

	<u>Agency Funds</u>
Assets	
Cash	<u>\$ 1,968,569</u>
Liabilities	
Due to student activities	<u>\$ 1,968,569</u>

See Accompanying Notes to Financial Statements

Waterford School District
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

District-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

Waterford School District
Notes to Financial Statements
June 30, 2011

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

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

The School District reports the following major governmental funds:

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

Additionally, the School District reports the following fund types:

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

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

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

Internal Service Fund – The School District’s Proprietary Fund is the Internal Service Fund. The purpose of the fund is to finance services provided to other funds of the School District on a cost-

reimbursement basis. The Internal Service Fund maintained by the School District accounts for medical coverage, workers’ compensation, and accrued vacation pay. It is funded through transfers primarily from the General Fund in amounts equal to normal estimated risk management and compensated absence claims.

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

Assets, Liabilities and Equity

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

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2011, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	5.22000

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

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or

Waterford School District
Notes to Financial Statements
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before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Oakland and remitted to the School District by May 15.

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

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

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

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

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

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

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

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

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

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

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

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

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

Waterford School District
Notes to Financial Statements
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Eliminations and Reclassifications

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

Adoption of New Accounting Standard

The Government Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which the District adopted effective July 1, 2010. The new standard changes fund balance classifications to depict the relative strength of the spending constraints and clarifies the definitions of various governmental fund types. The standard includes a new definition of special revenue funds, and athletic funds no longer meet that definition. As a result, balances and activities previously reported under the athletic fund are combined with the general fund. There was no on the beginning fund balance as a result of this change.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Added needs	\$ 9,308,847	\$ 9,318,721	\$ 9,874
Adult and continuing education	83,606	92,784	9,178
Employee benefits	14,321,484	15,733,590	1,412,106
Pupil	5,992,904	6,086,639	93,735
Business	11,045,217	11,938,135	892,918
Central	2,107,354	2,416,101	308,747
Civil	84,997	100,291	15,294

Compliance Bond Proceeds

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

Revenues	\$ 500,495
Expenditures	12,210,906
Proceeds from the sale of bonds	11,711,000

Waterford School District
Notes to Financial Statements
June 30, 2011

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	\$ 13,433,302	\$ 1,968,569	\$ 15,401,871

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 15,395,439
Petty cash and cash on hand	6,432
Total	\$ 15,401,871

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, 15,132,511 of the District's bank balance of 17,210,388 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

Waterford School District
Notes to Financial Statements
June 30, 2011

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,177,339	\$ -	\$ -	\$ 1,177,339
Construction in progress	<u>10,202,578</u>	<u>-</u>	<u>10,202,578</u>	<u>-</u>
Total capital assets not being depreciated	<u>11,379,917</u>	<u>-</u>	<u>10,202,578</u>	<u>1,177,339</u>
Capital assets being depreciated				
Buildings and additions	212,790,965	12,344,811	-	225,135,776
Equipment and furniture	4,769,263	116,086	-	4,885,349
Buses and other vehicles	<u>5,652,562</u>	<u>171,241</u>	<u>-</u>	<u>5,823,803</u>
Total capital assets being depreciated	<u>223,212,790</u>	<u>12,632,138</u>	<u>-</u>	<u>235,844,928</u>
Less accumulated depreciation for				
Buildings and additions	75,630,033	6,012,681	-	81,642,714
Equipment and furniture	3,166,988	241,260	-	3,408,248
Buses and other vehicles	<u>4,723,468</u>	<u>253,289</u>	<u>-</u>	<u>4,976,757</u>
Total accumulated depreciation	<u>83,520,489</u>	<u>6,507,230</u>	<u>-</u>	<u>90,027,719</u>
Net capital assets being depreciated	<u>139,692,301</u>	<u>6,124,908</u>	<u>-</u>	<u>145,817,209</u>
Net capital assets	<u>\$ 151,072,218</u>	<u>\$ 6,124,908</u>	<u>\$ 10,202,578</u>	<u>\$ 146,994,548</u>

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

Governmental activities	
Instruction	\$ 4,945,818
Support services	130,052
Senior citizens	821
Special education center program	67,918
Unallocated	<u>1,362,621</u>
Total governmental activities	<u>\$ 6,507,230</u>

Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
General	Capital Projects	\$ 74,168
Food Service	General Fund	261,738
General	Internal Service Fund	<u>480,818</u>
		<u>\$ 816,724</u>

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

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

Waterford School District
Notes to Financial Statements
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Interfund transfers consist of the following:

	<u>Transfers Out</u>
	General Fund
Transfers in	
Other governmental funds	\$ 265,493

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

Note 6 - Deferred Revenue

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

	<u>Unearned</u>
Prepayment of student meals	\$ 51,689
Grant and categorical aid payments received prior to meeting all eligibility requirements	228,991
Total	\$ 280,680

Note 7 - State Aid Anticipation Note

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

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

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

The state aid anticipation note agreement includes an irrevocable set-aside of \$122,807 at year end that is considered defeased debt and not included in the ending balance.

Waterford School District
Notes to Financial Statements
June 30, 2011

Note 8 - Long-Term Debt

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

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 106,610,000	\$ 80,000	\$ 9,310,000	\$ 97,380,000	\$ 9,965,000
Durant bonds	757,951	-	241,004	516,947	252,465
Compensated absences	297,770	286,818	297,770	286,818	-
Total	<u>\$ 107,665,721</u>	<u>\$ 366,818</u>	<u>\$ 9,848,774</u>	<u>\$ 98,183,765</u>	<u>\$ 10,217,465</u>

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

\$30,030,000 serial bond due in annual installments ranging from \$3,020,000 to \$3,630,000 through 2023, interest ranging from 3.63% to 5.00%	\$ 9,330,000
\$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%	22,430,000
\$15,000,000 serial bond (callable beginning 2014) due in annual installments ranging from \$1,000,000 to \$2,000,000 through 2020, interest ranging from 2.50% to 4.30%	10,500,000
\$20,000,000 serial bond (callable beginning 2015) due in annual installments ranging from \$500,000 to \$2,600,000 through 2022, interest ranging from 2.25% to 4.13%	17,600,000
\$25,000,000 serial bond (callable beginning 2014) due in annual installments ranging from \$500,000 to \$3,575,000 through 2020, interest ranging from 3.75% to 4.40%	23,075,000
\$11,950,000 serial bond (callable beginning 2016) due in annual installments ranging from \$525,000 to \$995,000 through 2022, interest of 4.40%	9,925,000
\$7,395,000 serial bond (callable beginning 2013) due in annual installments ranging from \$1,805,000 to \$2,520,000 through 2013, interest ranging from 2.75% to 2.95%	<u>4,520,000</u>
Total general obligation bonded debt	<u>\$ 97,380,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ 9,965,000	\$ 3,774,754	\$ 13,739,754
2013	9,970,000	3,457,374	13,427,374
2014	10,050,000	3,117,240	13,167,240
2015	9,535,000	2,661,890	12,196,890
2016	10,080,000	2,299,340	12,379,340
2017-2021	36,965,000	6,546,570	43,511,570
2022-2023	10,815,000	620,640	11,435,640
Total	<u>\$ 97,380,000</u>	<u>\$ 22,477,808</u>	<u>\$ 119,857,808</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$ 108,997 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

\$3,945,891 Durant Refunding serial bonds due in annual installments through 5/15/2013; interest 4.76% due annually	<u>\$ 516,947</u>
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These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 252,465	\$ 24,614	\$ 277,079
2013	264,482	12,593	277,075
Total	<u>\$ 516,947</u>	<u>\$ 37,207</u>	<u>\$ 554,154</u>

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

Compensated Absences

Accrued compensated absences at year end, consists of \$286,818 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.

Defeased Debt

In prior years, the School District had defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunding bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

Waterford School District
Notes to Financial Statements
June 30, 2011

The final payment date is May 1, 2017 for the 1999 issue. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

1999 Series II refunding in 2011	\$ 17,000,000
1999 Series III refunding in 2011	5,600,000
	<u>\$ 22,600,000</u>

Advance Refunding

On March 1, 2011, the School District issued 2011 Refunding Bonds of \$22,680,000 (par value) with an interest rate of 2.0% to 4.0% to advance refund bonds with an interest rate of 4.3% to 5.0% and a par value of \$17,000,000 and to advance refund bonds with an interest rate of 4.05% to 4.65% and a par value of \$5,600,000. The term bonds mature on May 1, 2026. The bonds were issued at a premium and after paying issuance costs of \$357,811, the net proceeds were \$23,485,275. The net proceeds from the issuance of the bonds were deposited with an escrow agent to provide debt service payments until the term bonds mature. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the School District's financial statements.

As a result of the advance refunding, the School District reduced its total debt service requirements by \$1,406,483, which resulted in an economic gain of \$1,326,483.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$80,000.

Note 9 - Operating Lease

In the current year the District entered into leasing arrangements for 15 busses. Under the lease agreements the District paid \$165,514 in the current year.

The future minimum leases payments for the year ended June 30, 2011 were as follows:

Year ending June 30,	
2012	\$ 605,231
2013	118,463
2014	<u>118,463</u>
Total	<u>\$ 842,157</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 \$300,000 for each annual policy period, to a maximum of \$1,000,000. This excess insurance also applies to individual occurrences exceeding \$300,000, with a statutory maximum for those individual occurrences. The expenditures for the year were \$293,197

Waterford School District
Notes to Financial Statements
June 30, 2011

	2011	2010
Estimated liability at the beginning of the year	\$ 194,000	\$ 348,000
Estimated claims incurred including changes in estimates	332,197	221,656
Claim payments	(293,197)	(375,656)
Estimated liability end of year	\$ 233,000	\$ 194,000

The School District is self-insured for some employee benefits. The expenditures for the year were \$5,418,476

	2011	2010
Estimated liability at the beginning of the year	\$ -	\$ -
Estimated claims incurred including changes in estimates	5,418,476	6,197,594
Claim payments	(5,418,476)	(6,197,594)
Estimated liability end of year	\$ -	\$ -

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

Note 11 - Defined Pension Plans and Post Employment Benefits

Plan Description

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

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

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

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

Funding Policy

The School is required by the School Finance Reform Act to contribute to MPSERS an actuarially determined percentage of payroll for all participating employees. The School's actual contributions match the required contributions. Additionally,

Waterford School District
Notes to Financial Statements
June 30, 2011

employees participating in the Member Investment Plan contributed 3.0% to 6.4% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPSERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPSERS funding for the three-year period beginning July 1, 2008 through June 30, 2011.

	2011	2010	2009
Funding percentage range	8.63 - 12.16%	9.73 - 10.13%	9.73 - 10.17%
Total payroll	\$63,340,811	\$67,829,710	\$67,050,734
Total covered payroll	63,014,820	67,480,815	66,353,947
School pension contributions	9,926,584	6,747,347	6,488,506
Employee MIP contributions	3,767,948	2,177,133	2,105,984
Tax deferred payment program	439,480	499,706	632,857

Defined Contribution Savings Plan

For the Pension Plus savings plan, participants are automatically enrolled and 2% of their pay is withheld and deposited into the account. Participants may elect to not contribute, or may elect to increase their personal contribution up to the annual limits established by the IRS. The District matches 50 percent of the employee contributions into the Pension Plus savings plan, up to 1 percent. Participants opting to not contribute receive no employer matching contribution. Contributions by the District and participants during the year ended June 30, 2011, were:

	School District	Participants
Contributions to the Pension Plus Savings Plan	\$ 14,268	\$ 28,418

Post Employment Benefits

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

The following table discloses pertinent information relative to MPSERS post employment benefits funding for the three-year period beginning July 1, 2008 through June 30, 2011.

	2011	2010	2009
Funding percentage range	6.81 - 8.50%	6.81%	6.55 - 6.81%
School post employment benefit contributions	\$ 6,784,837	\$ 4,627,334	\$4,508,961

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, 2010.

Waterford School District
Notes to Financial Statements
June 30, 2011

Note 13 - Subsequent Event

Subsequent to year end, the School District repaid the state aid anticipation note of \$11,750,000 that was outstanding at the end of the year. In addition, the District borrowed \$12,500,000 in state aid anticipation notes that is due September 2012.

REQUIRED SUPPLEMENTAL INFORMATION

Waterford School District
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 16,208,873	\$ 16,385,423	\$ 16,580,439	\$ 195,016
State sources	68,892,559	73,351,186	74,811,605	1,460,419
Federal sources	12,253,909	16,507,414	14,107,459	(2,399,955)
Interdistrict sources	4,907,603	5,199,368	4,004,115	(1,195,253)
Total revenues	<u>102,262,944</u>	<u>111,443,391</u>	<u>109,503,618</u>	<u>(1,939,773)</u>
Expenditures				
Current				
Instruction				
Basic programs	32,278,405	33,103,644	29,163,943	(3,939,701)
Added needs	9,985,988	9,308,847	9,318,721	9,874
Adult and continuing education	96,174	83,606	92,784	9,178
Employee benefits	13,350,992	14,321,484	15,733,590	1,412,106
Supporting services				
Pupil	6,003,097	5,992,904	6,086,639	93,735
Instructional staff	2,651,323	2,765,311	2,567,108	(198,203)
General administration	1,251,723	1,233,124	1,163,819	(69,305)
School administration	4,671,971	4,596,229	4,584,842	(11,387)
Business	11,277,557	11,045,217	11,938,135	892,918
Central	1,882,783	2,107,354	2,416,101	308,747
Athletics	1,527,799	1,532,450	1,471,301	(61,149)
Civil	-	84,997	100,291	15,294
Employee benefits	8,900,662	9,547,656	8,653,729	(893,927)
Federal programs	11,317,518	13,279,366	14,483,034	1,203,668
Retirement savings	(300,000)	-	-	-
Debt service				
Principal	525,000	525,000	525,000	-
Interest and fiscal charges	471,286	573,000	570,240	(2,760)
Total expenditures	<u>105,892,278</u>	<u>110,100,189</u>	<u>108,869,277</u>	<u>(1,230,912)</u>

Waterford School District
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over expenditures	\$ (3,629,334)	\$ 1,343,202	\$ 634,341	\$ (708,861)
Other financing sources (uses)				
Transfers out	(585,717)	(556,719)	(265,493)	291,226
Net change in fund balance	(4,215,051)	786,483	368,848	(417,635)
Fund balance - beginning	8,955,163	8,955,163	8,955,163	-
Fund balance - ending	<u>\$ 4,740,112</u>	<u>\$ 9,741,646</u>	<u>\$ 9,324,011</u>	<u>\$ (417,635)</u>

OTHER SUPPLEMENTAL INFORMATION

Waterford School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

	Special Revenue Funds/School Service Funds					
	Special Education Center Programs	Child Care	Senior Citizens	Pool and Fitness Centers	Performing Arts Centers	Food Service
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 491,926
Accounts receivable	-	-	-	-	-	4,834
Due from other governmental units	-	-	-	-	-	162,367
Due from other funds	-	-	-	-	-	261,738
Inventory	-	-	-	-	-	32,714
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 953,579</u>
Liabilities and fund balance						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,779
Deferred revenue	-	-	-	-	-	67,995
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,774</u>
Fund balance						
Non-spendable						
Inventory	-	-	-	-	-	32,714
Restricted						
Debt retirement	-	-	-	-	-	-
Food service	-	-	-	-	-	845,091
Assigned						
Capital projects	-	-	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>877,805</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 953,579</u>

**Waterford School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011**

	Debt Service Funds								
	1997 Refunding	1999	1999 Series II	1999 Series III	1999 Series II & III Refunding	1999 Series IV	2003 Series I	2003 Series II	Durant Package
Assets									
Cash and cash equivalents	\$ 108,314	\$ 43,856	\$ -	\$ -	\$ 272,700	\$ 38,250	\$ 31,672	\$ 39,510	\$ -
Accounts receivable	-	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 108,314</u>	<u>\$ 43,856</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272,700</u>	<u>\$ 38,250</u>	<u>\$ 31,672</u>	<u>\$ 39,510</u>	<u>\$ -</u>
Liabilities and fund balance									
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance									
Non-spendable									
Inventory	-	-	-	-	-	-	-	-	-
Restricted									
Debt retirement	108,314	43,856	-	-	272,700	38,250	31,672	39,510	-
Food service	-	-	-	-	-	-	-	-	-
Assigned									
Capital projects	-	-	-	-	-	-	-	-	-
Total fund balance	<u>108,314</u>	<u>43,856</u>	<u>-</u>	<u>-</u>	<u>272,700</u>	<u>38,250</u>	<u>31,672</u>	<u>39,510</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 108,314</u>	<u>\$ 43,856</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272,700</u>	<u>\$ 38,250</u>	<u>\$ 31,672</u>	<u>\$ 39,510</u>	<u>\$ -</u>

Waterford School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

	Capital Projects			
	Building Maintenance	Energy Bonds	KMS Project	Total Non Major Funds
Assets				
Cash and cash equivalents	\$ 40,589	\$ 34,168	\$ -	\$ 1,100,985
Accounts receivable	-	-	-	4,834
Due from other governmental units	-	-	-	162,367
Due from other funds	-	-	-	261,738
Inventory	-	-	-	32,714
	Total assets	\$ 40,589	\$ -	\$ 1,562,638
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 7,779
Deferred revenue	-	-	-	67,995
Due to other funds	40,000	34,168	-	74,168
	Total liabilities	40,000	-	149,942
Fund balance				
Non-spendable				
Inventory	-	-	-	32,714
Restricted				
Debt retirement	-	-	-	534,302
Food service	-	-	-	845,091
Assigned				
Capital projects	589	-	-	589
	Total fund balance	589	-	1,412,696
Total liabilities and fund balance	\$ 40,589	\$ 34,168	\$ -	\$ 1,562,638

Waterford School District
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
June 30, 2011

	Special Revenue Funds/School Service Funds					
	Special Education Center Programs	Child Care	Senior Citizens	Pool and Fitness Centers	Performing Arts Centers	Food Service
Revenues						
Local sources	\$ 44,097	\$ 1,317,355	\$ 502,591	\$ 796,357	\$ 102,897	\$ 1,817,680
State sources	1,042,090	-	-	-	-	248,675
Federal sources	-	-	277,288	-	-	2,863,132
Interdistrict sources	5,660,939	-	2,066	-	-	-
Total revenues	<u>6,747,126</u>	<u>1,317,355</u>	<u>781,945</u>	<u>796,357</u>	<u>102,897</u>	<u>4,929,487</u>
Expenditures						
Current						
Instruction	6,688,585	-	-	-	-	-
Supporting services	58,541	1,317,355	504,657	992,140	172,607	2,339,474
Federal programs	-	-	277,288	-	-	2,863,132
Capital outlay	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Bond issuance cost	-	-	-	-	-	-
Total expenditures	<u>6,747,126</u>	<u>1,317,355</u>	<u>781,945</u>	<u>992,140</u>	<u>172,607</u>	<u>5,202,606</u>
Excess (deficiency) of revenues over expenditures	-	-	-	(195,783)	(69,710)	(273,119)
Other financing sources						
Proceeds from issuance of bonds	-	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	-	-
Transfers in (out)	-	-	-	195,783	69,710	-
Net change in fund balance	-	-	-	-	-	(273,119)
Fund balance - beginning	-	-	-	-	-	1,150,924
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 877,805</u>

Waterford School District
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
June 30, 2011

	Debt Service Funds								
	1997 Refunding	1999	1999 Series II	1999 Series III	1999 Series II & III Refunding	1999 Series IV	2003 Series I	2003 Series II	Durant Package
Revenues									
Local sources	\$ 4,289,092	\$ 2,001,981	\$ 716,875	\$ 956,900	\$ 590,412	\$ 1,501,245	\$ 1,254,568	\$ 1,552,500	\$ -
State sources	-	-	-	-	-	-	-	-	277,093
Federal sources	-	-	-	-	-	-	-	-	-
Interdistrict sources	-	-	-	-	-	-	-	-	-
Total revenues	<u>4,289,092</u>	<u>2,001,981</u>	<u>716,875</u>	<u>956,900</u>	<u>590,412</u>	<u>1,501,245</u>	<u>1,254,568</u>	<u>1,552,500</u>	<u>277,093</u>
Expenditures									
Current									
Instruction	-	-	-	-	-	-	-	-	-
Supporting services	-	-	-	-	-	-	-	-	-
Federal programs	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Miscellaneous	46,999	21,987	-	-	24,809	16,450	13,747	17,011	-
Debt service									
Principal	3,630,000	1,805,000	300,000	800,000	250,000	1,000,000	500,000	500,000	241,004
Interest	541,825	142,298	416,875	156,900	63,567	460,250	720,500	1,010,050	36,089
Bond issuance cost	-	-	-	-	357,811	-	-	-	-
Total expenditures	<u>4,218,824</u>	<u>1,969,285</u>	<u>716,875</u>	<u>956,900</u>	<u>696,187</u>	<u>1,476,700</u>	<u>1,234,247</u>	<u>1,527,061</u>	<u>277,093</u>
Excess (deficiency) of revenues over expenditures	70,268	32,696	-	-	(105,775)	24,545	20,321	25,439	-
Other financing sources									
Proceeds from issuance of bonds	-	-	-	-	23,485,275	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	(23,127,464)	-	-	-	-
Transfers in (out)	-	-	(10,424)	(10,240)	20,664	-	-	-	-
Net change in fund balance	70,268	32,696	(10,424)	(10,240)	272,700	24,545	20,321	25,439	-
Fund balance - beginning	<u>38,046</u>	<u>11,160</u>	<u>10,424</u>	<u>10,240</u>	<u>-</u>	<u>13,705</u>	<u>11,351</u>	<u>14,071</u>	<u>-</u>
Fund balance - ending	<u>\$ 108,314</u>	<u>\$ 43,856</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272,700</u>	<u>\$ 38,250</u>	<u>\$ 31,672</u>	<u>\$ 39,510</u>	<u>\$ -</u>

Waterford School District
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
June 30, 2011

	Capital Projects			Total Non Major Funds
	Building Maintenance	Energy Bonds	KMS Project	
Revenues				
Local sources	\$ 68,000	\$ 45	\$ -	\$ 17,512,595
State sources	-	-	-	1,567,858
Federal sources	-	-	-	3,140,420
Interdistrict sources	-	-	1,753,779	7,416,784
	<u>68,000</u>	<u>45</u>	<u>1,753,779</u>	<u>29,637,657</u>
Total revenues				
Expenditures				
Current				
Instruction	-	-	-	6,688,585
Supporting services	-	-	-	5,384,774
Federal programs	-	-	-	3,140,420
Capital outlay	171,792	34,168	1,753,779	1,959,739
Miscellaneous	-	-	-	141,003
Debt service				
Principal	-	-	-	9,026,004
Interest	-	-	-	3,548,354
Bond issuance cost	-	-	-	357,811
	<u>171,792</u>	<u>34,168</u>	<u>1,753,779</u>	<u>30,246,690</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(103,792)	(34,123)	-	(609,033)
Other financing sources				
Proceeds from issuance of bonds	-	-	-	23,485,275
Payment to bond refunding escrow agent	-	-	-	(23,127,464)
Transfers in (out)	-	-	-	265,493
	<u>-</u>	<u>-</u>	<u>-</u>	<u>265,493</u>
Net change in fund balance	(103,792)	(34,123)	-	14,271
Fund balance - beginning	104,381	34,123	-	1,398,425
Fund balance - ending	<u>\$ 589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,412,696</u>

Waterford School District
Other Supplemental Information
General Fund
Comparative Balance Sheet
June 30, 2011

	2011	2010
Assets		
Cash and cash equivalents	\$ 12,332,317	\$ 8,069,550
Accounts receivable	1,652,610	1,000,341
Due from other funds	74,168	2,259,675
Due from other governmental units	19,566,152	17,305,168
Prepaid items	1,491	50,286
Total assets	\$ 33,626,738	\$ 28,685,020
Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 2,171,884	\$ 3,368,670
State aid anticipation note payable	11,750,000	6,500,000
Due to other funds	742,556	-
Payroll deductions and withholdings	2,601,243	2,885,155
Accrued expenditures	102,768	185,430
Accrued salaries payable	6,721,591	6,712,375
Deferred revenue	212,685	78,227
Total liabilities	24,302,727	19,729,857

**Waterford School District
Other Supplemental Information
General Fund
Comparative Balance Sheet
June 30, 2011**

	2011	2010
Fund balance		
Non-spendable		
Prepaid costs	\$ 1,491	\$ 50,286
Assigned		
Foundation	-	1,138,180
Unassigned	9,322,520	7,766,697
Total fund balance	9,324,011	8,955,163
Total liabilities and fund balance	\$ 33,626,738	\$ 28,685,020

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2011

	Final Budget	Actual	Actual Over (Under) Budget
Local sources			
Property Taxes	\$ 13,865,633	\$ 13,694,729	\$ (170,904)
Other Taxes & Penalties	85,000	121,528	36,528
Families and Schools Together - Donelson Hills	3,500	-	(3,500)
Families and Schools Together - Burt	3,700	-	(3,700)
Adult Ed Tuition and Rentals	35,000	44,675	9,675
Adult Ed Non-Credit	80,000	34,859	(45,141)
Preschool	507,752	314,374	(193,378)
Earnings On Investments	10,000	9,563	(437)
Outdoor Education	106,280	170,452	64,172
Summer Academy	68,075	83,261	15,186
Mail Services	62,700	12,661	(50,039)
Waterford Foundation	75,000	66,256	(8,744)
Apex	39,780	39,780	-
Credit Recovery	-	4,297	4,297
Summer SLAM	6,000	2,160	(3,840)
Metro North grants	4,463	10,683	6,220
eRate	125,000	105,126	(19,874)
Facility Use	125,000	68,272	(56,728)
Sale of Fixed Assets	25,000	-	(25,000)
University Stipends	5,000	-	(5,000)
Fingerprinting	15,000	3,472	(11,528)
Video Services	500	-	(500)

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2011

	Final Budget	Actual	Actual Over (Under) Budget
Local sources (continued)			
School & Community Services	\$ 70,000	\$ 75,848	\$ 5,848
Transportation	40,000	-	(40,000)
Food Service Contribution	125,000	469,373	344,373
Vending	30,000	45,000	15,000
Child Care Contribution	140,000	184,350	44,350
Senior Center Contribution	50,000	-	(50,000)
High school parking passes	15,000	-	(15,000)
Medicaid	500,000	763,219	263,219
Athletics	98,000	153,984	55,984
Hockey	44,040	36,884	(7,156)
Building Healthy Communities - BCBS	-	33,078	33,078
Veggie Village Grant	-	5,693	5,693
Waterford Community Garden Grant	-	18,706	18,706
COPS Grant	-	5,936	5,936
Miscellaneous	25,000	2,220	(22,780)
	<u>16,385,423</u>	<u>16,580,439</u>	<u>195,016</u>
Total local sources			

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2011

	Final Budget	Actual	Actual Over (Under) Budget
State sources			
Membership	\$ 66,853,975	\$ 68,007,160	\$ 1,153,185
Membership-Special Education	2,568,539	2,641,359	72,820
Membership-Adult Ed-Participants	105,000	115,822	10,822
Declining enrollment	40,419	42,242	1,823
At-Risk	1,995,869	1,949,492	(46,377)
Special Education, Nonmembership	1,467,118	1,568,199	101,081
Vocation Education	250,000	261,286	11,286
Preschool Enrichment	549,903	544,000	(5,903)
Court Placed	718,032	760,460	42,428
Data Collection	124,212	243,466	119,254
State adjustment for ARRA Stabilization funds	<u>(1,321,881)</u>	<u>(1,321,881)</u>	<u>-</u>
 Total state sources	 <u>73,351,186</u>	 <u>74,811,605</u>	 <u>1,460,419</u>
Interdistrict sources			
Oakland Schools	4,868,710	3,412,449	(1,456,261)
Oakland Schools - Promoting Youth	-	1,158	1,158
Oakland Schools - PA-18 Transportation	-	43,895	43,895
Oakland Schools - Vocational Education	-	38,301	38,301
Adult Ed - OALC	-	212	212

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Interdistrict sources (continued)			
Vocational Millage	\$ 80,658	\$ 109,641	\$ 28,983
C.V.S. Oakland County	<u>250,000</u>	<u>398,459</u>	<u>148,459</u>
Total interdistrict sources	<u>5,199,368</u>	<u>4,004,115</u>	<u>(1,195,253)</u>
Total revenue before federal sources	<u>94,935,977</u>	<u>95,396,159</u>	<u>460,182</u>
Federal sources	<u>16,507,414</u>	<u>14,107,459</u>	<u>(2,399,955)</u>
Total revenues	<u>\$ 111,443,391</u>	<u>\$ 109,503,618</u>	<u>\$ (1,939,773)</u>

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
Basic program - elementary					
General education	\$ 10,983,483	\$ 642,400	\$ 11,625,883	\$ 11,687,041	\$ (61,158)
Science	-	37,813	37,813	37,305	508
Physical education	576,529	11,308	587,837	574,611	13,226
Fine arts - music	674,880	20,159	695,039	692,270	2,769
Fine arts - art	486,191	12,294	498,485	506,633	(8,148)
31A	343,303	280,525	623,828	638,410	(14,582)
FAST - Donelson Hills	-	-	-	3,500	(3,500)
Youth Mini Grant - Oakland Schools	-	2,657	2,657	-	2,657
Building Healthy Communities - BCBS	-	23,671	23,671	-	23,671
FAST-Burt	-	-	-	3,700	(3,700)
Total elementary	<u>13,064,386</u>	<u>1,030,827</u>	<u>14,095,213</u>	<u>14,143,470</u>	<u>(48,257)</u>
Basic program - middle school					
General Ed	4,112,314	237,529	4,349,843	4,403,012	(53,169)
Federal - ARRA Stabilization	515,114	145,829	660,943	660,940	3
Federal - Ed Jobs	905,644	256,388	1,162,032	1,162,031	1
Music-Fine Arts	552,692	23,340	576,032	490,782	85,250
Art-Fine Arts	128,170	5,868	134,038	134,637	(599)
Physical Ed	251,023	4,169	255,192	253,145	2,047
31A	356,195	253,455	609,650	640,612	(30,962)
Outdoor Ed	13,939	106,787	120,726	106,280	14,446
Total middle school	<u>6,835,091</u>	<u>1,033,365</u>	<u>7,868,456</u>	<u>7,851,439</u>	<u>17,017</u>
Basic program - high school					
General Ed	4,358,197	684,429	5,042,626	4,657,748	384,878
High School Intervention	-	-	-	172,681	(172,681)
Federal - ARRA Stabilization	515,109	145,828	660,937	660,940	(3)
Federal - Ed Jobs	905,644	256,388	1,162,032	1,162,031	1
Alt. H.S.-Manley	681,382	383,723	1,065,105	1,063,244	1,861
Cyber Academy	2,604	419,396	422,000	500,000	(78,000)
Music-Fine Arts	421,423	21,763	443,186	400,256	42,930
Art-Fine Arts	347,944	16,047	363,991	386,561	(22,570)

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
Basic program - high school					
Physical Ed	\$ 308,704	\$ 876	\$ 309,580	\$ 353,367	\$ (43,787)
31A	191,581	163,502	355,083	623,245	(268,162)
International Academy	-	104,834	104,834	143,870	(39,036)
Total high school	<u>7,732,588</u>	<u>2,196,786</u>	<u>9,929,374</u>	<u>10,123,943</u>	<u>(194,569)</u>
Basic program - summer school					
Summer Success - Lit & Math	-	-	-	3,220	(3,220)
Summer Academy	61,487	27,660	89,147	68,075	21,072
Total Summer School	<u>61,487</u>	<u>27,660</u>	<u>89,147</u>	<u>71,295</u>	<u>17,852</u>
Basic program - Pre-K programs					
Preschool	189,383	189,510	378,893	415,504	(36,611)
Preschool enrichment	273,133	142,576	415,709	458,213	(42,504)
Apex I	25,161	7,934	33,095	39,780	(6,685)
Total Pre-K programs	<u>487,677</u>	<u>340,020</u>	<u>827,697</u>	<u>913,497</u>	<u>(85,800)</u>
Added needs - special education programs					
Emot Impaired	41,713	34,981	76,694	62,241	14,453
Educ Ment Imp	103,561	48,411	151,972	151,858	114
General Special Education	-	165	165	-	165
CI - Local	145,515	103,540	249,055	278,392	(29,337)
CI (TMI)	191,130	133,587	324,717	325,580	(863)
AI	321,793	162,933	484,726	466,468	18,258
AI - Summer	6,551	2,571	9,122	46,057	(36,935)
AI - Pierce	67,224	33,894	101,118	91,031	10,087
AI - H.S.	47,968	23,841	71,809	152,896	(81,087)
AI - Post Secondary	59,269	32,945	92,214	93,000	(786)
Early Intervention - POHI	115,521	72,074	187,595	173,445	14,150
CVS Reg	463,476	285,245	748,721	727,122	21,599

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Actual			Actual	
	Salaries	Supplies and Expenses	Total	Final Budget	Over (Under) Budget
Added needs - special education programs					
CVS EI	\$ 669,548	\$ 495,715	\$ 1,165,263	\$ 1,124,530	\$ 40,733
CVS Summer School	43,000	26,111	69,111	58,515	10,596
Sec Res Teacher	1,472,981	864,862	2,337,843	2,224,204	113,639
EI Teacher	535,263	269,798	805,061	845,953	(40,892)
Resource/Speech	-	70	70	22,773	(22,703)
IDEA local	349,625	380,285	729,910	545,967	183,943
Visually Impaired Regular	26,546	12,094	38,640	130,062	(91,422)
	<u>4,660,684</u>	<u>2,983,122</u>	<u>7,643,806</u>	<u>7,520,094</u>	<u>123,712</u>
Added needs - compensatory education					
Extended school year - secondary	4,452	2,005	6,457	25,715	(19,258)
Literacy Grant	-	660	660	-	660
English as a Second Language	130,705	72,963	203,668	175,941	27,727
	<u>135,157</u>	<u>75,628</u>	<u>210,785</u>	<u>201,656</u>	<u>9,129</u>
Added needs - vocational education					
General vocational education	1,224,939	168,179	1,393,118	1,512,309	(119,191)
CTSO	-	6,010	6,010	1,600	4,410
Specialized Services	-	2,695	2,695	2,000	695
Aviation	-	43,218	43,218	41,853	1,365
Cosmetology	-	19,089	19,089	29,335	(10,246)
	<u>1,224,939</u>	<u>239,191</u>	<u>1,464,130</u>	<u>1,587,097</u>	<u>(122,967)</u>
Adult education					
Adult Credit - State 107, Basic	963	189	1,152	1,922	(770)
Adult Credit - State 107, Secondary	3,220	8,537	11,757	20,882	(9,125)
Adult Credit	50,067	29,808	79,875	60,802	19,073
	<u>54,250</u>	<u>38,534</u>	<u>92,784</u>	<u>83,606</u>	<u>9,178</u>
Total adult education	<u>54,250</u>	<u>38,534</u>	<u>92,784</u>	<u>83,606</u>	<u>9,178</u>
Total Instruction	<u>34,256,259</u>	<u>7,965,133</u>	<u>42,221,392</u>	<u>42,496,097</u>	<u>(274,705)</u>

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
Pupils					
Guidance-Mid	\$ 618,597	\$ -	\$ 618,597	\$ 609,734	\$ 8,863
Guidance-HS	675,341	1,096	676,437	722,775	(46,338)
Alt. H.S.-Manley - Counselors	21,859	12,116	33,975	19,445	14,530
Alt. H.S.-Manley - Hall Monitors	57,471	39,054	96,525	79,903	16,622
Adult Credit - State 107, Basic	27,842	7,438	35,280	41,056	(5,776)
Adult Credit	18,561	5,392	23,953	19,569	4,384
Other Pupil Serv	491,013	25,839	516,852	514,828	2,024
Gen Spec Ed	70,809	211,678	282,487	343,957	(61,470)
LD - Teacher Consultant	95,866	53,239	149,105	134,572	14,533
CI Local - O.T.	7,095	3,644	10,739	19,768	(9,029)
CI Local - Psych	6,391	3,831	10,222	9,459	763
CI Local - Speech	17,569	11,499	29,068	26,021	3,047
CI Local - Social Worker	17,294	8,316	25,610	22,055	3,555
CI Local - Adaptive P.E.	6,314	1,917	8,231	9,345	(1,114)
CI (TMI) - O.T.	6,525	6,171	12,696	13,248	(552)
CI (TMI) - Psych	7,760	2,964	10,724	11,485	(761)
CI (TMI) - Speech	4,867	3,213	8,080	7,203	877
CI (TMI) - Social Worker	11,360	5,627	16,987	23,562	(6,575)
CI (TMI) - Adaptive P.E.	6,314	1,917	8,231	9,345	(1,114)
AI - O.T.	30,510	16,201	46,711	46,952	(241)
AI - Psych	6,245	4,368	10,613	9,244	1,369
AI - Speech	37,194	24,658	61,852	55,047	6,805
AI - Social Worker	35,008	21,512	56,520	51,314	5,206
AI M.S. - O.T.	3,980	2,214	6,194	7,557	(1,363)
AI M.S. - Psych	2,411	2,123	4,534	3,568	966
AI M.S. - Speech	17,336	10,796	28,132	25,657	2,475
AI M.S. - Social Worker	7,261	4,318	11,579	8,768	2,811
AI H.S. - O.T.	11,437	6,191	17,628	23,933	(6,305)
AI H.S. - Psych	-	1,431	1,431	3,771	(2,340)
AI H.S. - Speech	6,773	4,010	10,783	10,024	759
AI H.S. - Social Worker	2,824	1,711	4,535	4,180	355

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Salaries	Actual Supplies and Expenses	Total	Final Budget	Actual Over (Under) Budget
Pupils					
AI Post Secondary- O.T.	\$ 6,383	\$ 3,047	\$ 9,430	\$ 9,447	\$ (17)
AI Post Secondary- Speech	6,934	4,048	10,982	10,262	720
AI Post Secondary- Social Worker	6,419	2,989	9,408	11,781	(2,373)
Early Intervention - O.T. & P.T.	-	-	-	21,147	(21,147)
Early Intervention - Psych	24,982	16,923	41,905	36,973	4,932
CVS - EI , Psychologist	23,697	19,260	42,957	36,288	6,669
CVS - EI , Speech	2,359	1,135	3,494	3,612	(118)
CVS - EI , Social Worker	28,242	20,209	48,451	43,249	5,202
Resource/Speech	98,794	49,348	148,142	150,390	(2,248)
Preschool Enrichment - Speech	10,732	3,249	13,981	12,770	1,211
Preschool Enrichment - Social Worker	7,760	4,521	12,281	10,200	2,081
Sub Abuse Prevention	141,197	86,056	227,253	232,058	(4,805)
Speech Serv	701,575	448,248	1,149,823	1,057,008	92,815
Social Serv	565,024	319,453	884,477	875,287	9,190
Psychologist	296,764	209,544	506,308	448,406	57,902
Visually Impaired - Speech	7,760	2,831	10,591	11,485	(894)
Visually Impaired - Social Worker	8,403	6,441	14,844	13,259	1,585
31A	-	84,242	84,242	93,602	(9,360)
Voc Ed Millage	19,434	14,325	33,759	28,335	5,424
Total pupils	4,286,286	1,800,353	6,086,639	5,992,904	93,735
Instructional staff					
Staff Development	96,166	55,476	151,642	261,294	(109,652)
Cyber Academy	93,322	51,357	144,679	134,357	10,322
Math Categorical	102,355	48,598	150,953	140,691	10,262
Secondary Ed Curriculum	57,288	-	57,288	54,684	2,604
Voc Ed Millage	38,868	34,990	73,858	78,658	(4,800)
Vocational	110,633	3,225	113,858	107,399	6,459
Science Adm	11,066	-	11,066	12,916	(1,850)
Music -Fine Arts Adm	38,308	25,257	63,565	62,025	1,540
Art-Fine Arts Adm	1,000	5,842	6,842	7,011	(169)

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Actual			Actual	
	Salaries	Supplies and Expenses	Total	Final Budget	Over (Under) Budget
Instructional staff					
Sub Abuse Prevention	\$ -	\$ 5,471	\$ 5,471	\$ 3,300	\$ 2,171
Preschool Enrichment - Library Tech	-	-	-	7,300	(7,300)
Preschool Enrichment - Instr Support	43,287	22,165	65,452	61,420	4,032
Adult Educ	31,536	21,319	52,855	46,846	6,009
Adult Credit	26,470	37,288	63,758	77,542	(13,784)
Physical Ed - Adm	-	2,482	2,482	7,950	(5,468)
Special Ed Adm	262,127	156,954	419,081	447,168	(28,087)
CI (TMI)	-	8,309	8,309	30,200	(21,891)
Libl Elementary	291,862	8,837	300,699	305,945	(5,246)
Libl Middle school	136,951	19,562	156,513	169,731	(13,218)
Libl High school	151,893	18,239	170,132	174,066	(3,934)
Library Services	-	32,193	32,193	27,000	5,193
Wtfd Found Grant	-	66,259	66,259	75,000	(8,741)
Talent Development Program	3,621	31,765	35,386	42,966	(7,580)
North Central Association	1,436	69,305	70,741	70,000	741
Durant Foundation	3,499	284,853	288,352	295,000	(6,648)
Metro North Grants	-	3,311	3,311	4,463	(1,152)
Vocational Millage	37,735	12,463	50,198	55,245	(5,047)
EIEP Grant	-	56	56	-	56
Waterford Success - Local	-	1,820	1,820	5,134	(3,314)
Summer Success-Lit. & Math	-	289	289	-	289
Total instructional staff	<u>1,539,423</u>	<u>1,027,685</u>	<u>2,567,108</u>	<u>2,765,311</u>	<u>(198,203)</u>
General administration					
Board of Education	75,192	252,506	327,698	347,120	(19,422)
Executive administration	247,768	17,945	265,713	289,962	(24,249)
Elementary school director	307,256	45,603	352,859	374,089	(21,230)
Middle school and high school director	186,903	30,646	217,549	221,953	(4,404)
Total general administration	<u>817,119</u>	<u>346,700</u>	<u>1,163,819</u>	<u>1,233,124</u>	<u>(69,305)</u>

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
School administration					
Elementary principals	\$ 1,528,665	\$ 352,028	\$ 1,880,693	\$ 1,856,656	\$ 24,037
Middle school principals	489,983	292,143	782,126	821,903	(39,777)
Senior high principals	1,047,978	150,888	1,198,866	1,201,397	(2,531)
Pre-school principal	45,712	26,044	71,756	92,248	(20,492)
CVS principal	195,047	149,232	344,279	324,728	19,551
Alternative H.S. - Manley	169,241	98,336	267,577	269,158	(1,581)
Summer SLAM	-	1,000	1,000	1,000	-
Summer Academy	23,806	14,739	38,545	29,139	9,406
	<u>3,500,432</u>	<u>1,084,410</u>	<u>4,584,842</u>	<u>4,596,229</u>	<u>(11,387)</u>
Business					
Fiscal Services	450,582	77,305	527,887	528,813	(926)
Utilities	-	2,564,384	2,564,384	2,585,750	(21,366)
Operations	2,919,187	650,826	3,570,013	3,614,046	(44,033)
Operations - Special Events	-	-	-	1,920	(1,920)
Maintenance	706,068	927,319	1,633,387	1,637,255	(3,868)
Transportation	2,240,910	381,882	2,622,792	2,250,464	372,328
Transportation - Field Trips	-	74,524	74,524	6,300	68,224
Transportation - SpEd Work Experience	-	14,602	14,602	89,254	(74,652)
Purchasing	29,541	13,682	43,223	44,053	(830)
Warehouse	95,056	-	95,056	86,490	8,566
Print & Copy	-	49,229	49,229	26,000	23,229
Mail Services	-	50,588	50,588	62,700	(12,112)
Other Services	-	512,270	512,270	25,250	487,020
Safety & Security	40,667	120,018	160,685	86,922	73,763
COPS Grant	-	19,495	19,495	-	19,495
	<u>6,482,011</u>	<u>5,456,124</u>	<u>11,938,135</u>	<u>11,045,217</u>	<u>892,918</u>

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Actual			Actual	
	Salaries	Supplies and Expenses	Total	Final Budget	Over (Under) Budget
Central					
Computer Services	\$ 393,951	\$ 117,737	\$ 511,688	\$ 483,074	\$ 28,614
Central Enrollment/Pupil Accounting	66,051	13,814	79,865	71,685	8,180
Teacher/Student Data Reporting	-	122,460	122,460	124,212	(1,752)
Research & Evaluation	138,155	111,469	249,624	219,683	29,941
School Community Services	190,404	65,909	256,313	267,670	(11,357)
Human Resources	133,577	71,651	205,228	180,668	24,560
M.I.S.	204,538	434,629	639,167	733,029	(93,862)
Voc Ed Millage	19,434	8,412	27,846	27,333	513
Other Services	103,509	220,401	323,910	-	323,910
Employee Benefits	156,084	24,231,235	24,387,319	23,869,140	518,179
Total central	<u>1,405,703</u>	<u>25,397,717</u>	<u>26,803,420</u>	<u>25,976,494</u>	<u>826,926</u>
Total supporting services	<u>18,030,974</u>	<u>35,112,989</u>	<u>53,143,963</u>	<u>51,609,279</u>	<u>1,534,684</u>
Total local share of expenditures	<u>52,287,233</u>	<u>43,078,122</u>	<u>95,365,355</u>	<u>94,105,376</u>	<u>1,259,979</u>
Athletics					
Athletics	432,243	1,002,174	1,434,417	1,488,410	(53,993)
Hockey	-	36,884	36,884	44,040	(7,156)
Total athletics	<u>432,243</u>	<u>1,039,058</u>	<u>1,471,301</u>	<u>1,532,450</u>	<u>(61,149)</u>
Civic Activity					
Facility Use	1,020	62,607	63,627	65,739	(2,112)
Building Healthy Communities - BCBS	272	9,409	9,681	-	9,681
Waterford Community Garden Grant	-	3,947	3,947	-	3,947
Community Education	-	23,036	23,036	-	23,036
Voc Ed Millage	-	-	-	19,258	(19,258)
Total civic	<u>1,292</u>	<u>98,999</u>	<u>100,291</u>	<u>84,997</u>	<u>15,294</u>

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2011

	Actual			Final Budget	Actual Over (Under) Budget
	Salaries	Supplies and Expenses	Total		
Federal programs	\$ 5,255,272	\$ 5,206,136	\$ 10,461,408	\$ 12,861,472	\$ (2,400,064)
Debt service					
Principal	-	525,000	525,000	525,000	-
Interest	-	570,240	570,240	573,000	(2,760)
Total debt service	-	1,095,240	1,095,240	1,098,000	(2,760)
Other local match					
Headstart	-	296,859	296,859	303,585	(6,726)
Medicaid	48,558	30,265	78,823	114,309	(35,486)
Total other local match	48,558	327,124	375,682	417,894	(42,212)
Interfund Transfers					
School service fund	-	265,493	265,493	556,719	(291,226)
Total expenditures	\$ 58,024,598	\$ 51,110,172	\$ 109,134,770	\$ 110,656,908	\$ (1,522,138)

Waterford School District
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2011

Year Ending June 30,	March 1, 2006 Issue	April 16, 2009 Issue	May 1, 2011 Series 2011	June 1, 1999 Series IV	June 1, 2003 Series I	March 24, 2005 Series II	Energy Bonds	Durant	Total
2012	\$ 3,020,000	\$ 2,520,000	\$ 1,900,000	\$ 1,000,000	\$ 500,000	\$ 500,000	\$ 525,000	\$ 252,465	\$ 10,217,465
2013	3,060,000	2,000,000	2,370,000	1,000,000	500,000	500,000	540,000	264,482	10,234,482
2014	3,250,000	-	2,700,000	1,000,000	1,500,000	1,000,000	600,000	-	10,050,000
2015	-	-	5,160,000	1,000,000	1,500,000	1,000,000	875,000	-	9,535,000
2016	-	-	5,180,000	1,000,000	1,500,000	1,500,000	900,000	-	10,080,000
2017	-	-	5,120,000	1,000,000	1,500,000	1,500,000	925,000	-	10,045,000
2018	-	-	-	1,000,000	2,000,000	2,000,000	955,000	-	5,955,000
2019	-	-	-	1,500,000	2,000,000	2,500,000	975,000	-	6,975,000
2020	-	-	-	2,000,000	2,000,000	3,000,000	995,000	-	7,995,000
2021	-	-	-	-	2,000,000	3,000,000	995,000	-	5,995,000
2022	-	-	-	-	2,600,000	3,000,000	925,000	-	6,525,000
2023	-	-	-	-	-	3,575,000	715,000	-	4,290,000
Total	<u>\$ 9,330,000</u>	<u>\$ 4,520,000</u>	<u>\$ 22,430,000</u>	<u>\$ 10,500,000</u>	<u>\$ 17,600,000</u>	<u>\$ 23,075,000</u>	<u>\$ 9,925,000</u>	<u>\$ 516,947</u>	<u>\$ 97,896,947</u>
Principal payments due the first day of	May	May	May	May	May	May	August	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	May and November	August and February	May	
Interest rate	3.63% - 5.00%	2.75% - 2.95%	2.00% - 4.00%	2.50% - 4.30%	2.25% - 4.13%	3.75% - 4.40%	4.40%	4.76%	
Original issue	<u>\$ 30,030,000</u>	<u>\$ 15,000,000</u>	<u>\$ 22,680,000</u>	<u>\$ 15,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 25,000,000</u>	<u>\$ 11,950,000</u>	<u>\$ 3,945,891</u>	

Waterford School District

Waterford, Michigan

Single Audit Report

June 30, 2011

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Waterford School District as of and for the year ended June 30, 2011, which collectively comprise the Waterford School District's basic financial statements and have issued our report thereon dated October 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

We noted certain matters that we reported to management of the Waterford School District in a separate letter dated October 16, 2011.

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

Yeo & Yeo, P.C.

Saginaw, Michigan
October 16, 2011

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

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

Compliance

We have audited Waterford School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Waterford School District's major federal programs for the year ended June 30, 2011. Waterford School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Waterford School District's management. Our responsibility is to express an opinion on Waterford School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Waterford School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Waterford School District's compliance with those requirements.

In our opinion, except, Waterford School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with *OMB Circular A-133* and which are described in the accompanying schedule of findings and questioned costs as item 11-01 and 11-02.

Internal Control over Compliance

Management of Waterford School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Waterford School District's internal control over compliance with the requirements that could

have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Waterford School District's internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Waterford School District as of and for the year ended June 30, 2011, and have issued our report thereon dated October 16, 2011. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Waterford School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Waterford School District's responses and, accordingly, we express no opinion on the response.

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

Yeo & Yeo, P.C.

Saginaw, Michigan
October 16, 2011

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2010	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2011
U.S. Department of Agriculture									
Passed through Michigan Department of Education									
Nutrition Cluster									
Non-cash assistance (commodities)									
Entitlement Commodities	10.555		\$ 249,143	\$ -	\$ -	\$ 249,143	\$ 249,143	\$ -	\$ -
Bonus Commodities			588	-	-	588	588	-	-
National School Lunch Program				-	-	249,731	249,731	-	-
Cash assistance									
National School Breakfast Program	10.553		762,175	46,472	-	756,941	762,175	-	51,706
National School Lunch Program	10.555		1,849,704	107,063	-	1,846,107	1,849,704	-	110,660
				153,535	-	2,603,048	2,611,879	-	162,366
Total Nutrition Cluster				153,535	-	2,852,779	2,861,610	-	162,366
Team Nutrition Training Grant	10.574	0919F1-0910	2,500	29	979	1,550	1,521	-	-
Total U.S. Department of Agriculture				153,564	979	2,854,329	2,863,131	-	162,366
U.S. Department of Labor									
Passed through Oakland County Department of Health									
Workforce Investment Act	17.259	10/11-219	1,229,226	322,986	-	1,297,861	1,119,904	-	145,029
U.S. Department of Justice									
Direct Program									
Mentoring Program	16.726	2010-JU-FX-0111	47,737	-	-	-	47,737	-	47,737

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2010	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2011
U.S. Department of Education									
Passed through Michigan Department of Education									
Adult Education - ABE Instruction	84.002	101130101597	\$ 65,000	\$ 8,150	\$ 65,000	\$ 8,150	\$ -	\$ -	\$ -
Adult Education - ABE Instruction		111130111597	58,500	-	-	29,250	58,500	-	29,250
Adult Education - English Literacy/Civics		101130101597	20,000	3,512	20,000	3,512	-	-	-
Adult Education - English Literacy/Civics		111120111597	18,000	-	-	9,000	18,000	-	9,000
				11,662	85,000	49,912	76,500	-	38,250
U.S. Department of Education									
Passed through Michigan Department of Education									
Title I - Part A	84.010	1015300910	1,347,323	787,461	1,113,151	1,021,633	234,172	-	-
Title I - Part A		1015301011	1,654,301	-	-	827,150	1,162,928	-	335,778
Title I - ARRA	84.389	1015351011	996,395	213,016	484,005	725,406	478,483	-	(33,907)
Title I - Part D ARRA	84.389	1117051011	362,010	-	-	362,010	262,954	-	(99,056)
Total Title I Cluster				1,000,477	1,597,156	2,936,199	2,138,537	-	202,815
Title I - Part D	84.013	1017000910	518,598	5,678	165,372	358,904	353,226	-	-
Title I - Part D		1017000910	518,598	-	-	254,089	215,939	-	(38,150)
				5,678	165,372	612,993	569,165	-	(38,150)
Special Education Cluster									
Passed through Oakland Schools									
IDEA Flowthrough 08-10	84.027	090450	2,481,395	158,875	2,481,395	158,875	-	-	-
IDEA Flowthrough 09-11		100450	2,506,917	377,872	2,182,041	603,113	324,876	-	99,635
IDEA Flowthrough 10-12		110450	2,510,349	-	-	1,320,223	1,987,564	-	667,341
IDEA ARRA Flowthrough	84.391	100455	3,072,143	347,671	1,638,256	395,675	1,433,887	-	1,385,883
				884,418	6,301,692	2,477,886	3,746,327	-	2,152,859
Passed through Michigan Department of Education									
Preschool Incentive, 08-10	84.173	100460	96,867	20,887	96,867	20,887	-	-	-
Preschool Incentive, 09-11		110460	82,716	-	55,986	(3,389)	26,730	-	30,119
Preschool Incentive, 10-12		110460	91,138	-	-	-	60,176	-	60,176
Preschool Incentive, ARRA	84.392	100465	101,510	17,264	101,511	17,264	-	-	-
				38,151	254,364	34,762	86,906	-	90,295
Total Special Education Cluster				922,569	6,556,056	2,512,648	3,833,233	-	2,243,154

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2010	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2011
U.S. Department of Education									
Direct Program									
Safe Schools/ Healthy Students	84.184	Q184L080310	\$ 2,102,591	\$ 509,580	\$ -	\$ 1,458,934	\$ 1,186,741	\$ -	\$ 237,387
Passed through Michigan Department of Education									
Drug Free Schools	84.186	1028600910	34,043	9,445	32,065	11,423	1,978	-	-
Historians & Teachers Together	84.215X	U215X090374	499,689	29,641	122,685	167,295	171,875	-	34,221
Passed through Michigan Department of Education									
Title II, Part D - Technology Literacy Challenge		1042950910	33,552	16,850	16,850	33,552	16,702	-	-
Passed through St. Ignace									
Title II, Part D - Technology Literacy Challenge	84.318	094240 MOD	18,330	16,506	16,506	16,506	-	-	-
Total Title II, Part D				33,356	33,356	50,058	16,702	-	-
Title III - Immigrant Students									
Title III - English Language	84.365A	1005800910	68,060	51,441	51,441	68,060	16,619	-	-
Title III - English Language		1105801011	90,557	-	-	45,278	47,210	-	1,932
Title III - Immigrant Student		100570910	14,788	3,063	3,063	14,788	11,725	-	-
				54,504	54,504	128,126	75,554	-	1,932
U.S. Department of Education									
Passed through Michigan Department of Education									
Teacher/Principal Training & Recruiting	84.367	1005200910	410,364	39,263	230,648	218,979	179,716	-	-
Teacher/Principal Training & Recruiting		1105201011	407,540	-	-	203,720	237,478	-	33,758
				39,263	230,648	422,699	417,194	-	33,758

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2010	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2011
ARRA - State Fiscal Stabilization Fund									
ARRA - State Fiscal Stabilization Fund	84.394	102525-0910	\$ 3,197,585	\$ 639,517	\$ 3,197,585	\$ 639,517	\$ -	\$ -	-
ARRA - State Fiscal Stabilization Fund		102525-1011	1,321,880	-	-	660,940	1,321,880	-	660,940
				<u>639,517</u>	<u>3,197,585</u>	<u>1,300,457</u>	<u>1,321,880</u>	<u>-</u>	<u>660,940</u>
Direct Program									
Education Jobs Funds	84.410A	112545-1011		-	-	1,162,031	2,324,062	-	1,162,031
Total U.S. Department of Education				<u>3,255,692</u>	<u>12,074,427</u>	<u>10,812,775</u>	<u>12,133,421</u>	<u>-</u>	<u>4,576,338</u>
U.S. Department of Health and Human Services									
Passed through Regional Area of Aging:									
Title III - Nutrition	93.045	10-9052-03	257,702	21,731	257,702	21,731	-	-	-
Title III - Nutrition		11-9052-03	277,288	-	-	259,700	277,288	-	17,588
				<u>21,731</u>	<u>257,702</u>	<u>281,431</u>	<u>277,288</u>	<u>-</u>	<u>17,588</u>
Passed through Oakland Livingston Human Services Agency (OLHSA)									
O.E.O. Headstart	93.600	H5010-520	704,428	485,225	485,225	704,430	219,205	-	-
O.E.O. Headstart		H5011-520	710,850	-	-	-	507,549	-	507,549
O.E.O. Headstart - COLA ARRA	93.708	05CH0-520	12,462	4,230	4,230	12,462	8,232	-	-
O.E.O. Headstart - COLA Quality ARRA		05CH0-520	47,410	24,187	24,187	47,410	23,223	-	-
Total Head Start Cluster				<u>513,642</u>	<u>513,642</u>	<u>764,302</u>	<u>758,209</u>	<u>-</u>	<u>507,549</u>
Passed through Oakland County Department of Health Success	93.959		66,026	(7,893)	-	58,121	48,189	-	(17,825)
Total U.S. Department of Health and Human Services				<u>527,480</u>	<u>771,344</u>	<u>1,103,854</u>	<u>1,083,686</u>	<u>-</u>	<u>507,312</u>
				<u>\$ 4,259,722</u>	<u>\$ 12,846,750</u>	<u>\$ 16,068,819</u>	<u>\$ 17,247,879</u>	<u>\$ -</u>	<u>\$ 5,438,782</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, 2011

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2011.
3. The federal amounts reported on the Grant Auditor Report (GAR) are in agreement with the Schedule of Expenditures of Federal Awards (SEFA), except for the following awards:

	Receipts per GAR	Receipts per SEFA	Difference
Adult Education - ABE Instruction	\$ 18,000	\$ 9,000	\$ 9,000
Adult Education - English Literacy/Civics	58,500	29,250	29,250
ARRA - State Fiscal Stabilization Fund	1,321,880	660,940	660,940
Ed Jobs Funds	<u>2,324,062</u>	<u>1,162,031</u>	<u>1,162,031</u>
	<u>\$ 3,722,442</u>	<u>\$ 1,861,221</u>	<u>\$ 1,861,221</u>

Differences due to the payments on the GAR being double the amount recorded on the SEFA as of June 30, 2011; however, the school district received the amounts after June 30, 2011. These were properly reported as a receivable on the SEFA as of June 30, 2011.

4. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.

Waterford School District
Schedule of Findings and Questioned Costs
June 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.010 & 84.389	Title I Cluster
84.013	Title I Part D
84.027, 84.173, 84.391, & 84.392	Special Education Cluster
84.394	ARRA – State Fiscal Stabilization Fund
84.410	Edujobs

Dollar threshold used to distinguish between type A and type B programs: \$517,000

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

Waterford School District
Schedule of Findings and Questioned Costs
June 30, 2011

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, 2011.

Waterford School District
Schedule of Findings and Questioned Costs
June 30, 2011

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 11-01 Noncompliance

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

Cash Requests

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

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

Context: Cannot draw funds in excess of cash needs.

Effect: The School District is currently showing the funds as deferred revenue and the funds will be spent within the grant availability period in the 2011/12 fiscal year.

Recommendation: We recommend that all cash requests be supported by actual general ledger activity.

Management's Corrective Action Plan: The School District agrees with the finding. Management within the business office will work to improve the controls related to the cash requests process. They will review the general ledger detail for the grant prior to preparing cash requests in the future.

Finding 11-02 Noncompliance

Title I Cluster (84.389)

Indirect Costs

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

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

Context: Cannot calculate indirect costs using equipment expenditures.

Effect: The School District will be responsible for paying these funds back.

Recommendation: We recommend that the school district reviews its indirect cost calculation to verify no exclusions are included in this calculation.

Waterford School District
Schedule of Findings and Questioned Costs
June 30, 2011

Management's Corrective Action Plan: The School District agrees with the finding. Management within the business office will work to improve the controls related to the indirect cost calculation. They will review the allowable indirect cost rate and verify that any exclusions are not included in the calculation.

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

SECTION IV- PRIOR AUDIT FINDINGS

There were no findings or questions cost in the year end June 30, 2010.