

Waterford School District

Financial Statements

June 30, 2015

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Waterford School District
Members of the Board of Education and Administration
June 30, 2015

Members of the Board of Education

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

Administration

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



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Phone (989) 793-9830 / (800) 968-0010
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Independent Auditors' Report

Management and the Board of Education
Waterford School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Waterford School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Waterford School District, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:***Adoption of New Accounting Standards***

As described in Note 1 to the financial statements, during the year ended June 30, 2015, the School District adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

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

Other Information

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

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

Prior Year Supplementary Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Waterford School District's basic financial statements as of and for the year ended June 30, 2014, which are not presented with the accompanying financial statements. In our report dated October 9, 2014, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Waterford School District's financial statements as a whole. The 2014 information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2014 information in the comparative supplementary schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015 on our consideration of the Waterford School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterford School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

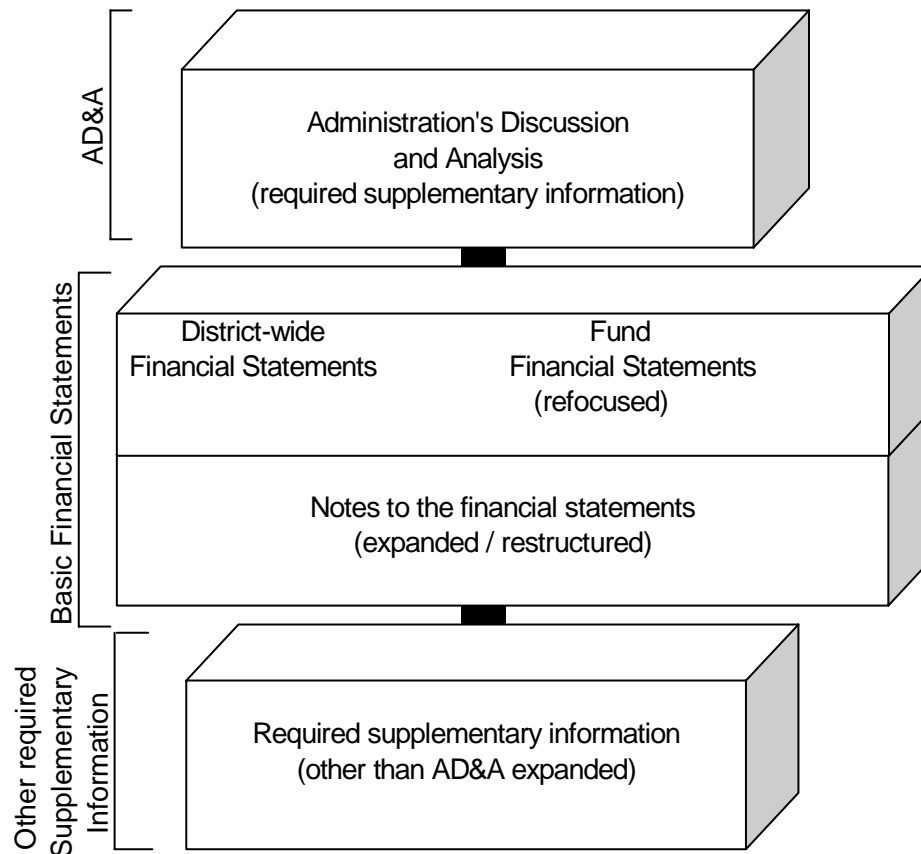
Saginaw, MI
October 20, 2015

ADMINISTRATION'S DISCUSSION AND ANALYSIS

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2015**

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, 2015.

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, 2015**

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 Position and the Statement of Activities.

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

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

Effective for the year ended June 30, 2015, the District adopted new accounting guidance, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Fund Financial Statements

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

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

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2015

Financial Analysis of the District as a Whole

Assets

| | <u>2014-2015*</u> | <u>2013-2014</u> | <u>Change</u> |
|--------------------------------|----------------------|----------------------|--------------------|
| Current assets | \$ 45,359,032 | \$ 31,784,482 | \$ 13,574,550 |
| Capital assets | 245,957,309 | 242,466,452 | 3,490,857 |
| Less: accumulated depreciation | <u>(107,356,380)</u> | <u>(102,660,194)</u> | <u>(4,696,186)</u> |
| Capital assets, net book value | <u>138,600,929</u> | <u>139,806,258</u> | <u>(1,205,329)</u> |
| Total assets | <u>183,959,961</u> | <u>171,590,740</u> | <u>12,369,221</u> |

Deferred outflows of resources

| | | | |
|---|--------------------|--------------------|-------------------|
| Deferred amount on refunding | 181,720 | - | 181,720 |
| Deferred amount of pension expense related to net pension liability | <u>15,933,749</u> | <u>-</u> | <u>15,933,749</u> |
| Total deferred outflows | <u>16,115,469</u> | <u>-</u> | <u>16,115,469</u> |
| Total assets and deferred outflows | <u>200,075,430</u> | <u>171,590,740</u> | <u>28,484,690</u> |

Liabilities

| | | | |
|-----------------------|--------------------|-------------------|--------------------|
| Current liabilities | 43,343,466 | 38,723,143 | 4,620,323 |
| Long-term liabilities | <u>242,728,594</u> | <u>76,045,899</u> | <u>166,682,695</u> |
| Total liabilities | 286,072,060 | 114,769,042 | 171,303,018 |

Deferred inflows of resources

| | | | |
|--|--------------------|--------------------|--------------------|
| Deferred amount of net pension liability | <u>17,743,729</u> | <u>-</u> | <u>17,743,729</u> |
| Total liabilities and deferred inflows | <u>303,815,789</u> | <u>114,769,042</u> | <u>189,046,747</u> |

Net Assets

| | | | |
|---|-------------------------|----------------------|-------------------------|
| Invested in capital assets, net of related debt | 55,030,344 | 54,346,164 | 684,180 |
| Restricted | 1,409,301 | 1,000,574 | 408,727 |
| Unrestricted (deficit) | <u>(160,180,004)</u> | <u>1,474,960</u> | <u>(161,654,964)</u> |
| Total net assets | <u>\$ (103,740,359)</u> | <u>\$ 56,821,698</u> | <u>\$ (160,562,057)</u> |

* 2014-2015 includes the implementation of GASB 68 (Accounting and Financial Reporting for Pensions).

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2015

As indicated by the statement above, total fiscal year 2014-2015 and 2013-2014 net position is (\$103,740,359) and \$56,821,698 respectively. Net position can be separated into three categories: capital assets net of related debt, restricted net position, and unrestricted net position.

Net capital assets are a combination of funds available for capital assets, plus capital assets at original cost less accumulated depreciation and related debt. The original cost of capital assets for fiscal year 2014-2015 and 2013-2014 is \$245,957,309 and \$242,466,452, 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 2014-2015 and 2013-2014 is \$107,356,380 and \$102,660,194, 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 2014-2015 and 2013-2014 was \$94,225,142 and \$86,464,099, respectively.

Restricted net position for fiscal year 2014-2015 consist of Food Service of \$206,848 and Debt Service of \$1,202,453 totaling \$1,409,301. The remaining net position of (\$160,180,004) and \$1,474,960 for fiscal year 2014-2015 and 2013-2014, respectively, are unrestricted. The unrestricted net position is an accumulation of prior years' operating results. This balance is directly affected each year by the District's operating results.

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

- Current assets increased \$13,574,550 mainly due to the issuance of \$20,000,000 2003 Series IV bonds, of which \$15,342,387 remained unspent at June 30, 2015.
- Net Capital assets decreased \$1,205,329 as a result of the impairment of Sandburg Elementary (scheduled for dismantling in the fall of 2015) during the 2014-15 school year plus normally scheduled depreciation.
- Current liabilities increased by \$4,620,323 as compared to prior year due to a greater amount of short-term borrowing, and increased bond project payables at year end.
- Long-term liabilities increased \$166,682,695 as compared to prior year as a result of the issuance of 2003 Series IV bonds and the implementation of GASB 68, which includes the district's pension liability of \$160,486,652 on the government wide statements.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2015**

| | <u>2014-2015*</u> | <u>2013-2014</u> | <u>Change</u> |
|---|--------------------|-----------------------|---------------------|
| Program revenue: | | | |
| Charges for services local and intermediate | \$ 6,734,406 | \$ 6,398,299 | \$ 336,107 |
| Operating grants - federal and state | <u>34,551,801</u> | <u>32,424,933</u> | <u>2,126,868</u> |
| Total revenue | 41,286,207 | 38,823,232 | 2,462,975 |
| General revenue: | | | |
| Property taxes, levied for general purposes | 11,853,446 | 11,936,579 | (83,133) |
| State of Michigan aid, unrestricted | <u>60,085,874</u> | <u>63,195,879</u> | <u>(3,110,005)</u> |
| Total foundation allowance | <u>71,939,320</u> | <u>75,132,458</u> | <u>(3,193,138)</u> |
| Property taxes, levied for debt service | 14,993,252 | 14,822,179 | 171,073 |
| Interest and investment earnings | 22,245 | 24,583 | (2,338) |
| Other | <u>406,093</u> | <u>140,375</u> | <u>265,718</u> |
| Total revenues | <u>128,647,117</u> | <u>128,942,827</u> | <u>(295,710)</u> |
| Expenses: | | | |
| Instruction | 66,639,456 | 70,264,195 | (3,624,739) |
| Support services | 39,971,892 | 40,772,224 | (800,332) |
| Food service | 5,402,078 | 4,859,134 | 542,944 |
| Pool & Fitness centers | 1,105,584 | 1,207,611 | (102,027) |
| Performing arts center | 211,786 | 214,107 | (2,321) |
| Childcare | 1,198,251 | 1,362,958 | (164,707) |
| Senior citizens | 717,587 | 803,007 | (85,420) |
| Special education center programs | 5,052,678 | 5,057,411 | (4,733) |
| Unallocated depreciation expense | 2,045,558 | 1,902,039 | 143,519 |
| Bond issuance cost | - | 144,847 | (144,847) |
| Tax tribunal refunds | 151,169 | 299,116 | (147,947) |
| Building and site | 2,829,563 | 1,517,528 | 1,312,035 |
| Interest on long-term debt | <u>2,743,511</u> | <u>3,113,145</u> | <u>(369,634)</u> |
| Total expenses | <u>128,069,113</u> | <u>131,517,322</u> | <u>(3,448,209)</u> |
| Change in net assets | <u>\$ 578,004</u> | <u>\$ (2,574,495)</u> | <u>\$ 3,152,499</u> |

* 2014-2015 includes the implementation of GASB 68 (Accounting and Financial Reporting for Pensions).

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2015

As indicated above, fiscal year 2014-2015 and 2013-2014, the change in net assets was \$578,004 and (\$2,574,495), respectively.

The 2014-2015 increase in net assets as compared to fiscal year 2013-2014 is due to the following factors:

Revenues:

- Local charges for services increased \$336,107 primarily due to an increase in eRate funding due to the timing of receipt of eRate funds (deferred in 2013-14) offset by lower participation in Childcare (including less transfer to General Fund), less cash sales in Food Service (more federally funded free and reduced meals), and less Medicaid funding.
- Operating grants increased \$2,126,868 primarily due to an increase in MPERS 147c (retirement) categorical funding.
- Unrestricted State aid decreased \$3,110,005 as a result of a decrease of 605 students offset by a \$50 per student increase in foundation allowance.

Expenses:

- Instructional expenses decreased \$3,624,739 from prior year as a result of reductions due to fewer students
- Support services decreased by \$800,332 from last year due to fewer instructional staff support and school administrators as a result of the closure of Adams (relocated to Mason North Middle School – reopened as Grayson Elementary), Burt, Sandburg, and Waterford Village Elementary Schools plus Mason North Middle School (6th grade campus of Mason Middle School).
- Food Service increased \$542,944 over last year due to higher food costs and equipment purchases.
- Childcare decreased due to fewer students participating in the program.
- Unallocated depreciation expense increased by \$143,519 due to bonded construction projects.
- Tax tribunal refunds decreased \$147,947 due to fewer tax tribunal appeals.
- Building and Site increased \$1,312,035 as a result of current bond construction projects not being capitalized.
- Interest on long term debt decreased due to the savings on the refunding of the 2003 Series I bonds (April of 2014, interest savings began in the 2014-15 fiscal year) and the Energy Bond Refunding.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2015

Capital Assets and Debt Administration

Capital Assets

At June 30, 2015, the District had \$138,600,929 invested in a broad range of capital assets, including land, buildings, furniture and equipment.

| | <u>2015</u> | <u>2014</u> |
|--------------------------------|-----------------------|-----------------------|
| Capital assets | | |
| Land | \$ 1,177,339 | \$ 1,177,339 |
| Building & additions | 229,219,714 | 231,667,987 |
| Buses and other vehicles | 5,208,250 | 4,357,107 |
| Furniture and equipment | 5,333,187 | 5,264,019 |
| Construction in progress | <u>5,018,819</u> | <u>-</u> |
| Subtotal | 245,957,309 | 242,466,452 |
| Less: accumulated depreciation | <u>107,356,380</u> | <u>102,660,194</u> |
| Net capital assets | <u>\$ 138,600,929</u> | <u>\$ 139,806,258</u> |

This is a decrease in net capital assets of \$1,205,329 from last year. Depreciation expense for the year is \$6,915,214. Additionally the District disposed of \$1,541,494 in net assets as a result of the impairment adjustment for the Sandburg Elementary site. During the fiscal year the District issued \$20,000,000 in Series IV Bonds of which \$9,097,613 was expended plus \$982,740 from the remaining 2003 capital improvement Series III bonds. Note that not all expenditures meet the district's \$10,000 capitalization threshold to be recorded in this schedule. Construction in progress increased \$5,018,819 due to the start of the science room renovations at the high schools and the HVAC (air conditioning) work at the elementary buildings. The District has \$10,836,277 remaining of Series IV bonds set aside for future capital projects plus the final \$15 million in voter approved bonds were issued subsequent to year end in August of 2015.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2015

Debt

At the end of this fiscal year, the District had \$87,925,000 in General Obligation Bonds outstanding. This is an increase of \$7,630,000 compared to last year due to the \$20,000,000 bond issuance mentioned above off-set by scheduled principal payments and refunding of the Energy Conservation Bonds. The refunding reduced debt by \$788,908 resulting in an economic gain of \$743,278.

Governmental Fund Revenues

Sources of Revenues:

Local sources of revenues total \$34,087,052. This is an increase of \$670,614 as compared to prior year. Included in local revenues are General Fund, Internal Service Fund, Debt Fund, Special Education Center Programs Fund, Childcare Fund, Senior Citizen Fund, Pool & Fitness Fund, Performing Arts Centers Fund, Food Service Fund, and Capital Project Fund revenues. The General Fund revenues of \$15,002,202 increased \$969,775 over prior year as a result of an increase in eRate (timing of receipt of funds from 2013-14). The Debt Fund local revenues of \$14,993,252 increased \$171,073 over prior year. Special Education Center Programs revenues of \$11,570 decreased \$13,072 from prior year. The Childcare Fund revenues of \$1,198,251 decreased \$164,707 from prior year as a result of fewer students. The Senior Citizen Fund revenues of \$531,399 decreased \$82,586 from prior year. The Pool & Fitness Center Fund of \$750,675 decreased \$57,228. The Performing Arts Centers Fund had revenue of \$199,879 which was an increase of \$26,999 over prior year. The Food Service Fund revenues of \$1,377,579 decreased \$177,302 from prior year as a result of a decline in the student population plus more students qualifying for free and reduced meals (federally funded).

State sources of revenue total \$75,771,244. This is a decrease of \$464 as compared to prior year. Included in State Sources of Funding are General Fund, Special Education Center Programs Fund, and Food Service Fund revenues. General Fund revenues of \$74,204,666 increased \$491,834 over prior year. This increase is from the foundation grant increasing \$50 per student totaling \$482,900, Great Start Readiness Program (GSRP) doubling in participation by \$538,419, increase in the MPERS 147c UAAL Rate Stabilization funding by \$2,068,309, one time liability payment for 147d of \$153,710, increase from prior year adjustments of \$535,851, lower transfer of the Headlee Obligation to Center Programs of \$251,783, 31a (At Risk) deferred funding from 2013-14 of \$259,975, offset with a decline of 566 general fund students totaling \$3,441,206 and a decrease in Performance Based funding of \$413,495. The Special Education Center Programs Fund of \$1,313,704 decreased \$488,898 from prior year due to a decrease of 39 students and the related special education Headlee obligation. The Food Service Fund of \$252,874 decreased \$3,400 from prior year. Included in the state sources of revenue is the membership foundation allowance of \$58,868,105 in the General Fund, a decrease of \$3,110,072 from prior year as explained above in regards to fewer General Fund students. State sources of revenue make up 73.2% of General Fund revenues. This ties the District directly to the State's overall economy.

Federal sources of revenue total \$10,711,486, an increase of \$162,280 over prior year. This was mainly due to an increase in free and reduced meals served and Head Start funds.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2015**

Interdistrict sources of revenue total \$8,631,719, a decrease of \$19,372 from prior year. The Interdistrict funding is primarily for special education.

Property Taxes

A significant portion of local revenue is provided from property taxes for the General Fund and Debt Retirement Fund. Property tax revenue totaled \$26,846,698, an increase of \$87,940 over prior year. Total property tax revenue is obtained through a voter approved 18-mill levy on the taxable value of non-homestead properties for the District's operations and a voter approved 7.00-mill levy (increased from the initial 3.67 mills) on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments.

Unrestricted State Aid Foundation Allowance

A significant portion of state funding to the District is through the foundation allowance. The foundation allowance is funding from the state for each student. The District's foundation allowance is \$7,282 for 2014-2015 and \$7,232 for 2013-2014 fiscal years. The number of students to be funded is calculated by student enrollment blended at 90% of the Fall count and 10% of the Supplemental Count (February). Total blended student enrollment for this fiscal year is 9,746, a decrease of 605 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 \$52,080,159 decreased \$2,267,148, and Support Services expenditures of \$39,418,611 decreased \$1,542,986. The changes in Instruction were primarily due to a decrease in direct instruction and instructional staff support due to the decline in students and closure of four elementary buildings as explained above. Support Services decreased in utilities with a milder winter, lower field trip transportation costs, and various operation and maintenance costs associated with the cost of capital improvements. Federal Program expenditures of \$7,629,909 increased \$50,287 due to an increase in the Head Start grant, offset by Title ID grant. School Service Fund expenses of \$14,603,911 increased \$1,167,065 from prior year mainly because of higher food costs and capital expenditures from kitchen renovations in Food Service, as well as the completion of the capital projects from the 2003 Series III bonds. The Capital Projects fund of \$9,097,613 decreased \$6,141,663 due to the construction in progress on the 2003 Series IV bonds. The Debt Service Fund with expenditures of \$14,132,522 increased \$66,895 mainly as a result of scheduled principal and interest payments.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2015**

Economic Factors and Next Year's Budgets and Rates

The Board of Education and administration consider many factors when setting the School District's 2016 fiscal year budget. Three major factors affecting the budget this year are the student count, State funding of the unrestricted foundation allowance, and contract settlements with all bargaining units.

As of the date of this report the state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2016 fiscal year is 90 percent and 10 percent of the Fall 2015 and Supplemental (February) 2016 student counts respectively. The 2016 budget was adopted in June 2015, based on an estimate of students that will be enrolled in September 2015 as well as State Aid funding. As a result, district funding is heavily dependent on the state's ability to fund local school operations. Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations. Since the District's revenue is heavily dependent upon state funding, actual funding depends on the state's ability to collect revenues to fund its appropriations to school districts.

The District has a contract with all bargaining groups for 2015-16. Benefit agreements are on a calendar year basis. The letter of agreement for benefits included employee contributions to health benefits for those who qualify. Additionally, any cost above the hard cap after July 1st of each year is burdened by the employee and is in addition to the amounts listed below. The 2014 contribution on a per pay basis was \$51 for single, \$113 for 2 person, and \$136 for full family coverage. For the 2015 fiscal year the contribution on a per pay basis was \$56 for single, \$124 for 2 person, and \$150 for full family coverage except custodial, maintenance, and transportation employees. That group of employees began paying \$103 for single, \$218 for 2 person, and \$247 for full family coverage beginning July 1, 2015. The 2016 fiscal year is currently being negotiated. Included in these amounts is a repayment for the district prefunded health savings account.

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 2014-2015, the budget was amended in April of 2015 to reflect the changes since the Original Budget adopted in June of 2014. The General Fund budget revenues for the final budget increased by 1.10% as compared to the original budget.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2015**

General Fund Revenues:

| | |
|--------------------------------|----------------------------|
| Total revenues final budget | \$ 104,443,443 |
| Total revenues original budget | <u>103,302,066</u> |
| | |
| Increase in budget revenues | <u><u>\$ 1,141,377</u></u> |

Increase in Revenue Budget:

Significant final budget adjustments for the year include:

- A decrease of an additional 246 students, (\$1,791,372)
- \$30 per student decrease in the MPSERS cost offset (147a), (\$295,007)
- \$214 per student increase in MPSERS UAAL Rate Stabilization (147c), \$2,077,946
- \$87 per student increase in MPSERS One Time Liability (147d), \$845,488
- \$58 per student decrease in the Foundation Allowance, (\$562,414)
- \$41 per student decrease in Performance funding, (\$400,291)
- \$101 per student increase in eRate funding (one time only), \$981,364
- \$21 per student increase in various State categoricals such as At Risk and preschool GSRP (Great Start Readiness Program), \$208,836
- \$37 per student increase in Federal funding such as Title I, \$356,988
- \$27 Per student decrease in Special Education PA-18 funding, (\$267,795)

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2015**

Actual General Fund Revenues vs. Final Budget:

The District's actual general fund revenues were less than the final budget by \$3,069,162, a variance of 2.94%. This is a result of local revenues declining by \$925,535 mainly due to a decrease in preschool of \$115,288, Summer Academy of \$98,665, eRate of \$107,655, Facility Use of \$145,783, Childcare contribution of \$218,785, and Medicaid of \$148,985. State Sources declined by \$595,740 due to a decrease in MPSERS One Time Liability 147d of \$691,778 as the State partially funded and expended this categorical, property tax refunds of \$503,053, and the Great Start Readiness Program (GSRP) of \$271,147 (deferred), offset by an increase in membership of \$677,533 (mix of general education and special education students in the general membership). Additionally Incoming Transfers decreased \$650,254 mainly as a result of decreased PA-18 funding of \$511,834 and Oakland County funding of Children's Village School of \$171,589. Finally, a decrease in Federal Sources of \$897,633 that are deferred into the 2015-16 fiscal year.

General Fund Expenditures:

The District's budget for expenditures increased by 2.93% for the year ended June 30, 2015:

| | |
|------------------------------------|----------------------------|
| Total expenditures final budget | \$ 103,401,287 |
| Total expenditures original budget | <u>100,455,506</u> |
| Increase in budget expenditures | <u><u>\$ 2,945,781</u></u> |

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2015**

Increase in Expenditure Budget:

Some of the final budget adjustments for the year include:

- The change in teaching staff can be summarized:

| 2014-2015 General Fund | FTE Final Budget | FTE Original Budget | FTE Increase (Decrease) |
|----------------------------|------------------------|---------------------------|-------------------------------|
| Regular education teachers | 428.66 | 428.30 | 0.36 |
| Special education teachers | 142.10 | 141.66 | 0.44 |
| | <u>570.76</u> | <u>569.96</u> | <u>0.80</u> |

- \$51 per student decrease in direct instruction for various non salary line items such as conferences and supplies, (\$498,019)
- \$50 per student decrease in Instructional Support Services such as supplies and textbooks, (\$489,114)
- \$20 per student decrease in School Administration, (\$198,250)
- \$332 per student increase in employee fringe benefits including the MPSERS UAAL Rate Stabilization (retirement) 147c and MPSERS One Time Liability 147d Categorical of \$2,923,434, and healthcare of \$300,000
- \$37 per student increase in Federal for Title I, \$356,988
- \$49 per student increase in Operations and Maintenance, \$470,780
- \$23 per student increase in Transportation, \$219,244

Actual General Fund Expenditures vs. Final Budget:

The District's actual general fund expenditures were less than the final budget by 2.77%. This decrease of \$2,866,942 is a result of a decrease in direct instruction of \$1,106,366 due to the decline in students, decrease in instructional staff support of \$219,260 due to fewer staff and students, a decrease in Business of \$451,675 with bond dollars funding capital improvements, a decrease in employee benefits of \$1,605,932 as a result of the reductions notes above, and deferral of Federal program expenditures of \$920,768 (carryover funds to follow expenditures) into the 2015-2016 fiscal year. These reductions were offset by an increase in pupil support of \$308,278 with 31a counselors, M.I.S. communications/technology expenditures of \$626,624, transfer to School Service funds of \$135,242, Facility Utilization costs of \$131,765, and increased in kind for Federal Programs of \$137,853.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2015**

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

Waterford School District
Statement of Net Position
June 30, 2015

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 26,598,791 |
| Accounts receivable | 2,840,477 |
| Due from other governmental units | 15,881,153 |
| Inventory | 23,526 |
| Prepaid items | 15,085 |
| Capital assets not being depreciated | 6,196,158 |
| Capital assets - net of accumulated depreciation | <u>132,404,771</u> |
| Total assets | <u>183,959,961</u> |
| Deferred outflows of resources | |
| Deferred amount on refunding | 181,720 |
| Deferred amount of pension expense related to net pension liability | <u>15,933,749</u> |
| Total deferred outflows | <u>16,115,469</u> |
| Total assets and deferred outflows | <u>200,075,430</u> |
| Liabilities | |
| Accounts payable | 4,609,445 |
| State aid and tax anticipation notes | 16,440,000 |
| Payroll deductions and withholdings | 3,716,629 |
| Accrued expenditures | 1,123,846 |
| Accrued salaries payable | 5,226,088 |
| Unearned revenue | 244,258 |
| Noncurrent liabilities | |
| Net pension liability | 160,486,652 |
| Debt due within one year | 11,983,200 |
| Debt due in more than one year | <u>82,241,942</u> |
| Total liabilities | <u>286,072,060</u> |

See Accompanying Notes to the Financial Statements

Waterford School District
Statement of Net Position
June 30, 2015

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Deferred inflow of resources | |
| Deferred amount on net pension liability | <u>\$ 17,743,729</u> |
| Total liabilities and deferred inflows | <u>303,815,789</u> |
| Net position | |
| Net investment in capital assets | 55,030,344 |
| Restricted | |
| Debt service | 1,202,453 |
| Food service | 206,848 |
| Unrestricted (deficit) | <u>(160,180,004)</u> |
| Total net position | <u>\$ (103,740,359)</u> |

See Accompanying Notes to the Financial Statements

Waterford School District
Statement of Activities
For the Year Ended June 30, 2015

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|---|-----------------------|-------------------------|--|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | | Capital Grants and Contributions |
| Functions/Programs | | | | | |
| Governmental activities | | | | | |
| Instruction | \$ 66,639,456 | \$ 2,665,053 | \$ 20,402,387 | \$ - | \$ (43,572,016) |
| Supporting services | 39,971,892 | - | 5,407,044 | - | (34,564,848) |
| Food services | 5,402,078 | 1,377,579 | 3,582,456 | - | (442,043) |
| Pool and fitness centers | 1,105,584 | 750,675 | - | - | (354,909) |
| Performing arts centers | 211,786 | 199,879 | - | - | (11,907) |
| Child care | 1,198,251 | 1,198,251 | - | - | - |
| Senior citizens | 717,587 | 531,399 | 184,780 | - | (1,408) |
| Special education center program | 5,052,678 | 11,570 | 4,975,134 | - | (65,974) |
| Unallocated depreciation expense | 2,045,558 | - | - | - | (2,045,558) |
| Tax tribunals refunds | 151,169 | - | - | - | (151,169) |
| Building and site | 2,829,563 | - | - | - | (2,829,563) |
| Interest and fiscal charges on long-term debt | 2,743,511 | - | - | - | (2,743,511) |
| Total governmental activities | \$ 128,069,113 | \$ 6,734,406 | \$ 34,551,801 | \$ - | (86,782,906) |
| General revenues | | | | | |
| Property taxes, levied for general purposes | | | | | 11,853,446 |
| Property taxes, levied for debt service | | | | | 14,993,252 |
| State aid - unrestricted | | | | | 60,085,874 |
| Interest and investment earnings | | | | | 22,245 |
| Other | | | | | 406,093 |
| Total general revenues | | | | | <u>87,360,910</u> |
| Change in net position | | | | | 578,004 |
| Net position - beginning, as restated | | | | | <u>(104,318,363)</u> |
| Net position - ending | | | | | <u>\$ (103,740,359)</u> |

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Balance Sheet
June 30, 2015

| | General Fund | 2003 Series IV | Nonmajor Governmental Funds | Total Governmental Funds |
|-------------------------------------|----------------------|----------------------|-----------------------------------|--------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 9,186,972 | \$ 15,342,387 | \$ 2,069,432 | \$ 26,598,791 |
| Accounts receivable | 2,814,647 | - | 25,830 | 2,840,477 |
| Due from other funds | 773,207 | - | - | 773,207 |
| Due from other governmental units | 15,734,403 | - | 146,750 | 15,881,153 |
| Inventory | - | - | 23,526 | 23,526 |
| Prepaid items | 15,085 | - | - | 15,085 |
| | <u>15,085</u> | <u>-</u> | <u>-</u> | <u>15,085</u> |
| Total assets | <u>\$ 28,524,314</u> | <u>\$ 15,342,387</u> | <u>\$ 2,265,538</u> | <u>\$ 46,132,239</u> |
| Liabilities and fund balance | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 617,890 | \$ 3,948,050 | \$ 43,505 | \$ 4,609,445 |
| State aid and tax anticipation note | 16,440,000 | - | - | 16,440,000 |
| Due to other funds | 240,000 | 558,060 | 215,147 | 1,013,207 |
| Payroll deductions and withholdings | 3,716,629 | - | - | 3,716,629 |
| Accrued expenditures | 76,170 | - | - | 76,170 |
| Accrued salaries payable | 5,226,088 | - | - | 5,226,088 |
| Unearned revenue | 206,349 | - | 37,909 | 244,258 |
| | <u>206,349</u> | <u>-</u> | <u>37,909</u> | <u>244,258</u> |
| Total liabilities | <u>26,523,126</u> | <u>4,506,110</u> | <u>296,561</u> | <u>31,325,797</u> |

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Balance Sheet
June 30, 2015

| | <u>General Fund</u> | <u>2003 Series IV</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------------------|---------------------------------|--|---|
| Fund balance | | | | |
| Non-spendable | | | | |
| Inventory | \$ - | \$ - | \$ 23,526 | \$ 23,526 |
| Prepaid items | 15,085 | - | - | 15,085 |
| Restricted | | | | |
| Debt service | - | - | 1,762,129 | 1,762,129 |
| Food service | - | - | 183,322 | 183,322 |
| Capital projects | - | 10,836,277 | - | 10,836,277 |
| Unassigned | <u>1,986,103</u> | <u>-</u> | <u>-</u> | <u>1,986,103</u> |
| Total fund balance | <u>2,001,188</u> | <u>10,836,277</u> | <u>1,968,977</u> | <u>14,806,442</u> |
| Total liabilities and fund balance | <u>\$ 28,524,314</u> | <u>\$ 15,342,387</u> | <u>\$ 2,265,538</u> | <u>\$ 46,132,239</u> |

See Accompanying Notes to the Financial Statements

Waterford School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2015

| | |
|---|--------------------------------|
| Total fund balances for governmental funds | \$ 14,806,442 |
| Total net position for governmental activities in the statement of net position is different because | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | |
| Capital assets not being depreciated | 6,196,158 |
| Capital assets - net of accumulated depreciation | 132,404,771 |
| Other long-term assets are not deferred in the governmental funds. | 181,720 |
| Deferred outflows (inflows) of resources | |
| Deferred inflows of resources resulting from net pension liability | (17,743,729) |
| Deferred outflow of resources from subsequent pension expense from measurement date | 15,933,749 |
| Certain liabilities are not due and payable in the current period and are not reported in the funds. | |
| Accrued interest | (559,676) |
| Incurred but not reported benefit claims | (248,000) |
| Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. | |
| Bonds payable | (94,171,892) |
| Net pension liability | (160,486,652) |
| Capital lease payable | <u>(53,250)</u> |
| Net position of governmental activities | <u>\$ (103,740,359)</u> |

Waterford School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

| | General Fund | 2003 Series IV | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------|--------------------|-------------------|-----------------------------------|--------------------------------|
| Revenues | | | | |
| Local sources | \$ 15,002,202 | \$ 22,245 | \$ 19,062,605 | \$ 34,087,052 |
| State sources | 74,204,666 | - | 1,566,578 | 75,771,244 |
| Federal sources | 7,197,124 | - | 3,514,362 | 10,711,486 |
| Interdistrict sources | 4,970,289 | - | 3,661,430 | 8,631,719 |
| Total revenues | <u>101,374,281</u> | <u>22,245</u> | <u>27,804,975</u> | <u>129,201,501</u> |
| Expenditures | | | | |
| Current | | | | |
| Education | | | | |
| Instruction | 52,080,159 | - | - | 52,080,159 |
| Supporting services | 39,418,611 | - | - | 39,418,611 |
| Federal programs | 7,629,909 | - | - | 7,629,909 |
| Food services | - | - | 5,402,078 | 5,402,078 |
| Pool and fitness centers | - | - | 1,105,584 | 1,105,584 |
| Performing arts centers | - | - | 211,786 | 211,786 |
| Child care | - | - | 1,198,251 | 1,198,251 |
| Senior citizens | - | - | 716,179 | 716,179 |
| Special education center program | - | - | 4,986,704 | 4,986,704 |
| Building and site | - | 9,097,613 | 983,329 | 10,080,942 |
| Debt service | | | | |
| Principal | 875,000 | - | 10,865,000 | 11,740,000 |
| Interest and fiscal charges | 225,890 | - | 3,116,353 | 3,342,243 |
| Tax tribunals refunds | - | - | 151,169 | 151,169 |
| Total expenditures | <u>100,229,569</u> | <u>9,097,613</u> | <u>28,736,433</u> | <u>138,063,615</u> |

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

| | General Fund | 2003 Series IV | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------|-----------------------------------|--------------------------------|
| Excess (deficiency) of revenues over expenditures | \$ 1,144,712 | \$ (9,075,368) | \$ (931,458) | \$ (8,862,114) |
| Other financing sources (uses) | | | | |
| Proceeds from refunding bonds | 6,755,000 | - | - | 6,755,000 |
| Payment to escrow agent | (7,566,720) | - | - | (7,566,720) |
| Proceeds from sale of bonds | - | 20,000,000 | - | 20,000,000 |
| Premium on issuance of bonds | 873,760 | - | - | 873,760 |
| Discount on issuance of bonds | - | (88,355) | - | (88,355) |
| Transfers in | - | - | 366,816 | 366,816 |
| Transfers out | (366,816) | - | - | (366,816) |
| Total other financing sources (uses) | (304,776) | 19,911,645 | 366,816 | 19,973,685 |
| Net change in fund balance | 839,936 | 10,836,277 | (564,642) | 11,111,571 |
| Fund balance - beginning | 1,161,252 | - | 2,533,619 | 3,694,871 |
| Fund balance - ending | \$ 2,001,188 | \$ 10,836,277 | \$ 1,968,977 | \$ 14,806,442 |

See Accompanying Notes to the Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Assets and Liabilities
June 30, 2015

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

See Accompanying Notes to the Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2015

| | <u>Internal Service Fund</u> |
|------------------------------|--------------------------------------|
| Revenues | |
| Employee contributions | \$ 3,076,876 |
| Fee for service | <u>34,775,607</u> |
| Total revenues | <u>37,852,483</u> |
| Expenses | |
| Health, dental and vision | 12,878,225 |
| Retirement | 20,365,989 |
| Social security | 4,179,620 |
| Workers compensation | <u>428,649</u> |
| Total expenses | <u>37,852,483</u> |
| Net income | - |
| Net position - beginning | <u>-</u> |
| Net position - ending | <u><u>\$ -</u></u> |

See Accompanying Notes to the Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Cash Flows
For the Year Ended June 30, 2015

| | Internal Service Fund |
|--|-----------------------------|
| Cash flows from operating activities | |
| Employee contributions | \$ 3,076,876 |
| Fee for service | 34,775,607 |
| Health, dental and vision | (12,878,225) |
| Retirement | (20,365,989) |
| Social security | (4,179,620) |
| Workers' compensation | (428,649) |
| Net cash used by operating activities | - |
| Cash and cash equivalents - beginning of year | - |
| Cash and cash equivalents - end of year | \$ - |

See Accompanying Notes to the Financial Statements

Waterford School District
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2015

| | <u>Agency Funds</u> |
|---------------------------|-------------------------|
| Assets | |
| Cash | <u>\$ 1,148,646</u> |
| Liabilities | |
| Due to student activities | <u>\$ 1,148,646</u> |

See Accompanying Notes to the Financial Statements

Waterford School District
Notes to the Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

District-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

Waterford School District
Notes to the Financial Statements
June 30, 2015

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.

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

Additionally, the School District reports the following fund types:

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

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

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

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

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

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

Assets, Liabilities and Net Position Equity

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

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

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2015, the rates are as follows per \$1,000 of assessed value.

Waterford School District
Notes to the Financial Statements
June 30, 2015

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

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

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

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

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

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

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

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

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

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums

Waterford School District
Notes to the Financial Statements
June 30, 2015

received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

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

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

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

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

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

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

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

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

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

Use of Estimates

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

Eliminations and Reclassifications

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

Adoption of New Accounting Standards

The Governmental Accounting Standards Board has issued Statement 68, *Accounting and Financial Reporting for Pensions*, and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The net pension liability is recorded on the government-wide statements. Statement 71 amends Statement 68 by employers and non-employer contributing entities. Statements 68 and 71 are effective for the year ending June 30, 2015.

Waterford School District
Notes to the Financial Statements
June 30, 2015

Upcoming Accounting and Reporting Changes

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

In addition, the Governmental Accounting Standards Board has released the following three Statements.

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. The first objective of this Statement is provide the readers of the financial statements information about the effects of the pension-related transactions on the financial statements of state and local government employers. It will assist in assessing the relationship between a government’s inflows of resources and its total cost (including pension expense) of providing government services each period in addition to providing information about the government’s pension obligation. The second objective of this Statement is to improve the information about financial support provided by certain nonemployer entities for pensions that are provided to the employees of other entities that are not within the scope of Statement No. 68. These requirements are effective for the fiscal year ending June 30, 2017. The third objective is to improve the quality of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions that are not within the scope of Statement 68 and to clarify the application of certain provisions of Statement No. 67 and 68. These requirements are effective for the fiscal year ending June 30, 2016.

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

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

The School District is evaluating the impact GASB 72 through 75 will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

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

Waterford School District
Notes to the Financial Statements
June 30, 2015

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

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

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

Excess of Expenditures over Appropriations

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

| Function | Final Budget | Amount of Expenditures | Budget Variances |
|------------------------------------|-----------------|---------------------------|---------------------|
| General Fund | | | |
| Instruction | | | |
| Pupil | \$ 7,835,347 | \$ 8,143,625 | \$ 308,278 |
| General administration | 1,238,630 | 1,340,278 | 101,648 |
| School administration | 3,913,029 | 3,945,227 | 32,198 |
| Support | | | |
| Central | 3,026,835 | 3,753,017 | 726,182 |
| Athletics | 1,508,430 | 1,541,924 | 33,494 |
| Transfers out | 231,574 | 366,816 | 135,242 |
| Debt - interest and fiscal charges | 177,479 | 225,890 | 48,411 |

District-Wide Deficits

The School District has an unrestricted net position deficit for District-Wide activities in the amount of \$103,736,564 as of June 30, 2015. There are no other governmental funds with a deficit.

Compliance Bond Proceeds

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

2003 Series III

| | |
|---------------------------------|---------------------|
| Proceeds from issuance of bonds | \$ 20,000,000 |
| Expenditures | <u>(20,000,000)</u> |
| | <u>\$ -</u> |

2003 Series IV

| | |
|---------------------------------|----------------------|
| Proceeds from issuance of bonds | \$ 20,000,000 |
| Discount on bond | (88,355) |
| Interest revenue | 22,245 |
| Expenditures | <u>(9,097,613)</u> |
| | <u>\$ 10,836,277</u> |

Waterford School District
Notes to the Financial Statements
June 30, 2015

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 | \$ 26,598,791 | \$ 1,148,646 | \$ 27,747,437 |

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

| | |
|--|---------------|
| Deposits (checking, savings accounts, money markets, certificates of deposit) | \$ 27,738,913 |
| Petty cash and cash on hand | 8,524 |
| Total | \$ 27,747,437 |

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

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

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

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$27,572,433 of the School District's bank balance of \$28,652,018 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

Note 4 - Capital Assets

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

| | Beginning Balance | Increases | Decreases | Impairment Adjustment | Ending Balance |
|--|----------------------|-------------|-----------|--------------------------|-------------------|
| Governmental activities | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 1,177,339 | \$ - | \$ - | \$ - | \$ 1,177,339 |
| Construction-in-progress | - | 5,018,819 | - | - | 5,018,819 |
| Total capital assets not being depreciated | 1,177,339 | 5,018,819 | - | - | 6,196,158 |
| Capital assets being depreciated | | | | | |
| Buildings and additions | 231,667,987 | 1,283,681 | - | 3,731,954 | 229,219,714 |
| Equipment and furniture | 5,264,019 | 97,736 | - | 28,568 | 5,333,187 |
| Buses and other vehicles | 4,357,107 | 851,143 | - | - | 5,208,250 |
| Total capital assets being depreciated | 241,289,113 | 2,232,560 | - | 3,760,522 | 239,761,151 |
| Less accumulated depreciation for | | | | | |
| Buildings and additions | 94,960,344 | 6,503,992 | - | 2,208,394 | 99,255,942 |
| Equipment and furniture | 4,130,887 | 217,013 | - | 10,634 | 4,337,266 |
| Buses and other vehicles | 3,568,963 | 194,209 | - | - | 3,763,172 |
| Total accumulated depreciation | 102,660,194 | 6,915,214 | - | 2,219,028 | 107,356,380 |
| Net capital assets being depreciated | 138,628,919 | (4,682,654) | - | 1,541,494 | 132,404,771 |
| Net capital assets | \$ 139,806,258 | \$ 336,165 | \$ - | \$ 1,541,494 | \$ 138,600,929 |

Waterford School District
Notes to the Financial Statements
June 30, 2015

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

Governmental activities

| | |
|-----------------------------------|-------------------------|
| Instruction | \$ 4,689,910 |
| Support services | 112,364 |
| Senior citizens | 1,408 |
| Special education center program | 65,974 |
| Unallocated | <u>2,045,558</u> |
| Total governmental activities | \$ <u>6,915,214</u> |

Construction Contracts

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

| | Remaining Construction Commitment at Year End | Contract Payable at Year End |
|------------------|--|------------------------------------|
| | <u> </u> | <u> </u> |
| Capital Projects | <u>\$ 13,524,575</u> | <u>\$ 3,948,050</u> |

Idle Facilities

At year end, Burt, Adams, and Sandburg Elementary were closed. Burt and Adams were impaired as of the year ended June 30, 2014. Sandburg was impaired as of the year ended June 30, 2015. These locations were reduced to the land value, which totaled \$79,934. As disclosed in Note 14, they are scheduled to be dismantled.

Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

| <u>Due From Fund</u> | <u>Due to Fund</u> | <u>Amount</u> |
|------------------------|-----------------------|---------------------|
| 2003 Series IV | General | \$ 558,060 |
| Non major governmental | General Fund | 215,147 |
| General | Internal Service Fund | <u>240,000</u> |
| | | <u>\$ 1,013,207</u> |

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

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

Interfund transfers consist of the following:

| | <u>Transfers Out</u> |
|-----------------------------|-------------------------|
| | <u>General Fund</u> |
| Transfers in | |
| Nonmajor governmental funds | <u>\$ 366,816</u> |

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

Waterford School District
Notes to the Financial Statements
June 30, 2015

Note 6 - Unearned Revenue

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

| | <u>Unearned</u> |
|---|-----------------|
| Prepayment of student meals | \$ 37,909 |
| Computer deposits | 2,700 |
| Grant and categorical aid payments received prior to meeting all eligibility requirements | 203,649 |
| Total | \$ 244,258 |

Note 7 - Leases

Capital Lease

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

| | <u>Year ending June 30,</u> |
|---|-----------------------------|
| | 2016 |
| | 2017 |
| | \$ 28,200 |
| | 28,280 |
| Total minimum lease payments | 56,480 |
| Less amount representing interest | 3,230 |
| Present value of minimum lease payments | \$ 53,250 |
| Assets | |
| Equipment | \$ 122,500 |
| Less accumulated depreciation | 72,696 |
| Total | \$ 49,804 |

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

Note 8 - State Aid and Tax Anticipation Note

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

Activity for the state aid anticipation note was as follows:

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

Waterford School District
Notes to the Financial Statements
June 30, 2015

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

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

| | Beginning Balance | Proceeds | Repayments | Ending Balance |
|-----------------------|----------------------|--------------|--------------|-------------------|
| Tax anticipation note | \$ 1,900,000 | \$ 2,000,000 | \$ 1,900,000 | \$ 2,000,000 |

Note 9 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, 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 | \$80,295,000 | \$26,755,000 | \$19,125,000 | \$87,925,000 | \$11,955,000 |
| Capital lease | 77,655 | - | 24,405 | 53,250 | 28,200 |
| Compensated absences | 21,265 | - | 21,265 | - | - |
| Premium on bonds | 6,070,179 | 873,760 | 697,047 | 6,246,892 | - |
| Total | \$86,464,099 | \$27,628,760 | \$19,867,717 | \$94,225,142 | \$11,983,200 |

Deferred amount of refunding activity is summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amount Due Within One Year |
|------------------------------|----------------------|------------|------------|-------------------|----------------------------------|
| Deferred amount on refunding | \$ - | \$ 181,720 | \$ - | \$ 181,720 | \$ - |

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

| | |
|--|----------------------|
| \$22,680,000 serial bond due in annual installments ranging from \$250,000 to \$5,120,000 through 2017, interest ranging from 2.00% to 4.00% | \$ 10,300,000 |
| \$26,150,000 serial bond due in annual installments ranging from \$1,530,000 to \$3,145,000 through 2023, interest ranging from 2.00% to 5.00% | 23,060,000 |
| \$13,455,000 serial bond due in annual installments ranging from \$1,280,000 to \$2,395,000 through 2022, interest ranging from 2.00% to 5.00% | 12,160,000 |
| \$20,000,000 serial bond due in annual installments ranging from \$1,000,000 to \$1,500,000 through 2027, interest ranging from 2.00% to 3.00% | 17,000,000 |
| \$6,755,000 serial bond due in annual installments ranging from \$640,000 to \$915,000 through 2023, interest ranging from 2.00% to 5.00% | 6,755,000 |
| \$20,000,000 serial bond due in annual installments ranging from \$1,100,000 to \$1,600,000 through 2029, interest ranging from 2.00% to 3.10% | 18,650,000 |
| Total general obligation bonded debt | \$ 87,925,000 |

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

| Year Ending June 30, | Principal | Interest | Total |
|----------------------|----------------------|----------------------|-----------------------|
| 2016 | \$ 11,955,000 | \$ 3,401,838 | \$ 15,356,838 |
| 2017 | 11,920,000 | 2,863,238 | 14,783,238 |
| 2018 | 7,880,000 | 2,400,788 | 10,280,788 |
| 2019 | 8,930,000 | 2,086,538 | 11,016,538 |
| 2020 | 10,015,000 | 1,720,413 | 11,735,413 |
| 2021-2025 | 29,100,000 | 3,645,313 | 32,745,313 |
| 2026-2029 | 8,125,000 | 562,150 | 8,687,150 |
| Total | <u>\$ 87,925,000</u> | <u>\$ 16,680,278</u> | <u>\$ 104,605,278</u> |

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of \$1,762,129 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest expenditures for the fiscal year were and \$3,116,353.

The District has changed its policy for compensated absences and they no longer have a policy to pay out any sick or vacation time for any employee.

Refunding Bond

On July 1, 2014 the School District issued general obligation bonds of \$6,755,000 (par value) with interest rates from 2.00 – 5.00% to advance refund the Energy Conservation Improvements Bonds, Series 2007 with an interest rate of 4.40% and combined principal and interest of \$9,878,540. The general obligation bonds were issued with a premium of \$873,760 and after paying issuance costs of \$62,040 and accrued interest of \$13,522, the bond proceeds were \$7,566,720. The net proceeds from the issuance of the general obligation bonds were deposited with an escrow agent to provide debt service payments.

As a result of the advance refunding, the School District reduced its total debt service requirements by \$788,908, which resulted in an economic gain of \$743,278.

Deferred Amount on Refunding

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

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 \$400,000 for each annual policy period, to a maximum of \$1,000,000. This excess insurance also applies to individual occurrences exceeding \$300,000, with a statutory maximum for those individual occurrences. For governmental activities, the liability for workers' compensation benefits is primarily liquidated by the General Fund.

Waterford School District
Notes to the Financial Statements
June 30, 2015

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

| | 2015 | 2014 |
|--|------------|------------|
| Estimated liability at the beginning of the year | \$ 221,625 | \$ 321,025 |
| Estimated claims incurred including changes in estimates | 306,860 | 162,739 |
| Claim payments | (288,485) | (262,139) |
| Estimated liability end of year | \$ 240,000 | \$ 221,625 |

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 \$76,170 in unemployment compensation expense for the year. No provision has been made for possible future claims.

Note 11 - Pension Plans and Post-Employment Benefits

Organization

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

- Two active classroom teachers or other certified school personnel.
- One active member or retiree from a non-certified support position.
- One active school system superintendent.
- One active finance or operations (non-superintendent) member.
- One retiree from a classroom teaching position.
- One retiree from a finance or operations management position.
- One administrator or trustee of a community college that is a reporting unit of the System.
- Two from the general public, one with health insurance or actuarial science experience and one with institutional investment experience.
- One elected member of a reporting unit's board of control.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act. There are 685 participating employers. A list of employers is provided in the Statistical Section. The System is a qualified pension trust fund under section 401(a) of the Internal Revenue Code. By statute, employees of K-12 public school districts, public school academies, district libraries, tax-supported community colleges and seven universities may be members. The seven universities are: Eastern Michigan, Central Michigan, Northern Michigan, Western Michigan, Ferris State, Michigan Technological, and Lake Superior State. Employees, who first become employed by one of the seven universities on or after January 1, 1996, become members of an alternative plan.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State

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Treasurer serves as the investment officer and custodian for the System.

MPERS issues a publicly-available Comprehensive Annual Financial Report. That report may be obtained by writing to ORS at P.O. Box 30171, Lansing, Michigan 48909-7671, or on the Internet at <http://www.michigan.gov/orsschools>.

Membership – At September 30, 2014, the System's membership consisted of the following:

| | |
|--|---------|
| Inactive plan members or their beneficiaries | |
| currently receiving benefits: | |
| Regular benefits | 181,489 |
| Survivor benefits | 16,855 |
| Disability benefits | 6,168 |
| Total | 204,512 |
| | |
| Inactive plan members entitled to, but not yet receiving benefits: | |
| | 16,979 |
| | |
| Active plan members: | |
| Vested | 108,934 |
| Non-vested | 101,843 |
| Total | 210,777 |
| Total plan members | 432,268 |

Benefits Provided – Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Member Contributions – Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987, through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates as a percent of wages: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is

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payable, the member's accumulated contributions plus interest, if any, are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Their options are described in detail under Pension Reform 2012. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

Employer Contributions

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits.

Summary of Significant Accounting Policies

Basis of Accounting and Presentation – The System's financial statements are prepared using the accrual basis of accounting. Contributions from the employers are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of the System. The reserves are described below and details are provided in the supporting schedules.

GASB Statement No. 67, which was adopted during the year ended September 30, 2014, addresses accounting and financial reporting requirements for pension plans. The requirements for GASB Statement No. 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information.

Significant changes include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures. The implementation of GASB Statement No. 67 did not significantly impact the accounting for accounts receivable and investment balances.

Reserves – Reserve for Employee Contributions - This reserve represents active member contributions and interest less amounts transferred to the Reserve for Retired Benefit Payments for regular and disability retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Employer Contributions representing unclaimed funds.

Members no longer contribute to this reserve except to purchase eligible service credit or repay previously refunded contributions. At September 30, 2014, the balance in this reserve was \$1.5 billion.

Reserve for Pension Plus Employee Contributions - This reserve represents active member contributions and interest less amounts transferred to the Reserve for Pension Plus Retired Benefit Payments for regular retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Pension Plus Employer Contributions representing unclaimed funds. This reserve was established under the provisions of Public Act 75 of 2010. At September 30, 2014, the balance in this reserve was \$59.5 million.

Reserve for Member Investment Plan - This reserve represents MIP contributions and interest less refunds and transfers to the Reserve for Retired Benefit Payments. At September 30, 2014, the balance in this reserve was \$4.7 billion.

Reserve for Employer Contributions - This reserve represents all employer contributions, except payments for health benefits. Interest from the Reserve for Undistributed Investment Income reserve is

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credited annually. Amounts are transferred annually to the Reserve for Retired Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was a deficit of (\$25.8) billion.

Reserve for Pension Plus Employer Contributions - This reserve represents all employer contributions for Pension Plus members, except payments for health benefits. Interest from the Reserve for Undistributed Investment Income reserve is credited annually at a rate of 7%. Amounts are transferred annually to the Reserve for Retired Pension Plus Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. This reserve was established under the provisions of Public Act 75 of 2010. At September 30, 2014, the balance in this reserve was \$55.5 million.

Reserve for Retired Benefit Payments - This reserve represents payments of future retirement benefits to current retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was \$44.6 billion.

Reserve for Retired Pension Plus Benefit Payments - This reserve represents payments of future retirement benefits to current Pension Plus retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Pension Plus Employer Contributions to bring the balance of this reserve into balance with the actuarial

present value of retirement allowances. This reserve was established under the provisions of Public Act 75 of 2010. Currently, there are no participants qualified to retire under this program. At September 30, 2014, the balance in this reserve was \$0.

Reserve for Undistributed Investment Income - This reserve represents all investment earnings. Interest is transferred annually to the other reserves. Administrative expenses of the System are paid from the Reserve for Administrative Expenses, which is credited with amounts from the Reserve for Undistributed Investment Income to cover the expenses. For ease of reporting and understanding, the two reserves are presented as one reserve in the supporting schedules. Public Act 143 of 1997 established a stabilization subaccount within the Reserve for Undistributed Investment Income to which any over funding is credited. As of September 30, 2014, the balance in the subaccount was zero. At September 30, 2014, the balance in this reserve was \$18.6 billion.

Reserve for Health (OPEB) Related Benefits - This reserve is credited with employee and employer contributions for retirees' health, dental, and vision benefits. Starting in fiscal year 2013, the employer contribution is based on a prefunded basis and represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed thirty years. In addition, in fiscal year 2014, federal funding for Medicare Part D and Employer Group Waiver Plan (EGWP) was paid directly to a third party vendor. The third party vendor uses the EGWP funding for any claims submitted and bills the system for any remaining claims outstanding. Premiums for health, dental and vision benefits are paid from this reserve. At September 30, 2014, the balance in this reserve was \$3.5 billion.

Reporting Entity – The System is a pension and other employee benefit trust fund of the State. As such, the System is considered part of the State and is included in the State's Comprehensive Annual

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Financial Report as a pension and other employee benefit trust fund. The System and its Board are not financially accountable for any other entities or other organizations. Accordingly, the System is the only entity included in this financial report.

Benefit Protection – Public Act 100 of 2002 was passed by the Michigan Legislature to protect pension benefits of public employees from alienation (being transferred). Alienation is attachment, garnishment, levy, execution, bankruptcy or other legal process, except for divorce orders or eligible domestic relation orders. The statutes governing the System contained an “anti-alienation” clause to provide for this protection; however, many smaller public pension systems did not have the benefit of this protection. Therefore, Public Act 100 of 2002 was passed to establish legal protection of pension assets that encompasses all public employees.

Fair Value of Investments – Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. The fair value of private investments is based on the net asset value reported in the financial statements of the respective investment entity. The net asset value is determined in accordance with governing documents of the investment entity, and is subject to an independent annual audit. Securities purchased with cash collateral under securities lending activities are recorded at estimated fair value. Other investments not having an established market are recorded at estimated fair value.

Investment Income – Dividend and interest income is recognized on the accrual basis. Fair value changes are recorded as investment income or loss. Purchases and sales of investments are recorded as of the trade date (the date upon which the transaction is initiated), except for purchase and sale of mortgages, real estate, and alternative investments which are recorded as of the settlement date (the date

upon which the transaction is ultimately completed). The effect of recording such transactions as of the settlement date does not materially affect the financial statements.

Costs of Administering the System – Each year a restricted general fund appropriation is requested to fund the on-going business operations of the System. These administrative costs are ultimately funded by the System through the regular transfer of funds from the System to the State’s general fund based on either a direct cost or allocation basis depending on the nature of the expense. Costs of administering the System are financed by undistributed investment income of the System.

Property and Equipment – Office space is leased from the State on a year to year basis. Office equipment is capitalized if the value exceeds \$5,000. These assets are recorded at cost and are reported net of depreciation in the Statement of Pension Plan and Other Post-employment Benefit Plan Fiduciary Net Position. Such assets are depreciated on a straight-line basis over 10 years. As of September 30, 1998, all capitalized equipment was fully depreciated. No additional equipment has been capitalized for the System since that date.

Related Party Transactions – Leases and Services - The System leases operating space and purchases certain administrative, data processing, legal and investment services from the State. The space and services are not otherwise available by competitive bid. The schedule below summarizes costs incurred by the System for such services.

| | | |
|-----------------------|----|------------|
| Building rentals | \$ | 789,000 |
| Technological support | | 10,420,000 |
| Attorney general | | 417,000 |
| Investment services | | 12,846,000 |
| Personnel services | | 9,922,000 |

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Cash – At September 30, 2014, the System had \$246.7 million in a common cash investment pool maintained for various State operating funds. The participating funds in the common cash pool earn interest at various rates depending upon prevailing short-term interest rates. Earnings from these activities amounted to (\$0.6) thousand for the year ended September 30, 2014.

Contributions and Funding Status

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2014 valuation will be amortized over a 22 year period for the plan's 2014 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2014.

| Pension Contribution Rates | | |
|----------------------------|---------------|-----------------|
| <u>Benefit Structure</u> | <u>Member</u> | <u>Employer</u> |
| Basic | 0.0 - 4.0% | 18.34 - 19.61% |
| Member Investment Plan | 3.0 - 7.0 | 18.34 - 19.61 |
| Pension Plus | 3.0 - 6.4 | 18.11 |
| Defined Contribution | 0.0 | 15.44 - 16.61 |

The System may reconcile with actuarial requirements annually. If the system reconciles in a year, any funding excess or deficiency for pension benefits is smoothed over a maximum of 5 years, with at least one-fifth (20%) of the funding excess or deficiency included in the subsequent year's contribution. This payment is not recognized as a payable or receivable in the accounting records. If the System does not reconcile in a year, any funding excess or deficiency for pension benefits is accounted for in subsequent required contributions over the remaining amortization period. For fiscal year 2014, the System did not reconcile.

In May 1996, the Internal Revenue Service issued a private letter ruling allowing the System's members to purchase service credit and repay refunds using tax-deferred (pre-tax) dollars. The program was implemented in fiscal year 1998, and payments began in fiscal year 1999.

The program allows members to purchase service credit and repay refunds on a tax-deferred basis. Members sign an irrevocable agreement that identifies the contract duration, monthly payment, total contract amount and years of service credit being purchased. The duration of the contract can range from 1 to 20 years. The amounts are withheld from members' paychecks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h). At September 30, 2014, there were 16,503 agreements. The agreements were discounted using the assumed actuarial rate of return of 8% for September 30, 2014. The average remaining length of a contract was approximately 6.0 years for 2014.

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The short-term receivable was \$29.7 million and the discounted long-term receivable was \$83.6 million at September 30, 2014.

Net Pension Liability

Measurement of the MPERS Net Pension Liability – The plan’s net pension liability is to be measured as the total pension liability, less the amount of the pension plan’s fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer’s contribution requirement).

MPERS (Plan) Net Pension Liability – As of September 30, 2014:

| | |
|-----------------------------|---------------------------------|
| Total Pension Liability | \$ 65,160,887,182 |
| Plan Fiduciary Net Position | <u>43,134,384,072</u> |
| Net Pension Liability | <u><u>\$ 22,026,503,110</u></u> |

| | |
|--|--------|
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 66.20% |
|--|--------|

| | |
|---|---------|
| Net Pension Liability as a Percentage of Covered-Employee Payroll | 250.11% |
|---|---------|

Year one MPERS implementation of GASB Statement No. 68 recognizes a 0.00% change in the employers’ proportionate share between beginning net pension liability and ending net pension liability.

MPERS (Plan) Net Pension Liability – As of October 1, 2013

| | |
|-----------------------------|--------------------------------|
| Total Pension Liability | \$62,859,499,994 |
| Plan Fiduciary Net Position | <u>39,427,686,072</u> |
| Net Pension Liability | <u><u>\$23,431,813,922</u></u> |

Proportionate Share of the School District’s Net Pension Liability – At September 30, 2014, the School District reported a liability of \$160,486,652 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The School District’s proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers’ statutorily required contributions for the measurement period. At September 30, 2014, the School District’s proportionate share percent was .72861 percent, which is unchanged since the prior measurement date.

Long-Term Expected Return on Plan Assets – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of September 30, 2014, are summarized in the following table:

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| Asset Class | Target Allocation | Long Term Expected Real Rate of Return* |
|--------------------------------------|----------------------|---|
| Domestic Equity Pools | 28.0 % | 4.8% |
| Alternative Investment Pools | 18.0 | 8.5 |
| International Equity | 16.0 | 6.1 |
| Fixed Income Pools | 10.5 | 1.5 |
| Real Estate and Infrastructure Pools | 10.0 | 5.3 |
| Absolute Return Pools | 15.5 | 6.3 |
| Short Term Investment Pools | 2.0 | (0.2) |
| | <u>100.0%</u> | |

*Long term rate of return does not include 2.5% inflation

Rate of Return – For the fiscal year ended September 30, 2014, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 12.58%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate – A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long- term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially-determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – As required by GASB Statement No. 68, the following presents the School District’s proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

| 1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0% | Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0% | 1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0% |
|--|--|--|
| \$ 211,587,676 | \$ 160,486,652 | \$ 117,433,285 |

*Long term rate of return does not include 2.5% inflation

Timing of the Valuation – An actuarial valuation to determine the total pension liability is required to be performed every year. If the actuarial valuation is not calculated as of the plan’s fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan’s fiscal year end.

The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures.

Actuarial Valuations and Assumptions – Actuarial valuations for the pension plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results

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are compared with past expectations and new estimates are made about the future.

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

Additional information as of the latest actuarial valuation follows:

Actuarial Assumptions:

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

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System

for use in the annual pension valuations beginning with the September 30, 2014 valuation. The experience study is included in the actuarial valuation described above.

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.8457
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the MPSERS Comprehensive Annual Financial Report.

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

For the year ended June 30, 2015, the School District recognized total pension expense of \$12,999,384. At June 30, 2015, the employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Changes in assumptions | \$ 5,921,614 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | - | 17,741,865 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 1,864 |
| Employer contributions subsequent to the measurement date | 10,012,135 | - |
| | <u>\$ 15,933,749</u> | <u>\$ 17,743,729</u> |

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year

| Plan Year Ending September 30 | Amount: |
|-------------------------------|-----------------------|
| 2015 | \$ 7,115,985 |
| 2016 | (2,896,150) |
| 2017 | (2,896,150) |
| 2018 | <u>(3,133,665)</u> |
| Total | <u>\$ (1,809,980)</u> |

Post-Employment Benefits

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

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

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

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

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For the periods July 1, 2014 through September 30, 2014, and October 1, 2014 through June 30, 2015, the employer contribution rate ranged from 5.52% to 6.45% and 2.20% to 2.71%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2015, 2014, and 2013 and were approximately \$1,761,453, \$4,330,863, and \$5,399,970, respectively.

Unfunded Accrued Liability

During the year ending June 30, 2015, the School District had contributions in the amount of \$5,290,521 to the MPERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 7.63% for the year.

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, 2015.

Note 13 - Prior Period Adjustment

As indicated in Note 1, the School District has adopted Government Accounting Standards Board Statements 68 and 71. These statements require the School District to record their proportionate share of the net pension liability and pension expense. Previously these amounts were not recorded on the School District's statements. The standards require this change be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of

July 1, 2014, by \$161,140,061, restating it from \$56,821,698 to \$(104,318,363).

Note 14 - Subsequent Events

Subsequent to year end, the School District issued a bond in the amount of \$15,000,000 at 2.00% interest.

Subsequent to year end, the School District issued a State Aid Note for \$15,000,000 at 2.00% interest.

Subsequent to year end, Burt, Adams, and Sandburg Elementary were scheduled to be dismantled. Burt and Adams were impaired as of the year ended June 30, 2014. Sandburg was impaired as of the year ended June 30, 2015 and is included in the impairment in Note 4.

REQUIRED SUPPLEMENTARY INFORMATION

Waterford School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2015

| | Budgeted Amounts | | Actual | Over (Under) Budget |
|------------------------|--------------------|--------------------|--------------------|---------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Local sources | \$ 14,976,988 | \$ 15,927,737 | \$ 15,002,202 | \$ (925,535) |
| State sources | 74,717,670 | 74,800,406 | 74,204,666 | (595,740) |
| Federal sources | 7,737,769 | 8,094,757 | 7,197,124 | (897,633) |
| Interdistrict sources | 5,869,639 | 5,620,543 | 4,970,289 | (650,254) |
| | <u>103,302,066</u> | <u>104,443,443</u> | <u>101,374,281</u> | <u>(3,069,162)</u> |
| Expenditures | | | | |
| Current | | | | |
| Instruction | | | | |
| Basic programs | 26,631,524 | 26,472,672 | 25,877,264 | (595,408) |
| Added needs | 12,722,130 | 12,382,963 | 11,872,007 | (510,956) |
| Employee benefits | 12,973,519 | 14,482,304 | 14,330,888 | (151,416) |
| Supporting services | | | | |
| Pupil | 7,755,536 | 7,835,347 | 8,143,625 | 308,278 |
| Instructional staff | 2,523,164 | 2,034,050 | 1,814,790 | (219,260) |
| General administration | 1,252,886 | 1,238,630 | 1,340,278 | 101,648 |
| School administration | 4,111,279 | 3,913,029 | 3,945,227 | 32,198 |
| Business | 10,370,050 | 11,035,085 | 10,583,410 | (451,675) |
| Central | 3,031,036 | 3,026,835 | 3,753,017 | 726,182 |
| Athletics | 1,373,161 | 1,508,430 | 1,541,924 | 33,494 |
| Civic | 124,105 | 120,194 | 95,986 | (24,208) |
| Employee benefits | 8,649,013 | 9,654,870 | 8,200,354 | (1,454,516) |

Waterford School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2015

| | Budgeted Amounts | | Actual | Over (Under) Budget |
|---|---------------------|---------------------|---------------------|---------------------------|
| | Original | Final | | |
| Federal programs | \$ 8,083,471 | \$ 8,412,825 | \$ 7,629,909 | \$ (782,916) |
| Teacher retirement savings | (300,000) | - | - | - |
| Debt service | | | | |
| Principal | 993,256 | 875,000 | 875,000 | - |
| Interest and fiscal charges | - | 177,479 | 225,890 | 48,411 |
| Total expenditures | <u>100,294,130</u> | <u>103,169,713</u> | <u>100,229,569</u> | <u>(2,940,144)</u> |
| Excess of revenues over expenditures | <u>3,007,936</u> | <u>1,273,730</u> | <u>1,144,712</u> | <u>(129,018)</u> |
| Other financing sources (uses) | | | | |
| Proceeds from refunding bonds | - | - | 6,755,000 | 6,755,000 |
| Payment to escrow agent | - | - | (7,566,720) | (7,566,720) |
| Premium on issuance of bonds | - | - | 873,760 | 873,760 |
| Transfers out | <u>(161,376)</u> | <u>(231,574)</u> | <u>(366,816)</u> | <u>(135,242)</u> |
| Total other financing sources (uses) | <u>(161,376)</u> | <u>(231,574)</u> | <u>(304,776)</u> | <u>(73,202)</u> |
| Net change in fund balance | 2,846,560 | 1,042,156 | 839,936 | (202,220) |
| Fund balance - beginning | <u>1,161,252</u> | <u>1,161,252</u> | <u>1,161,252</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 4,007,812</u> | <u>\$ 2,203,408</u> | <u>\$ 2,001,188</u> | <u>\$ (202,220)</u> |

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

| | June 30, | | | | | | | | | |
|--|----------------|------|------|------|------|------|------|------|------|------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| A. School District's proportion of net pension liability (%) | 0.73% | | | | | | | | | |
| B. School District's proportionate share of net pension liability | \$ 160,486,652 | | | | | | | | | |
| C. School District's covered-employee payroll | \$ 61,986,820 | | | | | | | | | |
| D. School District's proportionate share of net pension liability as a percentage of its covered- employee payroll | 258.90% | | | | | | | | | |
| E. Plan fiduciary net position as a percentage of total pension liability | 66.20% | | | | | | | | | |

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

| | | For the Years Ended June 30, | | | | | | | | | |
|----|--|------------------------------|------|------|------|------|------|------|------|------|------|
| | | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| A. | Statutorily required contributions | \$ 11,660,435 | | | | | | | | | |
| B. | Contributions in relation to statutorily required contributions | <u>11,660,435</u> | | | | | | | | | |
| C. | Contribution deficiency (excess) | <u>\$ -</u> | | | | | | | | | |
| D. | School District's covered-employee payroll | \$ 58,630,710 | | | | | | | | | |
| E. | Contributions as a percentage of covered-employee payroll | 19.89% | | | | | | | | | |

OTHER SUPPLEMENTARY INFORMATION

**Waterford School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015**

| | 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 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 304,717 |
| Accounts receivable | - | - | - | - | - | - |
| Due from other governmental units | - | - | - | - | - | 146,750 |
| Inventory | - | - | - | - | - | 23,526 |
| Total assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 474,993</u> |
| Liabilities and fund balance | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 15,089 |
| Due to other funds | - | - | - | - | - | 215,147 |
| Unearned revenue | - | - | - | - | - | 37,909 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>268,145</u> |
| Fund balance | | | | | | |
| Non-spendable | | | | | | |
| Inventory | - | - | - | - | - | 23,526 |
| Restricted | | | | | | |
| Debt retirement | - | - | - | - | - | - |
| Food service | - | - | - | - | - | 183,322 |
| Total fund balance | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>206,848</u> |
| Total liabilities and fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 474,993</u> |

**Waterford School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015**

| | Debt Service Funds | | | | | Capital Projects | | Total Non Major Funds |
|---|--------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------|--------------------|-----------------------------|
| | 1999 Series II & III Refunding | 2003 Series III | 2013 Refunding | 2014 Series IV | 2014 Refunding | Building Maintenance | 2003 Series III | |
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ 639,080 | \$ 310,822 | \$ 412,823 | \$ 99,531 | \$ 302,459 | \$ - | \$ - | \$ 2,069,432 |
| Accounts receivable | 10,580 | 3,534 | 5,156 | 2,978 | 3,582 | - | - | 25,830 |
| Due from other governmental units | - | - | - | - | - | - | - | 146,750 |
| Inventory | - | - | - | - | - | - | - | 23,526 |
| Total assets | <u>\$ 649,660</u> | <u>\$ 314,356</u> | <u>\$ 417,979</u> | <u>\$ 102,509</u> | <u>\$ 306,041</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,265,538</u> |
| Liabilities and fund balance | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts payable | \$ 11,639 | \$ 3,887 | \$ 5,672 | \$ 3,276 | \$ 3,942 | \$ - | \$ - | \$ 43,505 |
| Due to other funds | - | - | - | - | - | - | - | 215,147 |
| Unearned revenue | - | - | - | - | - | - | - | 37,909 |
| Total liabilities | <u>11,639</u> | <u>3,887</u> | <u>5,672</u> | <u>3,276</u> | <u>3,942</u> | <u>-</u> | <u>-</u> | <u>296,561</u> |
| Fund balance | | | | | | | | |
| Non-spendable | | | | | | | | |
| Inventory | - | - | - | - | - | - | - | 23,526 |
| Restricted | | | | | | | | |
| Debt retirement | 638,021 | 310,469 | 412,307 | 99,233 | 302,099 | - | - | 1,762,129 |
| Food service | - | - | - | - | - | - | - | 183,322 |
| Total fund balance | <u>638,021</u> | <u>310,469</u> | <u>412,307</u> | <u>99,233</u> | <u>302,099</u> | <u>-</u> | <u>-</u> | <u>1,968,977</u> |
| Total liabilities and fund balance | <u>\$ 649,660</u> | <u>\$ 314,356</u> | <u>\$ 417,979</u> | <u>\$ 102,509</u> | <u>\$ 306,041</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,265,538</u> |

Waterford School District
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2015

| | 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 | \$ 11,570 | \$ 1,198,251 | \$ 531,399 | \$ 750,675 | \$ 199,879 | \$ 1,377,579 |
| State sources | 1,313,704 | - | - | - | - | 252,874 |
| Federal sources | - | - | 184,780 | - | - | 3,329,582 |
| Interdistrict sources | 3,661,430 | - | - | - | - | - |
| Total revenues | <u>4,986,704</u> | <u>1,198,251</u> | <u>716,179</u> | <u>750,675</u> | <u>199,879</u> | <u>4,960,035</u> |
| Expenditures | | | | | | |
| Current | | | | | | |
| Instruction | 2,299,525 | - | - | - | - | - |
| Supporting services | 2,687,179 | 1,198,251 | 531,399 | 1,105,584 | 211,786 | 2,072,496 |
| Federal programs | - | - | 184,780 | - | - | 3,329,582 |
| Building and site | - | - | - | - | - | - |
| Debt service | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Tax tribunal refunds | - | - | - | - | - | - |
| Total expenditures | <u>4,986,704</u> | <u>1,198,251</u> | <u>716,179</u> | <u>1,105,584</u> | <u>211,786</u> | <u>5,402,078</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>(354,909)</u> | <u>(11,907)</u> | <u>(442,043)</u> |
| Other financing sources (uses) | | | | | | |
| Transfers in | <u>-</u> | <u>-</u> | <u>-</u> | <u>354,909</u> | <u>11,907</u> | <u>-</u> |
| Net change in fund balance | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(442,043)</u> |
| Fund balance - beginning | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>648,891</u> |
| Fund balance - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 206,848</u> |

Waterford School District
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2015

| | Debt Service Funds | | | | | Capital Projects | | Total Non Major Funds |
|--|--------------------------------------|--------------------|-------------------|-------------------|-------------------|-------------------------|--------------------|-----------------------------|
| | 1999 Series II & III Refunding | 2003 Series III | 2013 Refunding | 2014 Series IV | 2014 Refunding | Building Maintenance | 2003 Series III | |
| Revenues | | | | | | | | |
| Local sources | \$ 6,141,277 | \$ 2,050,917 | \$ 2,992,998 | \$ 1,728,506 | \$ 2,079,554 | \$ - | \$ - | \$ 19,062,605 |
| State sources | - | - | - | - | - | - | - | 1,566,578 |
| Federal sources | - | - | - | - | - | - | - | 3,514,362 |
| Interdistrict sources | - | - | - | - | - | - | - | 3,661,430 |
| Total revenues | <u>6,141,277</u> | <u>2,050,917</u> | <u>2,992,998</u> | <u>1,728,506</u> | <u>2,079,554</u> | <u>-</u> | <u>-</u> | <u>27,804,975</u> |
| Expenditures | | | | | | | | |
| Current | | | | | | | | |
| Instruction | - | - | - | - | - | - | - | 2,299,525 |
| Supporting services | - | - | - | - | - | - | - | 7,806,695 |
| Federal programs | - | - | - | - | - | - | - | 3,514,362 |
| Building and site | - | - | - | - | - | 589 | 982,740 | 983,329 |
| Debt service | | | | | | | | |
| Principal | 5,160,000 | 1,500,000 | 1,560,000 | 1,350,000 | 1,295,000 | - | - | 10,865,000 |
| Interest | 566,800 | 412,500 | 1,231,000 | 261,849 | 644,204 | - | - | 3,116,353 |
| Tax tribunal refunds | 61,937 | 20,674 | 30,171 | 17,424 | 20,963 | - | - | 151,169 |
| Total expenditures | <u>5,788,737</u> | <u>1,933,174</u> | <u>2,821,171</u> | <u>1,629,273</u> | <u>1,960,167</u> | <u>589</u> | <u>982,740</u> | <u>28,736,433</u> |
| Excess (deficiency) of revenues over expenditures | <u>352,540</u> | <u>117,743</u> | <u>171,827</u> | <u>99,233</u> | <u>119,387</u> | <u>(589)</u> | <u>(982,740)</u> | <u>(931,458)</u> |
| Other financing sources (uses) | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | 366,816 |
| Net change in fund balance | <u>352,540</u> | <u>117,743</u> | <u>171,827</u> | <u>99,233</u> | <u>119,387</u> | <u>(589)</u> | <u>(982,740)</u> | <u>(564,642)</u> |
| Fund balance - beginning | <u>285,481</u> | <u>192,726</u> | <u>240,480</u> | <u>-</u> | <u>182,712</u> | <u>589</u> | <u>982,740</u> | <u>2,533,619</u> |
| Fund balance - ending | <u>\$ 638,021</u> | <u>\$ 310,469</u> | <u>\$ 412,307</u> | <u>\$ 99,233</u> | <u>\$ 302,099</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,968,977</u> |

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

| | 2015 | 2014 |
|--|----------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 9,186,972 | \$ 9,550,649 |
| Accounts receivable | 2,814,647 | 2,523,247 |
| Due from other funds | 773,207 | 927,683 |
| Due from other governmental units | 15,734,403 | 16,413,700 |
| Prepaid items | 15,085 | - |
| Total assets | \$ 28,524,314 | \$ 29,415,279 |
| Liabilities, deferred inflows of resources and fund balance | | |
| Liabilities | | |
| Accounts payable | \$ 617,890 | \$ 980,343 |
| State aid anticipation note payable | 16,440,000 | 14,440,000 |
| Due to other funds | 240,000 | 721,071 |
| Payroll deductions and withholdings | 3,716,629 | 4,763,763 |
| Accrued expenditures | 76,170 | 102,133 |
| Accrued salaries payable | 5,226,088 | 6,420,447 |
| Unearned revenue | 206,349 | 271,886 |
| Total liabilities | 26,523,126 | 27,699,643 |
| Deferred inflows of resources | | |
| Unavailable | | |
| e-Rate refunds | - | 480,384 |
| Energy rebates | - | 74,000 |
| Total deferred inflows of resources | - | 554,384 |
| Fund balance | | |
| Non-spendable | | |
| Prepaid items | 15,085 | - |
| Unassigned | 1,986,103 | 1,161,252 |
| Total fund balance | 2,001,188 | 1,161,252 |
| Total liabilities, deferred inflows of resources and fund balance | \$ 28,524,314 | \$ 29,415,279 |

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2015

| | Final Budget | Actual | Actual Over (Under) Budget |
|-----------------------------|-----------------|---------------|-------------------------------------|
| Local sources | | | |
| Property Taxes | \$ 11,682,203 | \$ 11,760,889 | \$ 78,686 |
| Other Taxes & Penalties | 85,000 | 92,557 | 7,557 |
| Preschool | 337,454 | 222,166 | (115,288) |
| Outdoor Education | 73,165 | 73,164 | (1) |
| Summer Academy | 130,222 | 31,557 | (98,665) |
| Mail Services | 18,419 | 15,737 | (2,682) |
| Waterford Foundation | 73,780 | 74,280 | 500 |
| Cyber Academy | - | 200 | 200 |
| Credit recovery | - | 7,100 | 7,100 |
| Robotics - Best Buy Grant | 7,176 | - | (7,176) |
| Summer SLAM | 1,300 | 3,330 | 2,030 |
| eRate | 1,181,384 | 1,073,729 | (107,655) |
| Facility Use | 190,000 | 44,217 | (145,783) |
| Sale of Fixed Assets | 25,000 | 33,539 | 8,539 |
| University Stipends | - | - | - |
| Fingerprinting | 3,500 | 1,078 | (2,422) |
| Video Services | 500 | - | (500) |
| School & Community Services | 103,000 | 68,430 | (34,570) |
| Transportation | 40,000 | - | (40,000) |

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2015

| | Final Budget | Actual | Actual Over (Under) Budget |
|----------------------------------|-------------------|-------------------|-------------------------------------|
| Local sources (continued) | | | |
| Food Service Contribution | \$ 308,200 | \$ 319,214 | \$ 11,014 |
| Vending | 30,000 | 48,310 | 18,310 |
| Child Care Contribution | 308,000 | 89,215 | (218,785) |
| Senior Center Contribution | 50,000 | - | (50,000) |
| High school parking passes | 15,000 | 13,069 | (1,931) |
| Medicaid | 700,000 | 551,015 | (148,985) |
| Athletics | 150,000 | 119,590 | (30,410) |
| Hockey | 38,344 | 31,479 | (6,865) |
| Waterford Community Garden Grant | 10,558 | - | (10,558) |
| Rental | 16,000 | - | (16,000) |
| Cell Tower | 25,461 | 10,281 | (15,180) |
| Adair Settlement | 16,273 | - | (16,273) |
| Robotics (WIRED) | 7,500 | - | (7,500) |
| PEGS | 120,000 | 114,874 | (5,126) |
| MiWorks | 15,585 | - | (15,585) |
| Dell Refund | 60,000 | - | (60,000) |
| Jordan Development | 24,713 | 23,790 | (923) |
| Great Parents | - | 63,703 | 63,703 |
| Miscellaneous | 80,000 | 115,689 | 35,689 |
| | <u>15,927,737</u> | <u>15,002,202</u> | <u>(925,535)</u> |
| Total local sources | | | |

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2015

| | Final Budget | Actual | Actual Over (Under) Budget |
|-------------------------------------|-------------------|-------------------|-------------------------------------|
| State sources | | | |
| Membership | \$ 55,607,336 | \$ 56,284,869 | \$ 677,533 |
| Membership-Special Education | 2,510,615 | 2,583,236 | 72,621 |
| Property Tax Refunds | 600,000 | 96,947 | (503,053) |
| Best Practice Incentive | 484,840 | 503,652 | 18,812 |
| MPSERS Cost Offset 147a | 862,292 | 861,521 | (771) |
| MPSERS UAAL Rate Stabilization 147c | 5,281,978 | 5,290,521 | 8,543 |
| MPSERS One Time Liability Pmt 147d | 845,488 | 153,710 | (691,778) |
| At-Risk | 2,596,829 | 2,607,883 | 11,054 |
| Special Education, Non-membership | 2,650,266 | 2,784,960 | 134,694 |
| Vocation Education | 186,309 | 189,484 | 3,175 |
| GSRP | 1,399,191 | 1,128,044 | (271,147) |
| Court Placed | 1,211,900 | 1,120,822 | (91,078) |
| Data Collection | 243,393 | 243,464 | 71 |
| Technology Infrastructure | 100,073 | 116,114 | 16,041 |
| Graduation Alliance | 203,896 | 218,460 | 14,564 |
| MiWorks | - | 1,179 | 1,179 |
| First Robotics | 16,000 | 19,800 | 3,800 |
| | <u>74,800,406</u> | <u>74,204,666</u> | <u>(595,740)</u> |
| Total state sources | | | |

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2015

| | Final Budget | Actual | Actual Over (Under) Budget |
|---|---------------------------|---------------------------|-------------------------------------|
| Interdistrict sources | | | |
| Oakland Schools | \$ 5,153,640 | \$ 4,641,806 | \$ (511,834) |
| Oakland Schools - Foreign Exchange Students | - | 18,000 | 18,000 |
| Oakland Schools - PA 18 Transportation | 50,000 | 62,863 | 12,863 |
| Vocational Millage | 166,903 | 169,209 | 2,306 |
| C.V.S. Oakland County | <u>250,000</u> | <u>78,411</u> | <u>(171,589)</u> |
| Total interdistrict sources | <u>5,620,543</u> | <u>4,970,289</u> | <u>(650,254)</u> |
| Total revenue before federal sources | 96,348,686 | 94,177,157 | (2,171,529) |
| Federal sources | <u>8,094,757</u> | <u>7,197,124</u> | <u>(897,633)</u> |
| Total revenues | <u>\$ 104,443,443</u> | <u>\$ 101,374,281</u> | <u>\$ (3,069,162)</u> |

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2015

| | Actual | | | | Actual |
|--------------------------------------|-------------------|-----------------------------|-------------------|-------------------|---------------------------|
| | Salaries | Supplies and Expenses | Total | Final Budget | Over (Under) Budget |
| Basic program - elementary | | | | | |
| General Ed | \$ 9,573,650 | \$ 350,964 | \$ 9,924,614 | \$ 10,161,218 | \$ (236,604) |
| Spanish | 187,394 | - | 187,394 | 192,418 | (5,024) |
| Science | - | 7,330 | 7,330 | 29,912 | (22,582) |
| Phys Ed | 336,919 | 4,010 | 340,929 | 374,936 | (34,007) |
| Music-Fine Arts | 294,487 | 5,535 | 300,022 | 323,397 | (23,375) |
| Art-Fine Arts | 239,956 | 7,921 | 247,877 | 254,012 | (6,135) |
| 31A | 299 | 58 | 357 | - | 357 |
| Youth Wellness Grant | - | 143 | 143 | - | 143 |
| Total elementary | <u>10,632,705</u> | <u>375,961</u> | <u>11,008,666</u> | <u>11,335,893</u> | <u>(327,227)</u> |
| Basic program - middle school | | | | | |
| General Ed | 4,207,300 | 156,183 | 4,363,483 | 4,422,244 | (58,761) |
| Music-Fine Arts | 448,741 | 10,871 | 459,612 | 447,194 | 12,418 |
| Art-Fine Arts | 129,503 | 5,121 | 134,624 | 141,609 | (6,985) |
| Physical Ed | 239,684 | 5,279 | 244,963 | 246,548 | (1,585) |
| 31A | 46,109 | 28,969 | 75,078 | - | 75,078 |
| Outdoor Ed | 5,526 | 68,778 | 74,304 | 73,165 | 1,139 |
| Total middle school | <u>5,076,863</u> | <u>275,201</u> | <u>5,352,064</u> | <u>5,330,760</u> | <u>21,304</u> |
| Basic program - high school | | | | | |
| General Ed | 4,999,019 | 266,996 | 5,266,015 | 5,357,738 | (91,723) |
| Durant High School | 726,025 | 476,658 | 1,202,683 | 1,207,351 | (4,668) |
| Cyber Academy | 106,836 | 94,575 | 201,411 | 218,802 | (17,391) |
| Robotics - WIRED | 1,105 | 104 | 1,209 | 7,176 | (5,967) |
| Music-Fine Arts | 461,602 | 12,116 | 473,718 | 416,589 | 57,129 |
| Art-Fine Arts | 288,721 | 9,795 | 298,516 | 320,260 | (21,744) |
| Physical Ed | 231,908 | 2,025 | 233,933 | 240,983 | (7,050) |
| 31A | - | 8,214 | 8,214 | - | 8,214 |

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2015

| | Actual | | | | Actual |
|---|------------------|-----------------------------|------------------|------------------|---------------------------|
| | Salaries | Supplies and Expenses | Total | Final Budget | Over (Under) Budget |
| Basic program - high school (continued) | | | | | |
| Graduation Alliance (formerly WAY O/S) | \$ - | \$ 134,750 | \$ 134,750 | \$ 193,000 | \$ (58,250) |
| International Academy | 183,799 | 177,389 | 361,188 | 288,424 | 72,764 |
| Total high school | <u>6,999,015</u> | <u>1,182,622</u> | <u>8,181,637</u> | <u>8,250,323</u> | <u>(68,686)</u> |
| Basic program - summer school | | | | | |
| Summer Success - Lit & Math | - | 56 | 56 | 1,300 | (1,244) |
| Summer Academy | 67,329 | 42,675 | 110,004 | 118,256 | (8,252) |
| Total summer school | <u>67,329</u> | <u>42,731</u> | <u>110,060</u> | <u>119,556</u> | <u>(9,496)</u> |
| Basic program - Pre-K programs | | | | | |
| Preschool | 122,223 | 65,669 | 187,892 | 242,474 | (54,582) |
| GSRP | 633,654 | 403,291 | 1,036,945 | 1,193,666 | (156,721) |
| Total Pre-K programs | <u>755,877</u> | <u>468,960</u> | <u>1,224,837</u> | <u>1,436,140</u> | <u>(211,303)</u> |
| Added needs - special education programs | | | | | |
| Emot Impaired | 114,641 | 68,763 | 183,404 | 189,041 | (5,637) |
| Educ Ment Imp | 82,955 | 64,337 | 147,292 | 168,161 | (20,869) |
| CI - Local | 349,580 | 205,875 | 555,455 | 563,697 | (8,242) |
| CI (TMI) | 379,064 | 256,945 | 636,009 | 614,717 | 21,292 |
| AI | 362,392 | 238,309 | 600,701 | 559,112 | 41,589 |
| AI - Summer | 64 | 877 | 941 | 14,430 | (13,489) |
| AI - Pierce | 173,985 | 113,918 | 287,903 | 278,733 | 9,170 |
| AI - H.S. | 139,083 | 82,233 | 221,316 | 222,030 | (714) |
| SCI | 87,598 | 56,018 | 143,616 | 129,694 | 13,922 |
| CVS Reg | 589,684 | 411,193 | 1,000,877 | 1,035,971 | (35,094) |
| CVS EI | 580,319 | 421,907 | 1,002,226 | 987,665 | 14,561 |

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2015

| | Actual | | | Actual | |
|---|-------------------|-----------------------------|-------------------|-------------------|-------------------------------------|
| | Salaries | Supplies and Expenses | Total | Final Budget | Actual Over (Under) Budget |
| Added needs - special education programs (continued) | | | | | |
| CVS Summer School | \$ 32,554 | \$ 23,929 | \$ 56,483 | \$ 60,089 | \$ (3,606) |
| Sec Res Teacher | 1,167,117 | 776,789 | 1,943,906 | 1,985,026 | (41,120) |
| Elementary Teacher | 596,368 | 373,088 | 969,456 | 1,025,477 | (56,021) |
| EI Middle School | 56,600 | 32,512 | 89,112 | 101,675 | (12,563) |
| EI High School | 155,939 | 94,458 | 250,397 | 252,261 | (1,864) |
| Resource/Speech | 24,942 | 10,910 | 35,852 | 18,630 | 17,222 |
| IDEA local | 400,388 | 352,438 | 752,826 | 741,305 | 11,521 |
| SXI local | 285,457 | 172,806 | 458,263 | 453,353 | 4,910 |
| Total special education programs | <u>5,578,730</u> | <u>3,757,305</u> | <u>9,336,035</u> | <u>9,401,067</u> | <u>(65,032)</u> |
| Added needs - compensatory education | | | | | |
| 31A | 606,683 | 695,601 | 1,302,284 | 1,629,434 | (327,150) |
| Northwest Evaluation Association | - | 479 | 479 | 3,416 | (2,937) |
| English as a Second Language | 173,402 | 104,184 | 277,586 | 313,494 | (35,908) |
| Total compensatory education | <u>780,085</u> | <u>800,264</u> | <u>1,580,349</u> | <u>1,946,344</u> | <u>(365,995)</u> |
| Added needs - vocational education | | | | | |
| Gen Voc Ed | 884,306 | 59,184 | 943,490 | 1,021,812 | (78,322) |
| Vocational Millage | - | 1,351 | 1,351 | 1,800 | (449) |
| Robotics | 3,000 | 7,782 | 10,782 | 11,940 | (1,158) |
| Total vocational education | <u>887,306</u> | <u>68,317</u> | <u>955,623</u> | <u>1,035,552</u> | <u>(79,929)</u> |
| Total Instruction | <u>30,777,910</u> | <u>6,971,361</u> | <u>37,749,271</u> | <u>38,855,635</u> | <u>(1,106,364)</u> |

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2015

| | Actual | | | | Actual |
|----------------------------------|------------|-----------------------------|------------|-----------------|---------------------------|
| | Salaries | Supplies and Expenses | Total | Final Budget | Over (Under) Budget |
| Pupils | | | | | |
| Guidance-Mid | \$ 413,247 | \$ 3,965 | \$ 417,212 | \$ 409,806 | \$ 7,406 |
| Guidance-HS | 597,765 | 551 | 598,316 | 574,160 | 24,156 |
| 31A Counselors | 324,363 | 198,446 | 522,809 | 354,920 | 167,889 |
| Alt. H.S.-Durant - Hall Monitors | 31,085 | 13,781 | 44,866 | 32,970 | 11,896 |
| Alt. H.S.-Durant - Counselors | 84,280 | 50,720 | 135,000 | 134,275 | 725 |
| Other Pupil Serv | 427,075 | 163,160 | 590,235 | 531,520 | 58,715 |
| SXI Local - Nurse | 24,903 | 32,495 | 57,398 | 60,095 | (2,697) |
| SXI Local - Psych | 8,979 | 5,782 | 14,761 | 15,945 | (1,184) |
| SXI Local - Speech | 20,236 | 10,560 | 30,796 | 23,584 | 7,212 |
| SXI Local - Social Worker | 14,283 | 9,832 | 24,115 | 15,036 | 9,079 |
| SXI Local - Adaptive PE | 11,132 | 5,289 | 16,421 | 17,355 | (934) |
| EI | 43,990 | 24,852 | 68,842 | 72,414 | (3,572) |
| CI Health | 22,037 | 13,649 | 35,686 | 39,021 | (3,335) |
| CI Psych | 4,263 | 1,883 | 6,146 | 6,821 | (675) |
| CI Speech | 8,642 | 7,238 | 15,880 | 13,827 | 2,053 |
| CI Social Worker | 8,776 | 6,240 | 15,016 | 23,848 | (8,832) |
| Gen Spec Ed | 129,530 | 77,864 | 207,394 | 286,610 | (79,216) |
| LD - Teacher Consultant | 200,731 | 130,701 | 331,432 | 333,416 | (1,984) |
| CI Local - O.T. | 13,321 | 6,644 | 19,965 | 29,484 | (9,519) |
| CI Local - Psych | 21,519 | 13,927 | 35,446 | 36,903 | (1,457) |
| CI Local - Speech | 17,794 | 18,011 | 35,805 | 33,730 | 2,075 |
| CI Local - Social Worker | 4,071 | 3,989 | 8,060 | 6,643 | 1,417 |
| CI Local - Adaptive P.E. | 6,782 | 2,991 | 9,773 | 10,881 | (1,108) |
| CI (TMI) - O.T. | 5,610 | 1,621 | 7,231 | 8,945 | (1,714) |
| CI (TMI) - Psych | 12,581 | 9,156 | 21,737 | 19,874 | 1,863 |
| CI (TMI) - Social Worker | 21,263 | 14,970 | 36,233 | 48,837 | (12,604) |
| CI (TMI) - Adaptive P.E. | 43,636 | 21,532 | 65,168 | 78,182 | (13,014) |
| AI - O.T. | 25,771 | 10,970 | 36,741 | 40,720 | (3,979) |

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2015

| | Actual | | | Final Budget | Actual Over (Under) Budget |
|----------------------------------|-----------|-----------------------------|-----------|-----------------|-------------------------------------|
| | Salaries | Supplies and Expenses | Total | | |
| Pupils (continued) | | | | | |
| AI - Psych | \$ 16,387 | \$ 11,557 | \$ 27,944 | \$ 26,724 | \$ 1,220 |
| AI - Speech | 12,660 | 10,314 | 22,974 | 24,071 | (1,097) |
| AI - Social Worker | 56,583 | 40,564 | 97,147 | 95,550 | 1,597 |
| AI M.S. - O.T. | 10,476 | 5,384 | 15,860 | 17,055 | (1,195) |
| AI M.S. - Psych | 9,696 | 6,834 | 16,530 | 15,617 | 913 |
| AI M.S. - Speech | 6,768 | 4,293 | 11,061 | 13,838 | (2,777) |
| AI M.S. - Social Worker | 25,021 | 17,718 | 42,739 | 41,187 | 1,552 |
| AI H.S. - O.T. | 3,815 | 1,367 | 5,182 | 7,527 | (2,345) |
| AI H.S. - Psych | 5,105 | 3,601 | 8,706 | 8,403 | 303 |
| AI H.S. - Social Worker | 35,351 | 23,072 | 58,423 | 58,165 | 258 |
| SCI - O.T. & P.T. | 4,351 | 2,112 | 6,463 | 13,841 | (7,378) |
| SCI - Psych | 5,105 | 3,624 | 8,729 | 8,762 | (33) |
| SCI - Speech | 2,071 | 1,822 | 3,893 | 3,754 | 139 |
| SCI - Social Worker | 13,246 | 8,434 | 21,680 | 19,419 | 2,261 |
| SCI - Adaptive P.E. | 3,694 | 1,642 | 5,336 | 5,672 | (336) |
| Early Intervention - O.T. & P.T. | 57,909 | 76,024 | 133,933 | 133,301 | 632 |
| Early Intervention - Psych | 21,259 | 12,587 | 33,846 | 15,249 | 18,597 |
| Early Intervention - Speech | 23,644 | 13,310 | 36,954 | 34,595 | 2,359 |
| Early Intervention - TC | 113,907 | 85,895 | 199,802 | 166,816 | 32,986 |
| CVS - EI, P.T. & O.T. | 12,596 | 5,600 | 18,196 | 26,813 | (8,617) |
| CVS - EI , Psychologist | 30,670 | 24,889 | 55,559 | 52,216 | 3,343 |
| CVS - EI , Speech | 2,187 | 1,781 | 3,968 | 3,725 | 243 |
| CVS - EI , Social Worker | 28,286 | 24,940 | 53,226 | 48,180 | 5,046 |
| EI - Middle School - OT | 2,202 | 1,083 | 3,285 | 3,745 | (460) |
| EI - Middle School - PT | 29,162 | 13,475 | 42,637 | 48,005 | (5,368) |
| EI - Middle School, Speech | 2,018 | 1,715 | 3,733 | 3,456 | 277 |
| EI Middle School, Social Worker | 38,305 | 33,071 | 71,376 | 69,134 | 2,242 |
| EI High School - PT | 914 | 398 | 1,312 | 6,891 | (5,579) |

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2015

| | Actual | | | | Actual |
|----------------------------|------------------|-----------------------------|------------------|------------------|---------------------------|
| | Salaries | Supplies and Expenses | Total | Final Budget | Over (Under) Budget |
| Pupils (continued) | | | | | |
| Resource/Speech | \$ 79,705 | \$ 57,902 | \$ 137,607 | \$ 132,271 | \$ 5,336 |
| Resource Room - Secondary | 69,585 | 46,498 | 116,083 | 114,394 | 1,689 |
| GSRP - Behavior Counseling | 25,800 | 19,313 | 45,113 | 42,570 | 2,543 |
| GSRP Nurse | - | 2,412 | 2,412 | 4,190 | (1,778) |
| GSRP - Social Worker | - | - | - | 12,608 | (12,608) |
| Sub Abuse Prevention | 103,583 | 66,851 | 170,434 | 172,644 | (2,210) |
| Speech Serv | 740,012 | 515,893 | 1,255,905 | 1,169,047 | 86,858 |
| Social Serv | 550,794 | 388,603 | 939,397 | 900,234 | 39,163 |
| Psychologist | 224,583 | 147,116 | 371,699 | 380,713 | (9,014) |
| 31A Social Workers | 357,620 | 231,369 | 588,989 | 612,475 | (23,486) |
| Summer Academy | 2,018 | 869 | 2,887 | 2,741 | 146 |
| Local IDEA | 270 | 121 | 391 | - | 391 |
| Robotics (WIRED) | - | 3,093 | 3,093 | 12,894 | (9,801) |
| Cyber Academy | 24,262 | 16,540 | 40,802 | - | 40,802 |
| Voc Ed Millage | 31,020 | 18,815 | 49,835 | 47,033 | 2,802 |
| | <u>5,330,305</u> | <u>2,813,320</u> | <u>8,143,625</u> | <u>7,835,347</u> | <u>308,278</u> |
| Instructional staff | | | | | |
| Staff Development | 285,793 | 60,385 | 346,178 | 554,741 | (208,563) |
| Curriculum Leader (31a) | 78,120 | 32,029 | 110,149 | - | 110,149 |
| Cyber Academy | 34,168 | 27,354 | 61,522 | 67,161 | (5,639) |
| Math Categorical | - | 1,398 | 1,398 | 1,399 | (1) |
| Secondary Ed Curriculum | - | - | - | 69,495 | (69,495) |
| Voc Ed Millage | 21,919 | 41,515 | 63,434 | 65,076 | (1,642) |
| Voc Ed Millage Admin | 28,639 | 25,753 | 54,392 | 52,994 | 1,398 |
| Vocational | 101,573 | 332 | 101,905 | 96,184 | 5,721 |

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2015

| | Actual | | | Final Budget | Actual Over (Under) Budget |
|--|------------------|-----------------------------|------------------|------------------|-------------------------------------|
| | Salaries | Supplies and Expenses | Total | | |
| Instructional staff (continued) | | | | | |
| Music -Fine Arts Adm | \$ - | \$ 10,879 | \$ 10,879 | \$ 14,000 | \$ (3,121) |
| Sub Abuse Prevention | - | 2,253 | 2,253 | 10,894 | (8,641) |
| GSRP - Library Tech | 6,138 | 2,316 | 8,454 | 8,454 | - |
| GSRP - Instr Support | 32,722 | 32,270 | 64,992 | 66,126 | (1,134) |
| Adult Credit | 857 | 284 | 1,141 | - | 1,141 |
| Special Ed Adm | - | 430 | 430 | 430 | - |
| CI (TMI) | 246,859 | 165,755 | 412,614 | 432,838 | (20,224) |
| Library-Elem | - | 1,723 | 1,723 | 732 | 991 |
| Library-Middle | 214,047 | 1,833 | 215,880 | 217,870 | (1,990) |
| Library-HS | 40,261 | 4,197 | 44,458 | 45,572 | (1,114) |
| Library Services | 38,801 | 6,169 | 44,970 | 59,449 | (14,479) |
| Wtfd Found Grant | 19,305 | 49,448 | 68,753 | 74,192 | (5,439) |
| Talent Development Program | - | 67,009 | 67,009 | 73,780 | (6,771) |
| North Central Association | 7,835 | 14,027 | 21,862 | 13,062 | 8,800 |
| Durant Foundation | - | 42,273 | 42,273 | 48,867 | (6,594) |
| Waterford Success - Local | 27,089 | 40,714 | 67,803 | 55,600 | 12,203 |
| GSRP | - | - | - | 5,134 | (5,134) |
| Summer Success-Lit. & Math | - | 318 | 318 | - | 318 |
| | <u>1,184,126</u> | <u>630,664</u> | <u>1,814,790</u> | <u>2,034,050</u> | <u>(219,260)</u> |
| Total instructional staff | | | | | |

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2015

| | Actual | | | Actual | |
|---------------------------------------|-----------|-----------------------------|------------|-----------------|---------------------------|
| | Salaries | Supplies and Expenses | Total | Final Budget | Over (Under) Budget |
| General administration | | | | | |
| Board of Ed | \$ 79,665 | \$ 386,374 | \$ 466,039 | \$ 337,988 | \$ 128,051 |
| Executive Adm | 258,395 | 24,829 | 283,224 | 279,071 | 4,153 |
| Instruction - Director | 359,376 | 33,990 | 393,366 | 409,006 | (15,640) |
| Instruction - Curriculum & Assessment | 52,533 | 145,116 | 197,649 | 212,565 | (14,916) |
| Total general administration | 749,969 | 590,309 | 1,340,278 | 1,238,630 | 101,648 |
| School administration | | | | | |
| Elem Principal | 1,276,303 | 52,991 | 1,329,294 | 1,349,655 | (20,361) |
| Mid Principal | 590,512 | 45,801 | 636,313 | 639,571 | (3,258) |
| HS Principal | 1,208,338 | 39,499 | 1,247,837 | 1,206,784 | 41,053 |
| Pre School Principal | 63,822 | 35,608 | 99,430 | 94,980 | 4,450 |
| CVS Principal | 202,326 | 146,780 | 349,106 | 355,515 | (6,409) |
| Alt. H.S.-Manley | 152,414 | 96,643 | 249,057 | 231,875 | 17,182 |
| GSRP Principal | 13,117 | 8,526 | 21,643 | 22,683 | (1,040) |
| Summer Academy | 8,537 | 4,010 | 12,547 | 11,966 | 581 |
| Total school administration | 3,515,369 | 429,858 | 3,945,227 | 3,913,029 | 32,198 |
| Business | | | | | |
| Fiscal Services | 345,724 | 69,826 | 415,550 | 419,105 | (3,555) |
| Utilities | - | 2,191,013 | 2,191,013 | 2,062,000 | 129,013 |
| Operations | 2,500,392 | 293,062 | 2,793,454 | 2,581,531 | 211,923 |
| Maintenance | 789,761 | 771,235 | 1,560,996 | 1,480,180 | 80,816 |
| Transportation | 2,092,761 | 901,132 | 2,993,893 | 3,327,691 | (333,798) |
| Transportation - Athletics & Other | - | 75,943 | 75,943 | 58,000 | 17,943 |
| Transportation - SpEd Work Experience | - | 6,831 | 6,831 | 29,879 | (23,048) |
| Purchasing | - | 4,871 | 4,871 | - | 4,871 |

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2015

| | Actual | Actual | | Final | Actual |
|--|-------------------|-----------------------------|-------------------|-------------------|---------------------------|
| | Salaries | Supplies and Expenses | Total | Budget | Over (Under) Budget |
| Business (continued) | | | | | |
| Print & Copy | \$ - | \$ 5,755 | \$ 5,755 | \$ 4,581 | \$ 1,174 |
| Mail Services | - | 17,628 | 17,628 | 18,419 | (791) |
| Other Services | - | 224,468 | 224,468 | 710,000 | (485,532) |
| Safety & Security | 40,110 | 252,898 | 293,008 | 256,687 | 36,321 |
| Capital Improvement Projects | - | - | - | 87,012 | (87,012) |
| Total business | 5,768,748 | 4,814,662 | 10,583,410 | 11,035,085 | (451,675) |
| Central | | | | | |
| Computer Services | 415,312 | 376 | 415,688 | 422,983 | (7,295) |
| Central Enrollment/Pupil Accounting | 118,816 | 12,433 | 131,249 | 132,186 | (937) |
| Research & Evaluation | 131,896 | 51,251 | 183,147 | 201,418 | (18,271) |
| School Community Services | 92,774 | 89,979 | 182,753 | 164,358 | 18,395 |
| Human Resources | 298,857 | 47,193 | 346,050 | 334,938 | 11,112 |
| M.I.S. | 213,808 | 281,405 | 495,213 | 607,594 | (112,381) |
| M.I.S. - Communication | - | 1,349,773 | 1,349,773 | 723,149 | 626,624 |
| Technology Infrastructure | - | 96,970 | 96,970 | - | 96,970 |
| Other Services | 138,599 | 281,810 | 420,409 | 440,209 | (19,800) |
| Facility Utilization | 10,737 | 121,028 | 131,765 | - | 131,765 |
| Employee Benefits | 135,460 | 22,395,782 | 22,531,242 | 24,137,174 | (1,605,932) |
| Total central | 1,556,259 | 24,728,000 | 26,284,259 | 27,164,009 | (879,750) |
| Total supporting services | 18,104,776 | 34,006,813 | 52,111,589 | 53,220,150 | (1,108,561) |
| Total local share of expenditures | 48,882,686 | 40,978,174 | 89,860,860 | 92,075,785 | (2,214,925) |

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2015

| | Actual | | | Actual | |
|----------------------------------|------------------|-----------------------------|------------------|------------------|---------------------------|
| | Salaries | Supplies and Expenses | Total | Final Budget | Over (Under) Budget |
| Athletics | | | | | |
| Athletics | \$ 488,762 | \$ 1,025,665 | \$ 1,514,427 | \$ 1,470,086 | \$ 44,341 |
| Hockey | 6,424 | 21,073 | 27,497 | 38,344 | (10,847) |
| Total athletics | <u>495,186</u> | <u>1,046,738</u> | <u>1,541,924</u> | <u>1,508,430</u> | <u>33,494</u> |
| Civic Activity | | | | | |
| Facility Use | 1,081 | 4,514 | 5,595 | 65,739 | (60,144) |
| Waterford Community Garden Grant | - | 8,997 | 8,997 | 10,558 | (1,561) |
| GSRP | - | 302 | 302 | 500 | (198) |
| Community Education | 2,914 | 78,178 | 81,092 | 43,397 | 37,695 |
| Total civic activity | <u>3,995</u> | <u>91,991</u> | <u>95,986</u> | <u>120,194</u> | <u>(24,208)</u> |
| Federal programs | <u>3,822,573</u> | <u>3,351,415</u> | <u>7,173,988</u> | <u>8,094,757</u> | <u>(920,769)</u> |
| Debt service | | | | | |
| Principal | - | 875,000 | 875,000 | 875,000 | - |
| Interest | - | 163,850 | 163,850 | 177,479 | (13,629) |
| Bond issuance cost | - | 62,040 | 62,040 | - | 62,040 |
| Total debt service | <u>-</u> | <u>1,100,890</u> | <u>1,100,890</u> | <u>1,052,479</u> | <u>48,411</u> |
| Other local match | | | | | |
| Headstart | 240,673 | 147,507 | 388,180 | 286,529 | 101,651 |
| MIWorks! | 5,901 | 24,992 | 30,893 | - | 30,893 |
| Medicaid | 22,189 | 14,659 | 36,848 | 31,539 | 5,309 |
| Total other local match | <u>268,763</u> | <u>187,158</u> | <u>455,921</u> | <u>318,068</u> | <u>137,853</u> |
| Interfund Transfers | | | | | |

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2015

| | Actual | | | Final Budget | Actual Over (Under) Budget |
|---------------------|----------------------|-----------------------------|-----------------------|-----------------------|-------------------------------------|
| | Salaries | Supplies and Expenses | Total | | |
| School service fund | \$ - | \$ 366,816 | \$ 366,816 | \$ 231,574 | \$ 135,242 |
| Total expenditures | <u>\$ 53,473,203</u> | <u>\$ 47,123,182</u> | <u>\$ 100,596,385</u> | <u>\$ 103,401,287</u> | <u>\$ (2,804,902)</u> |

Waterford School District
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2015

| Year Ending June 30, | May 1, 2011 Series 2011 | October 22, 2014 Series 2014 | April 1, 2013 Refunding | April 15, 2014 Series 2014 | April 30, 2013 Series III | Energy Refunding Bonds | Total |
|--|----------------------------|---------------------------------|----------------------------|-------------------------------|------------------------------|------------------------------|----------------------|
| 2016 | \$ 5,180,000 | 1,100,000 | \$ 2,055,000 | \$ 1,285,000 | \$ 1,500,000 | \$ 835,000 | \$ 11,955,000 |
| 2017 | 5,120,000 | 1,125,000 | 2,050,000 | 1,280,000 | 1,500,000 | 845,000 | 11,920,000 |
| 2018 | - | 1,175,000 | 2,550,000 | 1,785,000 | 1,500,000 | 870,000 | 7,880,000 |
| 2019 | - | 1,200,000 | 3,550,000 | 1,790,000 | 1,500,000 | 890,000 | 8,930,000 |
| 2020 | - | 1,225,000 | 4,560,000 | 1,815,000 | 1,500,000 | 915,000 | 10,015,000 |
| 2021 | - | 1,275,000 | 2,575,000 | 1,810,000 | 1,500,000 | 915,000 | 8,075,000 |
| 2022 | - | 1,300,000 | 2,575,000 | 2,395,000 | 1,500,000 | 845,000 | 8,615,000 |
| 2023 | - | 1,325,000 | 3,145,000 | - | 1,500,000 | 640,000 | 6,610,000 |
| 2024 | - | 1,375,000 | - | - | 1,500,000 | - | 2,875,000 |
| 2025 | - | 1,425,000 | - | - | 1,500,000 | - | 2,925,000 |
| 2026 | - | 1,475,000 | - | - | 1,000,000 | - | 2,475,000 |
| 2027 | - | 1,500,000 | - | - | 1,000,000 | - | 2,500,000 |
| 2028 | - | 1,550,000 | - | - | - | - | 1,550,000 |
| 2029 | - | 1,600,000 | - | - | - | - | 1,600,000 |
| Total | <u>\$ 10,300,000</u> | <u>\$ 18,650,000</u> | <u>\$ 23,060,000</u> | <u>\$ 12,160,000</u> | <u>\$ 17,000,000</u> | <u>\$ 6,755,000</u> | <u>\$ 87,925,000</u> |
| Principal payments due the first day of | May | May | May | May | May | August | |
| Interest payments due the first day of | May and November | May and November | May and November | May and November | May and November | August and February | |
| Interest rate | 2.00% - 4.00% | 2.00% - 3.10% | 2.00% - 5.00% | 2.00% - 5.00% | 2.00% - 3.00% | 2.00 - 5.00% | |
| Original issue | <u>\$ 22,680,000</u> | <u>\$ 20,000,000</u> | <u>\$ 26,150,000</u> | <u>\$ 13,455,000</u> | <u>\$ 20,000,000</u> | <u>\$ 6,755,000</u> | |

Waterford School District

Single Audit Report

June 30, 2015

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

Independent Auditors' Report

Management and the Board of Education
Waterford School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waterford School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Waterford School District's basic financial statements, and have issued our report thereon dated October 20, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterford School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material

effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Yeo & Yeo, P.C.

Saginaw, Michigan
October 20, 2015

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditors' Report

Management and the Board of Education
Waterford School District

Report on Compliance for Each Major Federal Program

We have audited Waterford School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Waterford School District's major federal programs for the year ended June 30, 2015. Waterford School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Waterford School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Waterford School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Waterford School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Waterford School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waterford School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Waterford School District's basic financial statements. We issued our report thereon October 20, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 20, 2015

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

| Federal Grantor Pass-Through Grantor Program Title Grant Number | Federal CFDA Number | Grant Number | Award Amount | Accrued (Deferred) Revenue July 1, 2014 | (Memo Only) Prior Year Expenditures | Current Year Receipts | Current Year Expenditures | Adjustments | Accrued (Deferred) Revenue June 30, 2015 |
|---|---------------------------|-----------------|-----------------|---|---|-----------------------------|---------------------------------|-------------|--|
| U.S. Department of Agriculture | | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | | |
| Nutrition Cluster | | | | | | | | | |
| Non-cash assistance (commodities) | | | | | | | | | |
| Entitlement Commodities | 10.555 | N/A | \$ 237,957 | \$ - | \$ - | \$ 237,957 | \$ 237,957 | \$ - | \$ - |
| Cash assistance | | | | | | | | | |
| National School Breakfast Program | 10.553 | 141970 | 879,875 | 48,538 | 772,440 | 155,973 | 107,435 | - | - |
| National School Breakfast Program | | 151970 | 847,877 | - | - | 804,071 | 847,877 | - | 43,806 |
| | | | | <u>48,538</u> | <u>772,440</u> | <u>960,044</u> | <u>955,312</u> | <u>-</u> | <u>43,806</u> |
| National School Lunch Program | 10.555 | 141960 | 2,043,811 | 98,950 | 1,800,440 | 342,321 | 243,371 | - | - |
| National School Lunch Program | | 151960 | 1,834,332 | - | - | 1,751,957 | 1,834,332 | - | 82,375 |
| | | | | <u>98,950</u> | <u>1,800,440</u> | <u>2,094,278</u> | <u>2,077,703</u> | <u>-</u> | <u>82,375</u> |
| Summer Feeding Program | 10.559 | 140900 | 32,987 | 7,409 | 7,409 | 32,987 | 25,578 | - | - |
| Summer Feeding Program | | 141900 | 3,401 | 768 | 768 | 3,401 | 2,633 | - | - |
| Summer Feeding Program | | 150900 | 18,644 | - | - | - | 18,644 | - | 18,644 |
| Summer Feeding Program | | 151900 | 1,926 | - | - | - | 1,926 | - | 1,926 |
| | | | | <u>8,177</u> | <u>8,177</u> | <u>36,388</u> | <u>48,781</u> | <u>-</u> | <u>20,570</u> |
| National School Lunch After School Snack Program | 10.555 | 141980 | 124 | - | - | 124 | 124 | - | - |
| National School Lunch After School Snack Program | | 151980 | 253 | - | - | 253 | 253 | - | - |
| | | | | <u>-</u> | <u>-</u> | <u>377</u> | <u>377</u> | <u>-</u> | <u>-</u> |
| Total Nutrition Cluster | | | | <u>155,665</u> | <u>2,581,057</u> | <u>3,329,044</u> | <u>3,320,130</u> | <u>-</u> | <u>146,751</u> |
| Child Care Food Program (CACFP) | 10.558 | 151920 | 8,858 | - | - | 8,858 | 8,858 | - | - |
| Child Care Food Program (CACFP) | | 152010 | 595 | - | - | 595 | 595 | - | - |
| | | | | <u>-</u> | <u>-</u> | <u>9,453</u> | <u>9,453</u> | <u>-</u> | <u>-</u> |
| Total U.S. Department of Agriculture | | | | <u>155,665</u> | <u>2,581,057</u> | <u>3,338,497</u> | <u>3,329,583</u> | <u>-</u> | <u>146,751</u> |
| U.S. Department of Justice | | | | | | | | | |
| Direct Program | | | | | | | | | |
| Site Based Mentoring Program | 16.726 | 2011-JU-FX-0025 | 225,777 | 47,668 | 177,020 | 96,425 | 48,757 | - | - |

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

| Federal Grantor Pass-Through Grantor Program Title Grant Number | Federal CFDA Number | Grant Number | Award Amount | Accrued (Deferred) Revenue July 1, 2014 | (Memo Only) Prior Year Expenditures | Current Year Receipts | Current Year Expenditures | Adjustments | Accrued (Deferred) Revenue June 30, 2015 |
|---|---------------------------|-----------------|-----------------|---|---|-----------------------------|---------------------------------|-------------|--|
| U.S. Department of Labor | | | | | | | | | |
| Passed through Oakland County Department of Health | | | | | | | | | |
| Employment Services Cluster | | | | | | | | | |
| Wagner-Peyser Employment Service | 17.207 | | \$ 102,151 | \$ - | \$ - | \$ 95,726 | \$ 98,629 | \$ - | \$ 2,903 |
| Wagner-Peyser Employment Service | 17.207 | PY-13 | 286,752 | 10,219 | 174,256 | 10,219 | - | - | - |
| Wagner-Peyser Employment Service | | PY-12 | 160,372 | 10,742 | 160,372 | 10,742 | - | - | - |
| | | | | <u>20,961</u> | <u>334,628</u> | <u>116,687</u> | <u>98,629</u> | <u>-</u> | <u>2,903</u> |
| Passed through Oakland County Department of Health | | | | | | | | | |
| TGAAA | 17.245 | FY-14 | 21,837 | - | - | 6,329 | 6,329 | - | - |
| TGAAA | 17.245 | FY-14 | 109,792 | 40,097 | 80,567 | 40,097 | - | - | - |
| | | | | <u>40,097</u> | <u>80,567</u> | <u>46,426</u> | <u>6,329</u> | <u>-</u> | <u>-</u> |
| Workforce Investment Act Cluster | | | | | | | | | |
| WIA Admin | 17.258 | PY-14 | 25,604 | - | - | 17,730 | 19,717 | - | 1,987 |
| WIA Admin | 17.258 | PY-13 | 67,564 | 4,480 | 26,773 | 4,480 | - | - | - |
| WIA Adult | 17.258 | PY-14 | 303,063 | - | - | 265,158 | 302,814 | - | 37,656 |
| WIA Adult | 17.258 | PY-13 | 264,694 | 25,744 | 91,673 | 25,744 | - | - | - |
| WIA Disabled Worker | 17.277 | PY-14 | 240,111 | - | - | 167,771 | 240,111 | - | 72,340 |
| WIA Disabled Worker | 17.277 | PY-13 | 492,606 | 55,030 | 218,174 | 55,030 | - | - | - |
| WIA Youth Services | 17.259 | PY-14 | 186,078 | - | - | 97,749 | 147,786 | - | 50,037 |
| WIA Youth Services | 17.259 | PY-13 | 380,926 | 29,743 | 145,392 | 29,743 | - | - | - |
| WIA One Stop | 17.258 | PY-14 | 66,000 | - | - | 36,088 | 54,028 | - | 17,940 |
| Total Workforce Investment Act Cluster | | | | <u>114,997</u> | <u>482,012</u> | <u>699,493</u> | <u>764,456</u> | <u>-</u> | <u>179,960</u> |
| Passed through Oakland County Department of Health | | | | | | | | | |
| Temporary Assistance for Needy Families (JET) | 93.558 | FY-14 | 298,690 | - | - | 134,023 | 205,552 | - | 71,529 |
| Temporary Assistance for Needy Families (JET) | 93.558 | FY-14 | 494,454 | 41,269 | 267,607 | 41,269 | - | - | - |
| | | | | <u>41,269</u> | <u>267,607</u> | <u>175,292</u> | <u>205,552</u> | <u>-</u> | <u>71,529</u> |
| Total U.S. Department of Labor | | | | <u>217,324</u> | <u>1,164,814</u> | <u>1,037,898</u> | <u>1,074,966</u> | <u>-</u> | <u>254,392</u> |

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

| Federal Grantor Pass-Through Grantor Program Title Grant Number | Federal CFDA Number | Grant Number | Award Amount | Accrued (Deferred) Revenue July 1, 2014 | (Memo Only) Prior Year Expenditures | Current Year Receipts | Current Year Expenditures | Adjustments | Accrued (Deferred) Revenue June 30, 2015 |
|---|---------------------------|-----------------|-----------------|---|---|-----------------------------|---------------------------------|--------------|--|
| U.S. Department of Education | | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | | |
| Title I | | | | | | | | | |
| Title I - Part A | 84.010 | 14 1530 1314 | \$ 1,713,916 | \$ 524,269 | \$ 1,332,781 | \$ 665,970 | \$ 141,701 | \$ - | \$ - |
| Title I - Part A | | 15 1530 1415 | 1,988,189 | - | - | 903,248 | 1,450,879 | - | 547,631 |
| | | | | <u>524,269</u> | <u>1,332,781</u> | <u>1,569,218</u> | <u>1,592,580</u> | <u>-</u> | <u>547,631</u> |
| Title I - Part D | 84.013 | 14 1700 1314 | 426,124 | 128,979 | 397,469 | 144,029 | 15,050 | - | - |
| Title I - Part D | | 15 1700 1415 | 438,382 | - | - | 188,910 | 356,688 | - | 167,778 |
| Title I - Part D CVS | | 12 1705 1112 | 221,922 | (9,210) | 201,746 | - | - | 9,210 | - |
| | | | | <u>119,769</u> | <u>599,215</u> | <u>332,939</u> | <u>371,738</u> | <u>9,210</u> | <u>167,778</u> |
| Special Education Cluster | | | | | | | | | |
| Passed through Oakland Schools | | | | | | | | | |
| IDEA Flowthrough | 84.027A | 130450 | 2,440,762 | 38,171 | 2,440,761 | 38,171 | - | - | - |
| IDEA Flowthrough | | 140450 | 2,682,268 | 852,969 | 2,544,763 | 935,800 | 137,504 | - | 54,673 |
| IDEA Flowthrough | | 150450 | 2,544,326 | - | - | 1,821,724 | 2,403,936 | - | 582,212 |
| | | | | <u>891,140</u> | <u>4,985,524</u> | <u>2,795,695</u> | <u>2,541,440</u> | <u>-</u> | <u>636,885</u> |
| Passed through Michigan Department of Education | | | | | | | | | |
| Preschool Incentive | 84.173A | 140460 | 73,932 | 23,644 | 61,238 | 36,338 | 12,694 | - | - |
| Preschool Incentive | | 150460 | 74,718 | - | - | 48,284 | 68,064 | - | 19,780 |
| | | | | <u>23,644</u> | <u>61,238</u> | <u>84,622</u> | <u>80,758</u> | <u>-</u> | <u>19,780</u> |
| Total Special Education Cluster | | | | <u>914,784</u> | <u>5,046,762</u> | <u>2,880,317</u> | <u>2,622,198</u> | <u>-</u> | <u>656,665</u> |
| U.S. Department of Education | | | | | | | | | |
| Direct Program | | | | | | | | | |
| Title III - Immigrant Students | | | | | | | | | |
| Title III - English Language | 84.365A | 1405801314 | 70,248 | 16,859 | 49,310 | 17,007 | 148 | - | - |
| Title III - English Language | | 1505801415 | 88,331 | - | - | 19,901 | 45,326 | - | 25,425 |
| | | | | <u>16,859</u> | <u>49,310</u> | <u>36,908</u> | <u>45,474</u> | <u>-</u> | <u>25,425</u> |
| U.S. Department of Education | | | | | | | | | |
| Passed through Intermediate School District | | | | | | | | | |
| Title III - Limited English Proficiency | 84.365 | 140570-1314 | 5,402 | - | - | 3,086 | 3,086 | - | - |
| Title III - Limited English Proficiency | | 150570-1415 | 15,000 | - | - | - | 7,796 | - | 7,796 |
| | | | | <u>-</u> | <u>-</u> | <u>3,086</u> | <u>10,882</u> | <u>-</u> | <u>7,796</u> |

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

| Federal Grantor Pass-Through Grantor Program Title Grant Number | Federal CFDA Number | Grant Number | Award Amount | Accrued (Deferred) Revenue July 1, 2014 | (Memo Only) Prior Year Expenditures | Current Year Receipts | Current Year Expenditures | Adjustments | Accrued (Deferred) Revenue June 30, 2015 |
|---|---------------------------|-----------------|-----------------|---|---|-----------------------------|---------------------------------|-----------------|--|
| U.S. Department of Education | | | | | | | | | |
| Passed through Michigan Department of Education | | | | | | | | | |
| Teacher/Principal Training & Recruiting | 84.367 | 1405201314 | \$ 317,647 | \$ 81,640 | \$ 242,180 | \$ 116,853 | \$ 35,213 | \$ - | \$ - |
| Teacher/Principal Training & Recruiting | | 1505201415 | 371,244 | - | - | 190,503 | 288,153 | - | 97,650 |
| | | | | <u>81,640</u> | <u>242,180</u> | <u>307,356</u> | <u>323,366</u> | <u>-</u> | <u>97,650</u> |
| Total U.S. Department of Education | | | | <u>1,657,321</u> | <u>7,270,248</u> | <u>5,129,824</u> | <u>4,966,238</u> | <u>9,210</u> | <u>1,502,945</u> |
| U.S. Department of Health and Human Services | | | | | | | | | |
| Passed through Regional Area of Aging: | | | | | | | | | |
| Title III - Nutrition | 93.045 | 14-9052-03 | 271,739 | 37,256 | 187,613 | 37,256 | - | - | - |
| Title III - Nutrition | | 15-9052-03 | | - | - | 158,065 | 184,779 | - | 26,714 |
| | | | | <u>37,256</u> | <u>187,613</u> | <u>195,321</u> | <u>184,779</u> | <u>-</u> | <u>26,714</u> |
| Passed through Oakland Livingston Human Services Agency (OLHSA) | | | | | | | | | |
| O.E.O. Headstart | 93.600 | H5013-520 | 725,276 | - | - | 609,583 | 994,860 | - | 385,277 |
| O.E.O. Headstart | | H5013-520 | 715,968 | 445,172 | 694,489 | 445,172 | - | - | - |
| Total Head Start Cluster | | | | <u>445,172</u> | <u>694,489</u> | <u>1,054,755</u> | <u>994,860</u> | <u>-</u> | <u>385,277</u> |
| Passed through Oakland County ISD | | | | | | | | | |
| Medicaid - Administrative Outreach | 93.778 | | 32,345 | - | - | 32,345 | 32,345 | - | - |
| Passed through Oakland County Department of Health | | | | | | | | | |
| Success | 93.959 | N/A | 92,730 | 5,216 | 78,451 | 19,495 | 14,279 | - | - |
| Success | | N/A | 85,527 | - | - | 48,515 | 65,679 | - | 17,164 |
| | | | | <u>5,216</u> | <u>78,451</u> | <u>68,010</u> | <u>79,958</u> | <u>-</u> | <u>17,164</u> |
| Total U.S. Department of Health and Human Services | | | | <u>487,644</u> | <u>960,553</u> | <u>1,350,431</u> | <u>1,291,942</u> | <u>-</u> | <u>429,155</u> |
| | | | | <u>\$ 2,565,622</u> | <u>\$ 12,305,720</u> | <u>\$ 10,953,075</u> | <u>\$ 10,711,486</u> | <u>\$ 9,210</u> | <u>\$ 2,333,243</u> |

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Waterford School District
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2015

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, 2015.
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 |
|--|-------------------|-------------------|---------------------|
| National School Breakfast Program 141970 | \$ 107,435 | \$ 155,973 | \$ (48,538) |
| National School Lunch Program 141960 | 243,371 | 342,321 | (98,950) |
| Title I - Part D 141700 | <u>115,601</u> | <u>144,029</u> | <u>(28,428)</u> |
| | <u>\$ 466,407</u> | <u>\$ 642,323</u> | <u>\$ (175,916)</u> |

Differences in 141970 National School Breakfast Program, 141960 National School Lunch Program, and 141700 Title I – Part D are due to the payments on the GAR recorded in payments as of June 30, 2014; however, the School District received the amounts during the 2015 fiscal year. These amounts are properly included as receipts on the SEFA for the year ending June 30, 2015.

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.
5. There was an adjustment for the Title I, Part D CVS, grant number 1217051112, by \$9,210. This was due to the prior year being over-requested. This amount was deducted from cash draws during fiscal year 2015.

Waterford School District
Schedule of Findings and Questioned Costs
June 30, 2015

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, 2015.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

Waterford School District
Summary Schedule of Prior Audit Findings
June 30, 2015

SECTION IV- PRIOR AUDIT FINDING

FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2014.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2014.



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October 20, 2015

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

We have completed our audit of the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Waterford School District as of and for the year ended June 30, 2015, and have issued our report dated October 20, 2015. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The first appendix to this letter sets forth those communications as follows:

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

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

II. Matters for Management's Consideration

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

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

Yeo & Yeo, P.C.

Saginaw, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and 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 May 18, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. The School District has adopted Government Accounting Standards Statement (GASB) No. 68 and 71, *Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27 and Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB Statement No. 68, respectively*. GASB No. 68 is effective July 1, 2014 and GASB 71 is effective in conjunction with GASB 68. Statement No. 68 provides guidance to improve accounting and financial reporting by state and local governments for pensions. Statement No. 71 addresses the application of the transition provisions of Statement No. 68. We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service. We have evaluated management's estimates in these areas and the process used for making the accounting estimates, the risk of material misstatement, and the indication of possible bias and disclosure and uncertainty in the financial statements.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report. We noted no bias on the calculation of the estimate.

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

Accounting Standards and Regulatory Updates

Accounting Standards

The Governmental Accounting Standards Board has released the following Statements:

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

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. The first objective of this Statement is provide the readers of the financial statements information about the effects of the pension-related transactions on the financial statements of state and local government employers. It will assist in assessing the relationship between a government's inflows of resources and its total cost (including pension expense) of providing government services each period in addition to providing information about the government's pension obligation. The second objective of this Statement is to improve the information about financial support provided by certain non-employer entities for pensions that are provided to the employees of other entities that are not within the scope of Statement No. 68. These requirements are effective for the fiscal year ending June 30, 2017. The third objective is to improve the quality of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions that are not within the scope of Statement 68 and to clarify the application of certain provisions of Statement No. 67 and 68. These requirements are effective for the fiscal year ending June 30, 2016.

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

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

The School District is evaluating the impact GASB 72 through 75 will have on its financial reporting.

Sec. 147c- State Share of Unfunded Liability – Michigan Public School Employees Retirement System (MPERS)

For 2015-16, the method in which the State will allocate the State Share of the Unfunded Liability will not change. However, the rate will increase to an estimated 10.53% of payroll. The funding was increased to accommodate the unfunded liability statutory cap of 20.96%. The UAAL rate of 10.53% is not the true percent that will be charged to your district. The amount is based on prior year payroll and could either be more or less depending on the current year payroll specific to your district. 147c payments should be a net zero, as the income (the amount received from State Aid), should equal the 147c expenditures, (the amount that must be remitted to ORS).

Audit and FID Submission Deadline

For the current year, June 30, 2015, the deadline to submit the Financial Information Database (FID) and the school district financial audits will be November 1st. This will continue to be the deadline for future fiscal years.

State Aid 2015-16

Foundation Grant (Secs. 22a, 22b, and 22c) - The Foundation Grant increases using a 2x funding formula with increases ranging from \$70 and \$140 per pupil. Also, the pupil membership blend will be 90% of the fall count plus 10% of the **previous** February count.

Categorical Offset Payments (20f) - Categorical Offset guarantees a minimum net increase of \$25 per pupil when including Foundation Allowance and At-Risk increases plus the elimination of Best Practices and Districts Performance grants.

At-Risk (Sec. 31a) - At- Risk funding will increase by \$70 million for the 2015-16 fiscal year.

Best Practice and Performance Funding Grants (Sec. 22f and 22j) - Best Practice funding is eliminated for 2015-16 fiscal year.

Early Literacy - 3rd Grade Reading (Sec. 35 and 35a) - Early Literacy funding provides \$26.4 million for early literacy improvement effort for the 2015-16 year.

Budget Transparency

The Michigan Department of Education has revised the Budget Transparency guidance to include changes made to the legislation under PA 85 of 2015. Below is a summary of the legislative changes for 2015-16:

- A district or intermediate school district (ISD) shall adopt an annual budget in a manner that complies with the uniform budgeting and accounting act.
- Three new data elements have been added to Subsection 2c, which means they apply to all schools including ISDs:
 - A written policy governing procurement of supplies, materials, and equipment.
 - A written policy establishing specific categories of reimbursable expenses.
 - An accounts payable check register for the most recent school fiscal year *or* a statement of the total amount of expenses incurred by board members or employees of the district that were reimbursed by the district for the most recent school fiscal year.
- If a district or ISD does not comply with subsection (2), the department may withhold up to 10% of the state school aid otherwise payable to the district or ISD, beginning with the next payment due to the district or ISD until the district or ISD complies. If the district or ISD does not comply with subsection (2) by the end of the fiscal year, the district or ISD forfeits the amount withheld.
- Other elements that continue to be required include:
 - Current year budgets and amendments, which must include detail by function level and beginning and ending fund balances.
 - Health care plans
 - Health benefit bids
 - Employee compensation information, which must include the Superintendent and other individuals whose wages exceed \$100,000

Uniform Grant Guidance (Super Circular)

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

Highlights of the Super Circular:

- Raises the single audit threshold from \$500,000 to \$750,000 (federal expenditures during the June 30, 2016 year end)
- Increases monitoring and risk assessment necessary by federal program offices
- Focuses heavily on internal controls and policies/procedures, which should be in compliance with COSO (Committee of Sponsoring Organizations of the Treadway Commissions)
- Additional monitoring by pass-through agencies of sub-recipients
- New rules for procurement/property management
- Cost principles are more principles based, with intention to reduce administrative burden

Additional information and resources are available at the following websites:

- OMB http://www.whitehouse.gov/omb/grants_docs

- Council on Federal Assistance Reform (COFAR) <https://cfo.gov/cofar/>
- US Department of Education <http://1.usa.gov/1rzFswz>
- EDGAR <http://1.usa.gov/1pOUq2p>

Uniform Budgeting and Accounting Act (UB&AA)

The UB&AA establishes budget and accounting requirements for schools.

- The UB&AA states that if it becomes obvious during the year that the likely revenues will be less than the budgeted revenues, the business manager (or school officer) will present recommendations to the Board which, if adopted, would prevent expenditures from exceeding available revenues for the fiscal year. It also states that the business manager of the school shall not incur expenditures against an appropriation account in excess of the amount budgeted by the Board.
- Additionally, funds should not be used for purposes that are inconsistent with the budget.
- Over-expending the budget authorized by the Board will result in noncompliance. *MDE is analyzing the general fund only, and at the total revenues, expenditures and financing sources (uses) levels, rather than at the line item level.*

Material violations of the UB&AA, including general fund deficits and material noncompliance, should be reported as financial statement findings in the audit report.

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 adjustment identified during the audit has been communicated to management and management has posted all but the following adjustment:

- Deferral of \$487,980 in eRate revenue in the General Fund due to the School District not receiving payment within 60 days.
- Bond discount of \$88,355 has been fully expensed on the statement of activities, rather than amortized.

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 above uncorrected misstatements are immaterial both, individually and in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

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

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an

accounting principle to the School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Emphasis of Matters in Independent Auditors' Report

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

Adoption of New Accounting Standard

As described in Note 1 to the financial statements, during the year ended June 30, 2015, the School District adopted GASB Statement No. 68 and GASB Statement No. 71, *Accounting and Financial Reporting for Pensions and Pension Transition for Contributions Made Subsequent to the Measurement Date, respectively*. Our opinions are not modified with respect to this matter.

Other Reports

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

Report on Required Supplementary Information

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

Report on Other Information

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

Appendix II Matters for Management's Consideration

In planning and performing our audit of the financial statements of Waterford School District as of and for the year ended June 30, 2015, we considered Waterford School District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of several matters for management's consideration that are opportunities for strengthening internal controls. This letter does not affect our report dated October 20, 2015, on the financial statements of Waterford School District. Our comments and recommendations regarding those matters are:

Parental Involvement

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

We recommend the School District carry forward the unspent parental involvement activities to the following year and properly include the amount in the budget. We also recommend the School District monitor the parental involvement activities during the year to verify this amount has been spent prior to year end.

Services to Nonpublic Schools

The School District is required to offer Title I, Part A and Title II, Part A services to pupils who are residents of the School District's eligible attendance areas and attend nonpublic schools. The School District appropriately sent request letters to the nonpublic schools during the current year; however, the returned rejection letters were not retained.

To maintain a better audit trail and to prove compliance with the grant contract, we recommend the School District retain letters of rejection of Title I, Part A and Title II, Part A services from nonpublic schools. The School District may also send these letters via certified mail to prove these letters were properly sent.

Allocation to Nonpublic Schools

During our testing of Title II, Part A, we were unable to support the allocation of funds to nonpublic schools. This allocation is based on pupil counts. We noted that some of the count figures had been carried forward from prior years, rather than updated to reflect actual counts. This caused the allocation to be incorrect. Upon further review, the nonpublic school using Title II, Part A funds did not use their full allocation, so had they been allocated more funds, it probably would not have not been spent.

We recommend the School District use the appropriate pupil counts when developing the allocation to nonpublic schools to ensure that the nonpublic schools are allocated the appropriate amount.

Salary Allocation

As a part of our audit, we select various journal entries for testing. One entry selected was an allocation of administrative salary to the Food Service Fund. Although the expense appeared reasonable, the School District did not maintain documentation that supports the amount allocated. It was based on an estimate of the time spent rather than actual time.

We recommend the School District maintains supporting documentation of any direct charges to the food service program. This should be based on actual expenses, rather than on estimates.

Prior Year Comments

- Parental Involvement – continues to be an issue; see above.
- Grant Budget Overage – corrected.
- Services to Nonpublic Schools – continues to be an issue; see above.
- Grant Reporting – corrected.