

Waterford School District

Financial Statements

June 30, 2017



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Waterford School District
Members of the Board of Education and Administration
June 30, 2017

Members of the Board of Education

Robert Petrusha, Jr.	President
Heather Halls	Vice President
Bob Piggott	Secretary
John Paul Torres	Treasurer
Mary Barghahn	Trustee
Joan Sutherland	Trustee
John Himmelspace	Trustee

Administration

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

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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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, 2016, which are not presented with the accompanying financial statements. In our report dated October 18, 2016, 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 2016 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 2016 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 2016 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 16, 2017 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.

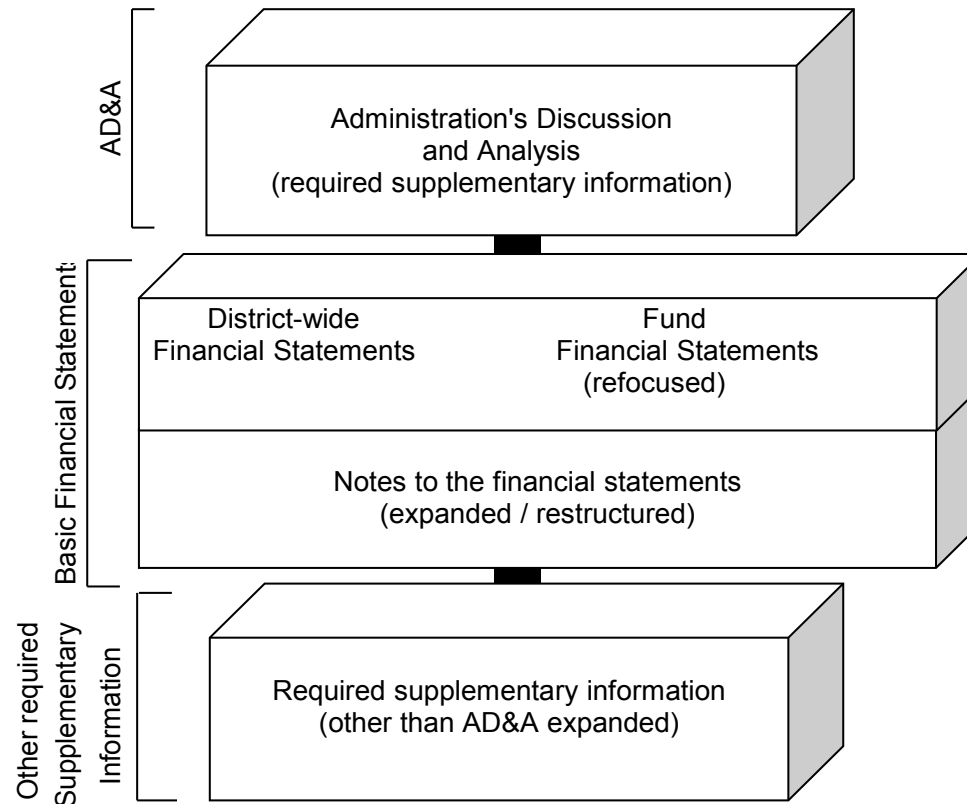
Saginaw, Michigan
October 16, 2017

ADMINISTRATION'S DISCUSSION AND ANALYSIS

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2017

Waterford School District's (the District) Administration discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position and its ability to address the next and subsequent year challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Managements Discussion Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2017.

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



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

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2017

District Wide Financial Statements

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

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

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

Fund Financial Statements

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

Fund types utilized by the District include the General Fund, Internal Service Fund, School Service Fund, Debt Retirement Fund, Capital Projects 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, 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, 2017

Financial Analysis of the District as a Whole:

Assets

	<u>2016-2017</u>	<u>2015-2016</u>	<u>Change</u>
Current assets	\$ 52,178,924	\$ 42,770,854	\$ 9,408,070
Capital assets	273,746,273	260,463,864	13,282,409
Less: accumulated depreciation	<u>(123,037,309)</u>	<u>(114,900,760)</u>	<u>(8,136,549)</u>
Capital assets, net book value	<u>150,708,964</u>	<u>145,563,104</u>	<u>5,145,860</u>
Total assets	<u>202,887,888</u>	<u>188,333,958</u>	<u>14,553,930</u>

Deferred outflows of resources

Deferred amount on refunding	136,290	159,005	(22,715)
Deferred amount of pension expense related to net pension liability	<u>20,931,151</u>	<u>17,988,222</u>	<u>2,942,929</u>
Total deferred outflows	<u>21,067,441</u>	<u>18,147,227</u>	<u>2,920,214</u>
Total assets and deferred outflows	<u>223,955,329</u>	<u>206,481,185</u>	<u>17,474,144</u>

Liabilities

Current liabilities	40,516,223	42,116,487	(1,600,264)
Long-term liabilities	<u>255,373,829</u>	<u>250,143,683</u>	<u>5,230,146</u>
Total liabilities	295,890,052	292,260,170	3,629,882

Deferred inflows of resources

Deferred amount of net pension liability	<u>16,888,138</u>	<u>12,992,940</u>	<u>3,895,198</u>
Total liabilities and deferred inflows	<u>312,778,190</u>	<u>305,253,110</u>	<u>7,525,080</u>

Net Assets

Invested in capital assets, net of related debt	62,506,533	58,676,235	3,830,298
Restricted	1,109,475	1,246,156	(136,681)
Unrestricted (deficit)	<u>(152,438,869)</u>	<u>(158,694,316)</u>	<u>6,255,447</u>
Total net assets	<u>\$ (88,822,861)</u>	<u>\$ (98,771,925)</u>	<u>\$ 9,949,064</u>

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2017

As indicated by the statement above, total fiscal year 2016-2017 and 2015-2016 net position is (\$88,822,861) and (\$98,771,925) respectively. Net position can be separated into three categories: net investment in capital assets, restricted net position, and unrestricted net position.

Net capital assets are a combination of funds available for capital assets, plus capital assets at original cost less accumulated depreciation and related debt. The original cost of capital assets for fiscal year 2016-2017 and 2015-2016 is \$273,746,273 and \$260,463,864, 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 2016-2017 and 2015-2016 is \$123,037,309 and \$114,900,760, 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 2016-2017 and 2015-2016 was \$101,489,358 and \$95,693,047, respectively.

Restricted net position for fiscal year 2016-2017 consist of Debt Service of \$1,109,475. The remaining net position of (\$152,438,869) and (\$158,694,316) for fiscal year 2016-2017 and 2015-2016, 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 Position is a result of the following factors:

- Current assets increased \$9,408,070, mainly due to an increase in funds available for General Fund and the issuance of the 2016 Series I Bonds (Capital Improvement) totaling \$12,262,166 offset by a decrease in accounts receivable and funds from other governments of \$2,686,381.
- Net Capital assets increased \$5,145,860 as a result of \$13,282,409 in capital improvements, offset by \$8,136,549 in normally scheduled depreciation. Note: during the fiscal year the district issued \$20,000,000 in 2016 Series I Bonds.
- Current liabilities decreased by \$1,600,264 mainly due to a decrease in bond principal and interest payments, offset by timing of accounts payable and Capital Projects payments.
- Long-term liabilities increased \$5,230,146 as a result of the issuance of 2016 Series I Bonds, offset by scheduled principal payments netting to \$9,053,733 (net of change in amount due within one year) and the decrease of \$3,823,587 in the District's pension liability.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2017

	<u>2016-2017</u>	<u>2015-2016</u>	<u>Change</u>
Program revenue:			
Charges for services local and intermediate	\$ 6,627,298	\$ 6,118,313	\$ 508,985
Operating grants - federal and state	38,670,982	39,296,396	(625,414)
Total revenue	45,298,280	45,414,709	(116,429)
General revenue:			
Property taxes, levied for general purposes	11,696,436	11,816,342	(119,906)
State of Michigan aid, unrestricted	57,701,537	58,108,966	(407,429)
Total foundation allowance	69,397,973	69,925,308	(527,335)
Property taxes, levied for debt service	15,523,166	15,303,503	219,663
Interest and investment earnings	31,652	50,025	(18,373)
Gain sale of capital sale	224,619	-	224,619
Other	73,219	251,179	(177,960)
	15,852,656	15,604,707	247,949
Total revenues	130,548,909	130,944,724	(395,815)
Expenses:			
Instruction	63,045,050	67,944,734	(4,899,684)
Support services	37,709,494	39,207,052	(1,497,558)
Food service	4,928,318	5,051,683	(123,365)
Pool & Fitness centers	1,015,793	784,968	230,825
Performing arts center	279,870	222,341	57,529
Childcare	1,129,878	1,118,467	11,411
Senior citizens	652,758	672,894	(20,136)
Special education center programs	6,074,675	5,155,460	919,215
Unallocated depreciation expense	3,082,367	2,808,796	273,571
Tax tribunal refunds	1,625	62,439	(60,814)
Interest on long-term debt	2,680,017	2,947,456	(267,439)
Total expenses	120,599,845	125,976,290	(5,376,445)
Change in net assets	\$ 9,949,064	\$ 4,968,434	\$ 4,980,630

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2017

As indicated above, fiscal year 2016-2017 and 2015-2016, the change in net position was \$9,949,064 and \$4,968,434, respectively.

The 2016-2017 increase in net position as compared to fiscal year 2015-2016 is due to the following factors:

Revenues:

- Local charges for services increased \$508,985, primarily due to an increase in eRate funding and facility rentals.
- Operating grants decreased \$625,414, primarily due to a decrease in Federal grants of \$1,424,992, offset by increases in Oakland Schools PA-18 Special Education funding of \$585,586 and Targeted Literacy Grant of \$173,448.
- Unrestricted State Aid decreased \$407,429 as a result of a decrease of 209 students, offset by a \$119 per student increase in foundation allowance.

Expenses:

- Instructional expenses decreased \$4,899,684 from prior year as a result of wage and benefit reductions of \$1,439,489 due to 209 fewer students, reduction in federal funding of \$1,262,173 primarily in Title I and Headstart grants and a decrease in net pension liability of \$1,690,477.
- Support services decreased by \$1,497,558 a decrease in net pension liability of \$1,690,477.
- Food Service decreased \$123,365 from last year due to lower labor and food costs.
- Pool & Fitness Centers increased \$230,825 due to increased labor cost; including benefits.
- Special Education Center Programs increased \$919,215 as a result of student demographics and related increase in student services.
- Unallocated depreciation expense increased by \$273,571 due to construction projects.
- Interest on long term debt decreased by \$267,439 due to normally scheduled principal payments, offset by a later issuance of 2016 Series I Bonds.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2017

Capital Assets and Debt Administration

Capital Assets

At June 30, 2017, the District had \$150,708,964 invested in a broad range of capital assets, including land, buildings, furniture and equipment.

	<u>2017</u>	<u>2016</u>
Capital assets		
Land	\$ 1,132,100	\$ 1,177,339
Building & additions	252,823,301	246,661,376
Buses and other vehicles	7,878,844	5,876,397
Furniture and equipment	5,600,823	5,381,353
Construction in progress	<u>6,311,205</u>	<u>1,367,399</u>
Subtotal	273,746,273	260,463,864
Less: accumulated depreciation	<u>123,037,309</u>	<u>114,900,760</u>
Net capital assets	<u><u>\$ 150,708,964</u></u>	<u><u>\$ 145,563,104</u></u>

This is an increase in net capital assets of \$5,145,860 over last year. Depreciation expense for the year is \$8,136,549. During the fiscal year, the District expended the remaining \$8,654,017 of 2003 Series V bonds, and expended \$6,810,709 of the 2016 Series I bonds. Note that not all expenditures meet the district's \$10,000 capitalization threshold to be recorded in this schedule. Construction in progress increased \$4,943,806 due to the 2016 Series I Bond projects that include Pierce Middle School building wide renovations and HVAC upgrade, as well as Donelson Hills Elementary School building-wide renovations. Additionally, both high schools received a new athletic storage facility. The District has \$13,150,637 remaining of the 2016 Series I bonds set aside for future capital projects.

Debt

At the end of this fiscal year, the District had \$96,855,000 in General Obligation Bonds outstanding. This is an increase of \$6,630,000 compared to last year due to the \$20,000,000 2016 Series I bond issuance, offset by scheduled principal payments.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2017**

Governmental Fund Revenues

Sources of Revenues:

Local sources of revenues total \$33,951,771. This is an increase of \$230,735 as compared to prior year. Included in local revenues are General Fund, Debt Fund, Special Education Center Programs Fund, Childcare Fund, Senior Citizen Fund, Pool & Fitness Fund, Performing Arts Centers Fund, Food Service Fund, and Capital Project Fund revenues. The General Fund revenues of \$14,115,862 decreased \$45,209. The Debt Fund local revenues of \$15,523,166 increased \$219,663. Special Education Center Programs revenues were \$0, which was consistent with prior year. The Childcare Fund revenues of \$1,134,977 increased \$16,510 over prior year. The Senior Citizen Fund revenues of \$449,158 decreased \$64,139 from prior year. The Pool & Fitness Center Fund of \$787,258 increased \$2,290. The Performing Arts Centers Fund had revenue of \$246,771, which was an increase of \$24,430 over prior year. The Food Service Fund revenues of \$1,666,692 increased \$99,328 over prior year as a result of an increase in menu prices. Capital Project funds of \$27,887 decreased \$22,138 from prior year.

State sources of revenue total \$75,996,313. This is an increase of \$240,716 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 \$74,355,732 increased \$105,657 over prior year. This increase is due to the foundation grant increasing \$119 per student totaling \$1,094,168, increase in the MPSERS 147c UAAL Rate Stabilization funding by \$241,284, increase in court placed (Section 24) funding of \$357,466 and an increase in Targeted Literacy of \$173,448, offset by a decrease in the number of students of 218 students totaling \$1,643,720. Included in the State sources of revenue is the membership foundation allowance of \$57,453,258 in the General Fund; a decrease of \$411,452 from prior year as explained above in regards to increased foundation allowance offset by fewer General Fund students. The Special Education Center Programs Fund of \$1,380,992 increased \$118,623 over prior year due to an increase of 9 students. The Food Service Fund of \$259,589 increased \$16,436 over prior year. State sources of revenue make up 74.12% of General Fund revenues. This ties the District directly to the State's overall economy.

Federal sources of revenue total \$10,138,227, a decrease of \$1,424,992 from prior year. This was mainly due to a decrease in free and reduced meals served totaling \$212,742, Head Start funds totaling \$527,940, and Title I funds spent of \$511,119.

Interdistrict sources of revenue total \$10,237,979, an increase of \$333,107 over prior year. The increase is largely due to an increase in funding from Oakland Schools of \$592,125 for the special education programs, offset by decreased funding from Oakland County of \$307,540 for Children's Village. The Interdistrict funding is primarily for special education.

Property Taxes

A significant portion of local revenue is provided by property taxes for the General Fund and Debt Retirement Fund. Property tax revenue totaled \$27,219,602, a decrease of \$99,757 from prior year. Total property tax revenue is obtained through a voter approved 18-mill levy on the taxable value of non-homestead properties for the District's operations and a voter approved 7.00-mill levy on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments.

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2017

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 \$7,540 for 2016-2017 and \$7,421 for 2015-2016 fiscal years. The number of students to be funded is calculated by student enrollment blended at 90% of the Fall 2017 count and 10% Supplemental Count (February 2017). Total blended student enrollment for this fiscal year is 9,289, a decrease of 209 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, School Service Funds, Federal Programs, Debt, and Capital Projects. Instruction expenditures of \$51,095,198 decreased \$1,403,771 and Support Services expenditures of \$39,083,771 decreased \$61,488. The changes in Instruction were primarily due to reductions related to decreased enrollment. Federal Program expenditures of \$7,035,041 decreased \$1,262,173 due to an decrease in the Head Start grant and the Title I grants. School Service Fund expenses of \$14,069,306 increased \$1,130,875 over prior year mainly due to Special Education Center Programs. The Debt Service Fund with expenditures of \$15,745,736 increased \$527,054 mainly as a result of scheduled principal and interest payments. The Capital Projects fund of \$15,464,726 decreased \$1,671,655 due to the completion of the 2003 Series V bond improvements.

Economic Factors and Next Year's Budgets and Rates

The Board of Education and administration consider many factors when setting the School District's 2018 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 2018 fiscal year is 90 percent and 10 percent of the Fall 2017 and Supplemental (February) 2017 student counts, respectively. The 2017 budget was adopted in June 2016, based on an estimate of students that will be enrolled in September 2016, as well as State Aid funding. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations. Since the District's revenue is heavily dependent upon state funding, actual funding depends on the state's ability to collect revenues to fund its appropriations to school districts.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2017**

Subsequent to year end 2016-2017 the District settled all 5 bargaining unit contracts. The agreements cover four years including the 2016-2017 fiscal year. For the 2016-2017 fiscal year wages remained unchanged from 2015-2016. Beginning of the 2017-2018 fiscal year, the Waterford Education Association (WEA - Teachers) will receive step movements ranging from 2.2% to 3.2% and the top step receiving \$500. The net WEA increase is 1.91%. The Michigan Education Support Personnel Association (MESPA I - Secretaries) will receive 1.91% increase. MESPA II (Instructional Aides and Library Technicians) will receive wage increases and step movements netting to 1.91% increase. MESPA III has three groups, Transportation, Custodial Maintenance, and Food Service. Transportation wages will increase to a flat \$17 per hour, Custodial Maintenance and Food service wages will increase 1.91%. The Waterford Federation of Support Personnel (WFSP) wages will increase 1.91%. Additionally, the Waterford Association of School Administrators (WASA) will receive a 1.91% net increase. Benefit agreements are on a calendar year basis. The current letter of agreement for benefits include employee contributions to healthcare for those who qualify and extends through December 31, 2018.

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 2016-2017, the budget was amended in April of 2017 to reflect the changes since the Original Budget adopted in June of 2016.

General Fund Revenues:

The General Fund budget revenues for the final budget increased by .25% as compared to the original budget.

Total revenues final budget	\$ 101,658,597
Total revenues original budget	<u>101,405,908</u>
Increase in budget revenues	<u><u>\$ 252,689</u></u>

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2017

Increase in Revenue Budget:

Significant final budget adjustments for the year include:

- Increase in Membership of 108 fte totaling \$814,320
- Increase in PA-18 (ISD Special Education) funds of \$111,859 offset by \$100,000 for Special Education Center Program fund balance reserve requirements
- Sale of Adams Elementary and Sandburg Elementary properties totaling \$266,000
- Sale of Mott High School cell tower totaling \$220,000
- Decrease in e-Rate funding of \$180,000
- Decrease in Childcare contribution by \$90,000
- Decrease in Federal grants totaling \$323,449; decrease in MiWorks!, offset by increases in IDEA and Title I

Actual General Fund Revenues vs. Final Budget:

The District's actual General Fund revenues were less than the final budget by \$1,345,251, a variance of 1.32%. This is a result of local revenues declining by \$1,149,590. This decrease is mainly due to a decrease in property taxes of \$265,274, sale of fixed assets of \$291,000 (allocated to Capital Maintenance Fund), cell tower sale of \$220,000 and deferring PEGS funds of \$120,000. State Sources increased by \$576,509 due to an increase in Special Education Non Membership funds of \$349,515, and Court Placed funds of \$235,147. Additionally, Interdistrict Sources decreased \$363,442 mainly as a result of more PA-18 funds allocated to Center Programs of \$255,036 and Oakland County funds of \$235,032 for Children's Village School. Finally, a decrease in Federal Sources of \$408,729 that are deferred into the 2017-18 fiscal year.

General Fund Expenditures:

The District's budget for expenditures decreased by .09% for the year ended June 30, 2017:

Total expenditures final budget	\$ 100,470,829
Total expenditures original budget	<u>100,562,331</u>
Increase in budget expenditures	<u>\$ (91,502)</u>

Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2017

Decrease in Expenditure Budget:

Some of the final budget adjustments for the year include:

- The change in teaching staff can be summarized:

2016-2017 General Fund	FTE Final Budget	FTE Original Budget	FTE Increase (Decrease)
Regular education teachers	395.28	388.92	6.36
Special education teachers	142.26	151.30	(9.04)
	<u>537.54</u>	<u>540.22</u>	<u>(2.68)</u>

- Increase in equipment purchases of \$75,000
- Increase in Targeted Literacy \$111,540
- Increase in G-Max of \$51,250, artificial turf sports fields, testing and training related to player impact
- Increase in text books of \$50,000
- Increase in GSRP, Great Start Readiness Program, carryover of \$75,614
- Increase in Oakland Schools software conversion of \$75,000
- Increase in water testing of \$40,000
- Increase in library software of \$25,000
- Increase in the PEG, Public Education Government (media/video distribution upgrades), Program of \$72,115
- Decrease in Federal grants totaling \$323,449; decrease in MiWorks!, offset by increases in IDEA and Title I
- Decrease in property tax refunds of \$450,000

Actual General Fund Expenditures vs. Final Budget:

The District's actual General Fund expenditures were less than the final budget by 1.86%. This decrease of \$1,873,687 is a result of a decrease in High School of \$338,141, Other Pupil Services of \$202,145, and Instructional Staff Support of \$191,413, Central Services of \$403,418 and Federal programs of \$408,729.

**Waterford School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2017**

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, 2017

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 33,914,804
Accounts receivable	1,423,235
Due from other governmental units	16,821,251
Inventory	19,467
Prepaid items	167
Capital assets not being depreciated	7,443,305
Capital assets - net of accumulated depreciation	<u>143,265,659</u>
Total assets	<u>202,887,888</u>
Deferred outflows of resources	
Deferred amount on refunding	136,290
Deferred amount relating to net pension liability	<u>20,931,151</u>
Total deferred outflows	<u>21,067,441</u>
Total assets and deferred outflows of resources	<u>223,955,329</u>
Liabilities	
Accounts payable	4,456,584
State aid and tax anticipation notes	15,000,000
Payroll deductions and withholdings	4,603,024
Accrued expenditures	831,075
Accrued salaries payable	5,800,756
Unearned revenue	294,784
Noncurrent liabilities	
Net pension liability	163,414,471
Debt due within one year	9,530,000
Debt due in more than one year	<u>91,959,358</u>
Total liabilities	<u>295,890,052</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
Deferred inflow of resources	
Deferred amount relating to net pension liability	<u>\$ 16,888,138</u>
Total liabilities and deferred inflows of resources	<u>312,778,190</u>
Net position	
Net investment in capital assets	62,506,533
Restricted	
Debt service	1,109,475
Unrestricted (deficit)	<u>(152,438,869)</u>
Total net position	<u><u>\$ (88,822,861)</u></u>

See Accompanying Notes to the Financial Statements

Waterford School District
Statement of Activities
For the Year Ended June 30, 2017

	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	\$ 63,045,050	\$ 370,955	\$ 18,327,427	\$ -	\$ (44,346,668)
Supporting services	37,709,494	1,971,487	10,168,520	-	(25,569,487)
Food services	4,928,318	1,666,692	3,591,936	-	330,310
Pool and fitness centers	1,015,793	787,258	-	-	(228,535)
Performing arts centers	279,870	246,771	-	-	(33,099)
Child care	1,129,878	1,134,977	-	-	5,099
Senior citizens	652,758	449,158	197,279	-	(6,321)
Special education center program	6,074,675	-	6,385,820	-	311,145
Unallocated depreciation expense	3,082,367	-	-	-	(3,082,367)
Tax tribunals refunds	1,625	-	-	-	(1,625)
Interest and fiscal charges on long-term debt	2,680,017	-	-	-	(2,680,017)
Total governmental activities	\$ 120,599,845	\$ 6,627,298	\$ 38,670,982	\$ -	(75,301,565)
General revenues					
Property taxes, levied for general purposes					11,696,436
Property taxes, levied for debt service					15,523,166
State aid - unrestricted					57,701,537
Interest and investment earnings					31,652
Gain on sale of capital assets					224,619
Other					73,219
Total general revenues					85,250,629
Change in net position					9,949,064
Net position - beginning					(98,771,925)
Net position - ending					\$ (88,822,861)

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	2016 Series I	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 14,912,713	\$ 16,566,332	\$ 2,435,759	\$ 33,914,804
Accounts receivable	1,421,186	-	2,049	1,423,235
Due from other funds	603,520	-	619,858	1,223,378
Due from other governmental units	16,276,707	-	544,544	16,821,251
Inventory	-	-	19,467	19,467
Prepaid items	167	-	-	167
	<u>167</u>	<u>-</u>	<u>-</u>	<u>167</u>
Total assets	<u><u>\$ 33,214,293</u></u>	<u><u>\$ 16,566,332</u></u>	<u><u>\$ 3,621,677</u></u>	<u><u>\$ 53,402,302</u></u>
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 1,118,732	\$ 3,325,859	\$ 11,993	\$ 4,456,584
State aid and tax anticipation note	15,000,000	-	-	15,000,000
Due to other funds	1,359,858	89,836	513,684	1,963,378
Payroll deductions and withholdings	4,603,024	-	-	4,603,024
Accrued expenditures	76,170	-	-	76,170
Accrued salaries payable	5,800,756	-	-	5,800,756
Unearned revenue	261,861	-	32,923	294,784
	<u>261,861</u>	<u>-</u>	<u>32,923</u>	<u>294,784</u>
Total liabilities	<u>28,220,401</u>	<u>3,415,695</u>	<u>558,600</u>	<u>32,194,696</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Balance Sheet
June 30, 2017

	<u>General Fund</u>	<u>2016 Series I</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balance				
Non-spendable				
Inventory	\$ -	\$ -	\$ 19,467	\$ 19,467
Prepaid items	167	-	-	167
Restricted				
Debt service	-	-	1,624,380	1,624,380
Capital projects	-	13,150,637	-	13,150,637
Special Education center programs	-	-	350,000	350,000
Food service	-	-	799,372	799,372
Assigned				
Capital projects	-	-	269,858	269,858
Unassigned	<u>4,993,725</u>	<u>-</u>	<u>-</u>	<u>4,993,725</u>
Total fund balance	<u>4,993,892</u>	<u>13,150,637</u>	<u>3,063,077</u>	<u>21,207,606</u>
Total liabilities and fund balance	<u><u>\$ 33,214,293</u></u>	<u><u>\$ 16,566,332</u></u>	<u><u>\$ 3,621,677</u></u>	<u><u>\$ 53,402,302</u></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, 2017

Total fund balances for governmental funds	\$ 21,207,606
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	7,443,305
Capital assets - net of accumulated depreciation	143,265,659
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from net pension liability	(16,888,138)
Deferred outflows of resources resulting from net pension liability	20,931,151
Deferred outflows of resources resulting from debt refunding	136,290
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(514,905)
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	(101,489,358)
Net pension liability	(163,414,471)
Internal Service Fund assets and liabilities are included in governmental activities in the statement of Net position	<u>500,000</u>
Net position of governmental activities	<u><u>\$ (88,822,861)</u></u>

See Accompanying Notes to the Financial Statements

Waterford School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>2016 Series I</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Local sources	\$ 14,115,862	\$ 21,043	\$ 19,814,866	\$ 33,951,771
State sources	74,355,732	-	1,640,581	75,996,313
Federal sources	6,608,601	-	3,529,626	10,138,227
Interdistrict sources	<u>5,233,151</u>	<u>-</u>	<u>5,004,828</u>	<u>10,237,979</u>
Total revenues	<u>100,313,346</u>	<u>21,043</u>	<u>29,989,901</u>	<u>130,324,290</u>
Expenditures				
Current				
Education				
Instruction	51,095,198	-	-	51,095,198
Supporting services	39,083,771	-	-	39,083,771
Federal programs	7,035,041	-	-	7,035,041
Food services	-	-	4,950,561	4,950,561
Pool and fitness centers	-	-	1,020,378	1,020,378
Performing arts centers	-	-	281,133	281,133
Child care	-	-	1,134,977	1,134,977
Senior citizens	-	-	646,437	646,437
Special education center program	-	-	6,035,820	6,035,820
Building and site	-	6,810,709	8,654,017	15,464,726

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, 2017

	General Fund	2016 Series I	Nonmajor Governmental Funds	Total Governmental Funds
Debt service				
Principal	\$ 845,000	\$ -	\$ 12,525,000	\$ 13,370,000
Interest and fiscal charges	270,650	-	3,219,111	3,489,761
Tax adjustments	<u>-</u>	<u>-</u>	<u>1,625</u>	<u>1,625</u>
Total expenditures	<u>98,329,660</u>	<u>6,810,709</u>	<u>38,469,059</u>	<u>143,609,428</u>
Excess (deficiency) of revenues over expenditures	<u>1,983,686</u>	<u>(6,789,666)</u>	<u>(8,479,158)</u>	<u>(13,285,138)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	269,858	269,858
Proceeds from sale of bonds	-	20,000,000	-	20,000,000
Discount on issuance of bonds	-	(59,697)	-	(59,697)
Transfers in	-	-	267,482	267,482
Transfers out	<u>(267,482)</u>	<u>-</u>	<u>-</u>	<u>(267,482)</u>
Total other financing sources (uses)	<u>(267,482)</u>	<u>19,940,303</u>	<u>537,340</u>	<u>20,210,161</u>
Net change in fund balance	1,716,204	13,150,637	(7,941,818)	6,925,023
Fund balance - beginning	<u>3,277,688</u>	<u>-</u>	<u>11,004,895</u>	<u>14,282,583</u>
Fund balance - ending	<u>\$ 4,993,892</u>	<u>\$ 13,150,637</u>	<u>\$ 3,063,077</u>	<u>\$ 21,207,606</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - Total governmental funds	\$ 6,925,023
Total change in net position reported for governmental activities in the statement of activities is different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(8,136,549)
Capitalized capital outlay	13,327,648
Sale of capital assets (net book value)	(45,239)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions	
Net change in pension liability	3,823,587
Net change in the deferrals of resources related to the net pension liability	(3,895,198)
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	2,942,929
Expenses are recorded when incurred in the statement of activities.	
Interest	85,889
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	13,370,000
Proceeds from issuance of bonds	(20,000,000)
Repayment of capital lease	27,422
Amortization of premiums	806,267
Amortization of deferred amount on refunding	(22,715)
Internal Service Fund revenues and expenses are included	
in governmental activities in the statement of activities	<u>740,000</u>
Change in net position of governmental activities	<u>\$ 9,949,064</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Net Position
June 30, 2017

	Internal Service Fund
	<u> </u>
Assets	
Due from other funds	\$ 740,000
Liabilities	
Workers' compensation claims payable	<u>240,000</u>
Net position	<u><u>\$ 500,000</u></u>

See Accompanying Notes to the Financial Statements

Waterford School District
Proprietary Fund
Internal Service Fund
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2017

	Internal Service Fund
	<u> </u>
Revenues	
Employee contributions	\$ 4,447,321
Charges for services	<u>35,185,037</u>
Total revenues	<u>39,632,358</u>
Expenses	
Health, dental and vision	14,738,423
Retirement	20,357,546
Social security	3,688,497
Workers compensation	<u>347,892</u>
Total expenses	<u>39,132,358</u>
Net income	500,000
Net position - beginning	<u>-</u>
Net position - ending	<u><u>\$ 500,000</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, 2017

	Internal Service Fund
	<hr/>
Cash flows from operating activities	
Employee contributions	\$ 4,447,321
Charges for services	34,685,037
Health, dental and vision	(14,738,423)
Retirement	(20,357,546)
Social security	(3,688,497)
Workers' compensation	(347,892)
	<hr/>
Net cash used by operating activities	-
Cash and cash equivalents - beginning of year	<hr/> -
Cash and cash equivalents - end of year	<hr/> <hr/> \$ -
Reconciliation of operating income to net cash from operating activities	
Change in net position	\$ 500,000
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in assets and liabilities	
Due from other funds	<hr/> (500,000)
Net cash provided by operating activities	<hr/> <hr/> \$ -

See Accompanying Notes to the Financial Statements

Waterford School District
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2017

	<u>Agency Funds</u>
Assets	
Cash	<u>\$ 1,186,309</u>
Liabilities	
Due to agency fund activities	<u>\$ 1,186,309</u>

See Accompanying Notes to the Financial Statements

Waterford School District
Notes to the Financial Statements
June 30, 2017

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

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

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

Waterford School District
Notes to the Financial Statements
June 30, 2017

the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

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

The School District reports the following major governmental funds:

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

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

Additionally, the School District reports the following fund types:

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

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

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

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

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

Assets, Liabilities and Net Position Equity

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

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

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

Waterford School District

Notes to the Financial Statements

June 30, 2017

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2017, the rates are as follows per \$1,000 of assessed value.

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

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

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

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

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at 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. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability in the following year.

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

Waterford School District
Notes to the Financial Statements
June 30, 2017

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

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

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

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

For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of

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

Fund 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.

Waterford School District

Notes to the Financial Statements

June 30, 2017

Use of Estimates

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

Eliminations and Reclassifications

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

Adoption of New Accounting Standards

Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

Upcoming Accounting and Reporting Changes

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.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. The effective date is for the fiscal year ending June 30, 2018.

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

Waterford School District
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June 30, 2017

Note 2 - Stewardship, Compliance, and Accountability
Budgetary Information

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

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

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

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

Excess of Expenditures over Appropriations

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Support			
Central	\$ 4,086,545	\$ 4,709,739	\$ 623,194
Transfers out	117,633	267,482	149,849
Pool and Fitness Center	872,869	1,020,378	147,509
Special Education Center	5,094,672	6,035,820	941,148
Performing Arts Center	209,814	281,133	71,319

District-Wide Deficits

The School District has an unrestricted net position deficit for District-Wide activities in the amount of \$152,438,869 as of June 30, 2017. There are no individual funds with a deficit.

Compliance Bond Proceeds

The Capital Projects 2016 Series I 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:

2016 Series I

Proceeds from issuance of bonds	\$ 20,000,000
Discount on bond	(59,697)
Interest revenue	21,043
Expenditures	(6,810,709)
	<u>\$ 13,150,637</u>

Waterford School District

Notes to the Financial Statements

June 30, 2017

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	\$ 33,914,804	\$ 1,186,309	\$ 35,101,113

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 35,086,998
Petty cash and cash on hand	14,115
Total	\$ 35,101,113

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, \$34,258,467 of the School District's bank balance of \$35,595,450 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	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,177,339	\$ -	\$ 45,239	\$ 1,132,100
Construction-in-progress	1,367,399	6,311,205	1,367,399	6,311,205
Total capital assets not being depreciated	2,544,738	6,311,205	1,412,638	7,443,305
Capital assets being depreciated				
Buildings and additions	246,661,376	6,161,925	-	252,823,301
Equipment and furniture	5,381,353	219,470	-	5,600,823
Buses and other vehicles	5,876,397	2,002,447	-	7,878,844
Total capital assets being depreciated	257,919,126	8,383,842	-	266,302,968
Less accumulated depreciation for				
Buildings and additions	106,271,781	7,474,110	-	113,745,891
Equipment and furniture	4,546,641	196,746	-	4,743,387
Buses and other vehicles	4,082,338	465,693	-	4,548,031
Total accumulated depreciation	114,900,760	8,136,549	-	123,037,309
Net capital assets being depreciated	143,018,366	247,293	-	143,265,659
Net capital assets	\$ 145,563,104	\$ 6,558,498	\$ 1,412,638	\$ 150,708,964

Waterford School District
Notes to the Financial Statements
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Depreciation expense was charged to activities of the School District as follows:

Governmental activities

Instruction	\$ 4,881,706
Support services	97,277
Senior citizens	9,225
Special education center program	65,974
Unallocated	<u>3,082,367</u>
Total governmental activities	<u>\$ 8,136,549</u>

Construction Contracts

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

	Remaining Construction Commitment at Year End	Contract Payable at Year End
Capital Projects	<u>\$ 9,262,205</u>	<u>\$ 3,325,859</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.

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:

	Unearned revenue
Prepayment of student meals	\$ 32,923
Computer deposits	2,700
Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>259,161</u>
Total	<u>\$ 294,784</u>

Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
2016 Series I	General Fund	\$ 89,836
General Fund	Nonmajor governmental funds	619,858
Nonmajor governmental funds	General Fund	513,684
General Fund	Internal Service Fund	<u>740,000</u>
		<u>\$ 1,963,378</u>

Waterford School District
Notes to the Financial Statements
June 30, 2017

Note 7 - Leases

Operating Lease

The School District leases 19 buses under non-cancelable operating leases. Total costs for such leases were \$243,775 for the year ended June 30, 2017. The future minimum lease payments for the leases are as follows:

Year ending June 30,	
2018	\$ 243,775
2019	<u>173,222</u>
Total	<u>\$ 416,997</u>

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 90,225,000	\$ 20,000,000	\$ 13,370,000	\$ 96,855,000	\$ 9,530,000
Capital lease	27,422	-	27,422	-	-
Premium on bonds	<u>5,440,625</u>	<u>-</u>	<u>806,267</u>	<u>4,634,358</u>	<u>-</u>
Total	<u>\$ 95,693,047</u>	<u>\$ 20,000,000</u>	<u>\$ 14,203,689</u>	<u>\$ 101,489,358</u>	<u>\$ 9,530,000</u>

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:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>

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.

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

\$20,000,000 serial bond due in annual installments ranging from \$1,000,000 to \$1,500,000 through 2027, interest ranging from 2.00% to 3.00%	\$ 14,000,000
\$26,150,000 serial bond due in annual installments ranging from \$1,530,000 to \$4,560,000 through 2023, interest ranging from 2.00% to 5.00%	18,955,000
\$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%	16,425,000
\$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%	9,595,000
\$15,000,000 serial bond due in annual installments ranging from \$840,000 to \$1,245,000 through 2030, interest ranging from 2.00% to 3.125%	13,415,000
\$20,000,000 serial bond due in annual installments ranging from \$610,000 to \$1,360,000 through 2036, interest ranging from 2.00% to 3.00%	19,390,000
\$6,755,000 Energy bond due in annual installments ranging from \$640,000 to \$915,000 through 2023, interest ranging from 2.00% to 5.00%	<u>5,075,000</u>
Total general obligation bonded debt	<u>\$ 96,855,000</u>

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

	Principal	Interest	Total
Year Ending June 30,			
2018	\$ 9,530,000	\$ 3,229,263	\$ 12,759,263
2019	10,615,000	2,882,013	13,497,013
2020	11,735,000	2,482,188	14,217,188
2021	9,840,000	2,028,788	11,868,788
2022	10,430,000	1,674,738	12,104,738
2023-2027	27,320,000	4,609,562	31,929,562
2028-2032	12,235,000	1,624,696	13,859,696
2033-2036	<u>5,150,000</u>	<u>393,750</u>	<u>5,543,750</u>
Total	<u>\$ 96,855,000</u>	<u>\$ 18,924,998</u>	<u>\$ 115,779,998</u>

The general obligation bonds are payable from the Debt Service Funds, except for the Energy bond which is paid from the general fund. As of year-end, the debt funds had a balance of \$1,624,380 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest expenditures for the fiscal year were \$3,489,761.

Deferred Amount on Refunding

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

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred amount on refunding	\$ 159,005	\$ -	\$ 22,715	\$ 136,290

Waterford School District

Notes to the Financial Statements

June 30, 2017

Note 9 - 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.

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

	2017	2016
Estimated liability at the beginning of the year	\$ 240,000	\$ 240,000
Estimated claims incurred including changes in estimates	288,056	319,783
Claim payments	<u>(288,056)</u>	<u>(319,783)</u>
Estimated liability end of year	<u>\$ 240,000</u>	<u>\$ 240,000</u>

The School District is subject to Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis.

Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District.

Note 10 - Pension Plans and Post-Employment Benefits

Plan Description

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

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

Benefits Provided

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

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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.

Contributions and Funding Status

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20 year period for the plan's 2016 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	18.95%
Member Investment Plan	3.0 - 7.0	18.95%
Pension Plus	3.0 - 6.4	17.73%
Defined Contribution	0.0	14.56%

Required contributions to the pension plan from the School District were \$14,708,124 for the year ending September 30, 2016.

Net Pension Liability

June 30, 2017, the School District reported a liability of \$163,414,471 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2015. 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, 2016, the School District's proportionate share percent was .6550 percent, which was a decrease of .0297 percent since the prior measurement date.

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

For the year ended June 30, 2017, the School District recognized total pension expense of \$11,905,037. The School District's actual contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately \$9,800,000, \$8,900,000, and \$11,700,000, respectively.

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Notes to the Financial Statements
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At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,036,576	\$ 387,296
Changes in assumptions	2,554,857	-
Net difference between projected and actual earnings on pension plan investments	2,715,947	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	181,960	11,549,472
Employer contributions subsequent to the measurement date	13,441,811	4,951,370
	<u>\$ 20,931,151</u>	<u>\$ 16,888,138</u>

\$13,441,811 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. \$4,951,370 reported as deferred inflows of resources relating to pensions resulting from employer contributions subsequent to the measurement date are 147c revenues received that will be recognized in the year ended June 30, 2018 when the related payments reduce the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30	Amount:
2017	\$ (2,383,525)
2018	(2,597,035)
2019	867,306
2020	<u>(334,174)</u>
Total	<u>\$ (4,447,428)</u>

Actuarial Assumptions

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

Waterford School District

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Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2015
- Actuarial Cost Method: Entry Age, Normal
- 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: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA (for men, 140% of the table rates for ages 0-79, 133% of the table rates for ages 80-84, and 121.8% of the table rates for ages over 84 were used and for women, 96% of the table rates were used).

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 total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.6273 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report (CAFR) (www.michigan.gov/mpsers-cafr).

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, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.9%
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
	<u>100.0%</u>	

*Long term rate of return does not include 2.1% inflation

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

Waterford School District

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member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-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%
\$ 210,436,706	\$ 163,414,471	\$ 123,770,206

*Non-university employers, the Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR. See the 2016 MPERS CAFR (www.michigan.gov/mpers-cafr).

Payables to the Pension Plan

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

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.

For the periods July 1, 2016 through September 30, 2016, and October 1, 2016 through June 30, 2017, the employer contribution rate ranged from 6.40% to 6.83% and 5.69% to 5.91%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately \$3,100,000, \$3,400,000, and \$1,800,000 respectively.

Waterford School District
Notes to the Financial Statements
June 30, 2017

Unfunded Accrued Liability

During the year ending June 30, 2017, the School District had contributions in the amount of \$6,793,866 to the MPSERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 11.70% for the year ending June 30, 2017.

Note 11 - 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, 2017.

Note 12 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions Waterford Township. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. Taxes abated were immaterial to the School District for the year ending June 30, 2017.

Note 13 - Subsequent Events

Subsequent to year end, the School District issued a bond in the amount of \$50,000,000 with interest ranging from 2.00-3.00%.

Subsequent to year end, the School District issued a State Aid Note for \$13,500,000 plus interest at 2.25%.

REQUIRED SUPPLEMENTARY INFORMATION

Waterford School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 14,963,567	\$ 15,265,451	\$ 14,115,862	\$ (1,149,589)
State sources	73,616,828	73,779,223	74,355,732	576,509
Federal sources	7,340,779	7,017,330	6,608,601	(408,729)
Interdistrict sources	5,484,734	5,596,593	5,233,151	(363,442)
Total revenues	101,405,908	101,658,597	100,313,346	(1,345,251)
Expenditures				
Current				
Instruction				
Basic programs	24,879,507	25,136,646	24,494,631	(642,015)
Added needs	13,102,559	12,854,386	12,731,968	(122,418)
Employee benefits	14,197,516	13,853,032	13,868,599	15,567
Supporting services				
Pupil	7,712,891	7,764,226	7,745,388	(18,838)
Instructional staff	1,982,293	2,091,263	1,899,850	(191,413)
General administration	1,176,867	1,235,588	1,210,095	(25,493)
School administration	3,870,334	3,883,647	3,877,989	(5,658)
Business	10,008,042	10,210,559	9,993,815	(216,744)
Central	3,882,036	4,086,545	4,709,739	623,194
Athletics	1,498,423	1,548,423	1,547,688	(735)
Civic	108,058	106,358	104,411	(1,947)
Employee benefits	9,465,010	9,036,975	7,994,796	(1,042,179)

Waterford School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Federal programs	\$ 7,714,394	\$ 7,429,898	\$ 7,035,041	\$ (394,857)
Teacher retirement savings	(300,000)	-	-	-
Debt service				
Principal	1,115,650	845,000	845,000	-
Interest and fiscal charges	-	270,650	270,650	-
	<u>100,413,580</u>	<u>100,353,196</u>	<u>98,329,660</u>	<u>(2,023,536)</u>
Total expenditures				
Excess of revenues over expenditures	<u>992,328</u>	<u>1,305,401</u>	<u>1,983,686</u>	<u>678,285</u>
Other financing sources (uses)				
Transfers out	<u>(148,751)</u>	<u>(117,633)</u>	<u>(267,482)</u>	<u>(149,849)</u>
Net change in fund balance	843,577	1,187,768	1,716,204	528,436
Fund balance - beginning	<u>3,277,688</u>	<u>3,277,688</u>	<u>3,277,688</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,121,265</u>	<u>\$ 4,465,456</u>	<u>\$ 4,993,892</u>	<u>\$ 528,436</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,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A. School District's proportion of net pension liability (%)	0.66%	0.68%	0.73%							
B. School District's proportionate share of net pension liability	\$ 163,414,471	\$ 167,238,058	\$ 160,486,652							
C. School District's covered-employee payroll	\$ 53,274,188	\$ 57,421,142	\$ 61,986,820							
D. School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	306.74%	291.25%	258.90%							
E. Plan fiduciary net position as a percentage of total pension liability	63.27%	63.17%	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,									
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A.	Statutorily required contributions	\$ 9,792,111	\$ 8,926,955	\$ 11,660,435							
B.	statutorily required contributions	<u>9,792,111</u>	<u>8,926,955</u>	<u>11,660,435</u>							
C.	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
D.	School District's covered-employee payroll	\$ 52,042,873	\$ 53,717,246	\$ 58,630,710							
E.	Contributions as a percentage of covered-employee payroll	18.82%	16.62%	19.89%							

Note: Benefit Changes - There were no changes of benefit terms in 2017. Changes in Assumptions - There were no changes of benefit assumptions in 2017.

OTHER SUPPLEMENTARY INFORMATION

Waterford School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Special Revenue Funds/School Service Funds						
	Special Education Center Programs	Child Care	Senior Citizens	Pool and Fitness Centers	Performing Arts Centers	Food Service	Total Special Revenue Funds
Assets							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 811,379	\$ 811,379
Accounts receivable	-	-	-	-	-	2,049	2,049
Due from other governmental units	-	-	-	-	-	544,544	544,544
Due from other funds	350,000	-	-	-	-	-	350,000
Inventory	-	-	-	-	-	19,467	19,467
Total assets	\$ 350,000	\$ -	\$ -	\$ -	\$ -	\$ 1,377,439	\$ 1,727,439
Liabilities and fund balance							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,993	\$ 11,993
Due to other funds	-	-	-	-	-	513,684	513,684
Unearned revenue	-	-	-	-	-	32,923	32,923
Total liabilities	-	-	-	-	-	558,600	558,600
Fund balance							
Non-spendable							
Inventory	-	-	-	-	-	19,467	19,467
Restricted							
Debt retirement	-	-	-	-	-	-	-
Center Programs	350,000	-	-	-	-	-	350,000
Food service	-	-	-	-	-	799,372	799,372
Assigned							
Capital projects	-	-	-	-	-	-	-
Total fund balance	350,000	-	-	-	-	818,839	1,168,839
Total liabilities and fund balance	\$ 350,000	\$ -	\$ -	\$ -	\$ -	\$ 1,377,439	\$ 1,727,439

Waterford School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Debt Service Funds							
	1999 Series II & III Refunding	2003 Series III	2013 Refunding	2014 Series IV	2014 Refunding	2003 Series V	2016 Series I	Total Debt Service Funds
Assets								
Cash and cash equivalents	\$ -	\$ 253,956	\$ 487,394	\$ 222,086	\$ 315,581	\$ 169,124	\$ 176,239	\$ 1,624,380
Accounts receivable	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 253,956</u>	<u>\$ 487,394</u>	<u>\$ 222,086</u>	<u>\$ 315,581</u>	<u>\$ 169,124</u>	<u>\$ 176,239</u>	<u>\$ 1,624,380</u>
Liabilities and fund balance								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance								
Non-spendable								
Inventory	-	-	-	-	-	-	-	-
Restricted								
Debt retirement	-	253,956	487,394	222,086	315,581	169,124	176,239	1,624,380
Center Programs	-	-	-	-	-	-	-	-
Food service	-	-	-	-	-	-	-	-
Assigned								
Capital projects	-	-	-	-	-	-	-	-
Total fund balance	<u>-</u>	<u>253,956</u>	<u>487,394</u>	<u>222,086</u>	<u>315,581</u>	<u>169,124</u>	<u>176,239</u>	<u>1,624,380</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 253,956</u>	<u>\$ 487,394</u>	<u>\$ 222,086</u>	<u>\$ 315,581</u>	<u>\$ 169,124</u>	<u>\$ 176,239</u>	<u>\$ 1,624,380</u>

Waterford School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	<u>Capital Projects</u>			<u>Total Non Major Funds</u>
	<u>Building Maintenance</u>	<u>2003 Series V</u>	<u>Total Capital Projects</u>	
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 2,435,759
Accounts receivable	-	-	-	2,049
Due from other governmental units	-	-	-	544,544
Due from other funds	269,858	-	269,858	619,858
Inventory	-	-	-	19,467
Total assets	<u>\$ 269,858</u>	<u>\$ -</u>	<u>\$ 269,858</u>	<u>\$ 3,621,677</u>
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 11,993
Due to other funds	-	-	-	513,684
Unearned revenue	-	-	-	32,923
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>558,600</u>
Fund balance				
Non-spendable				
Inventory	-	-	-	19,467
Restricted				
Debt retirement	-	-	-	1,624,380
Center Programs	-	-	-	350,000
Food service	-	-	-	799,372
Assigned				
Capital projects	269,858	-	269,858	269,858
Total fund balance	<u>269,858</u>	<u>-</u>	<u>269,858</u>	<u>3,063,077</u>
Total liabilities and fund balance	<u>\$ 269,858</u>	<u>\$ -</u>	<u>\$ 269,858</u>	<u>\$ 3,621,677</u>

Waterford School District
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2017

	Special Revenue Funds/School Service Funds						
	Special Education Center Programs	Child Care	Senior Citizens	Pool and Fitness Centers	Performing Arts Centers	Food Service	Total
Revenues							
Local sources	\$ -	\$ 1,134,977	\$ 449,158	\$ 787,258	\$ 246,771	\$ 1,666,692	\$ 4,284,856
State sources	1,380,992	-	-	-	-	259,589	1,640,581
Federal sources	-	-	197,279	-	-	3,332,347	3,529,626
Interdistrict sources	5,004,828	-	-	-	-	-	5,004,828
Total revenues	6,385,820	1,134,977	646,437	787,258	246,771	5,258,628	14,459,891
Expenditures							
Current							
Instruction	2,672,753	-	-	-	-	-	2,672,753
Supporting services	3,363,067	1,134,977	449,158	1,020,378	281,133	1,618,214	7,866,927
Federal programs	-	-	197,279	-	-	3,332,347	3,529,626
Building and site	-	-	-	-	-	-	-
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Tax tribunal refunds	-	-	-	-	-	-	-
Total expenditures	6,035,820	1,134,977	646,437	1,020,378	281,133	4,950,561	14,069,306
Excess (deficiency) of revenues over expenditures	350,000	-	-	(233,120)	(34,362)	308,067	390,585
Other financing sources							
Transfers in	-	-	-	233,120	34,362	-	267,482
Proceeds from sale of fixed assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	233,120	34,362	-	267,482
Net change in fund balance	350,000	-	-	-	-	308,067	658,067
Fund balance - beginning	-	-	-	-	-	510,772	510,772
Fund balance - ending	<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 818,839</u>	<u>\$ 1,168,839</u>

Waterford School District
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2017

	Debt Service Funds							
	1999 Series II & III Refunding	2003 Series III	2013 Refunding	2014 Series IV	2014 Refunding	2003 Series V	2016 Series I	Total Debt Service
Revenues								
Local sources	\$ 4,655,487	\$ 1,785,451	\$ 3,157,385	\$ 1,680,890	\$ 1,826,836	\$ 1,369,361	\$ 1,047,756	\$ 15,523,166
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interdistrict sources	-	-	-	-	-	-	-	-
Total revenues	<u>4,655,487</u>	<u>1,785,451</u>	<u>3,157,385</u>	<u>1,680,890</u>	<u>1,826,836</u>	<u>1,369,361</u>	<u>1,047,756</u>	<u>15,523,166</u>
Expenditures								
Current								
Instruction	-	-	-	-	-	-	-	-
Supporting services	-	-	-	-	-	-	-	-
Federal programs	-	-	-	-	-	-	-	-
Building and site	-	-	-	-	-	-	-	-
Debt service								
Principal	5,120,000	1,500,000	2,050,000	1,125,000	1,280,000	840,000	610,000	12,525,000
Interest	204,800	352,500	1,050,250	441,288	543,750	365,506	261,017	3,219,111
Tax tribunal refunds	-	-	-	500	125	500	500	1,625
Total expenditures	<u>5,324,800</u>	<u>1,852,500</u>	<u>3,100,250</u>	<u>1,566,788</u>	<u>1,823,875</u>	<u>1,206,006</u>	<u>871,517</u>	<u>15,745,736</u>
Excess (deficiency) of revenues over expenditures	<u>(669,313)</u>	<u>(67,049)</u>	<u>57,135</u>	<u>114,102</u>	<u>2,961</u>	<u>163,355</u>	<u>176,239</u>	<u>(222,570)</u>
Other financing sources								
Transfers in	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(669,313)	(67,049)	57,135	114,102	2,961	163,355	176,239	(222,570)
Fund balance - beginning	<u>669,313</u>	<u>321,005</u>	<u>430,259</u>	<u>107,984</u>	<u>312,620</u>	<u>5,769</u>	<u>-</u>	<u>1,846,950</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 253,956</u>	<u>\$ 487,394</u>	<u>\$ 222,086</u>	<u>\$ 315,581</u>	<u>\$ 169,124</u>	<u>\$ 176,239</u>	<u>\$ 1,624,380</u>

Waterford School District
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2017

	<u>Capital Projects</u>			<u>Total Non Major Funds</u>
	<u>Building Maintenance</u>	<u>2003 Series V</u>	<u>Total Capital Projects</u>	
Revenues				
Local sources	\$ -	\$ 6,844	\$ 6,844	\$ 19,814,866
State sources	-	-	-	1,640,581
Federal sources	-	-	-	3,529,626
Interdistrict sources	-	-	-	5,004,828
Total revenues	-	6,844	6,844	29,989,901
Expenditures				
Current				
Instruction	-	-	-	2,672,753
Supporting services	-	-	-	7,866,927
Federal programs	-	-	-	3,529,626
Building and site	-	8,654,017	8,654,017	8,654,017
Debt service				
Principal	-	-	-	12,525,000
Interest	-	-	-	3,219,111
Tax tribunal refunds	-	-	-	1,625
Total expenditures	-	8,654,017	8,654,017	38,469,059
Excess (deficiency) of revenues over expenditures	-	(8,647,173)	(8,647,173)	(8,479,158)
Other financing sources				
Transfers in	-	-	-	267,482
Proceeds from sale of capital assets	269,858	-	269,858	269,858
Total other financing sources (uses)	269,858	-	269,858	537,340
Net change in fund balance	269,858	(8,647,173)	(8,377,315)	(7,941,818)
Fund balance - beginning	-	8,647,173	8,647,173	11,004,895
Fund balance - ending	<u>\$ 269,858</u>	<u>\$ -</u>	<u>\$ 269,858</u>	<u>\$ 3,063,077</u>

Waterford School District
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2016 and 2015

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 14,912,713	\$ 9,173,371
Accounts receivable	1,421,186	2,589,401
Due from other funds	603,520	170,543
Due from other governmental units	16,276,707	18,109,672
Inventory	-	182,967
Prepaid items	<u>167</u>	<u>9,950</u>
Total assets	<u><u>\$ 33,214,293</u></u>	<u><u>\$ 30,235,904</u></u>
Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 1,118,732	\$ 1,207,304
State aid anticipation note payable	15,000,000	15,000,000
Due to other funds	1,359,858	502,931
Payroll deductions and withholdings	4,603,024	3,143,738
Accrued expenditures	76,170	76,170
Accrued salaries payable	5,800,756	6,757,822
Unearned revenue	<u>261,861</u>	<u>270,251</u>
Total liabilities	<u>28,220,401</u>	<u>26,958,216</u>
Fund balance		
Non-spendable		
Inventory	-	182,967
Prepaid items	167	9,950
Unassigned	<u>4,993,725</u>	<u>3,084,771</u>
Total fund balance	<u>4,993,892</u>	<u>3,277,688</u>
Total liabilities and fund balance	<u><u>\$ 33,214,293</u></u>	<u><u>\$ 30,235,904</u></u>

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2017

	Final Budget	Actual	Actual Over (Under) Budget
Local sources			
Property Taxes	\$ 11,876,710	\$ 11,190,598	\$ (686,112)
Other Taxes & Penalties	85,000	505,838	420,838
Preschool	233,635	225,782	(7,853)
Outdoor Education	82,800	64,835	(17,965)
Summer Academy	145,976	74,737	(71,239)
Mail Services	18,419	11,507	(6,912)
Waterford Foundation	76,514	72,308	(4,206)
Summer SLAM	-	3,420	3,420
eRate	451,384	502,952	51,568
Facility Use	150,000	64,119	(85,881)
Sale of Fixed Assets	291,000	-	(291,000)
School & Community Services	60,000	86,502	26,502
Food Service Contribution	315,000	326,542	11,542
Vending	55,000	13,747	(41,253)
Child Care Contribution	110,000	48,286	(61,714)
High school parking passes	20,000	15,409	(4,591)
Medicaid	500,000	520,244	20,244
Athletics	115,000	120,627	5,627
Hockey	38,344	-	(38,344)
Cell Tower Lease	14,600	29,340	14,740
Cell Tower Sale	220,000	-	(220,000)
Robotics (WIRED)	6,750	-	(6,750)

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2017

	Final Budget	Actual	Actual Over (Under) Budget
Local sources (continued)			
PEGS	\$ 120,000	\$ -	\$ (120,000)
MiWorks	63,965	-	(63,965)
New Gateway Lease	135,354	198,360	63,006
Great Start Readiness Program	-	2,181	2,181
Miscellaneous	<u>80,000</u>	<u>38,528</u>	<u>(41,472)</u>
 Total local sources	 <u>15,265,451</u>	 <u>14,115,862</u>	 <u>(1,149,589)</u>

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2017

	Final Budget	Actual	Actual Over (Under) Budget
State sources			
Membership	\$ 54,629,792	\$ 54,791,884	\$ 162,092
Membership-Special Education	2,699,878	2,661,374	(38,504)
Property Tax Refunds	150,000	39,679	(110,321)
MPSERS Cost Offset 147a	766,651	766,651	
MPSERS UAAL Rate Stabilization 147c	6,793,866	6,793,866	-
At-Risk	2,929,083	2,879,411	(49,672)
Special Education, Non-membership	2,284,517	2,634,032	349,515
Vocation Education	104,026	109,408	5,382
GSRP	1,717,149	1,629,278	(87,871)
Court Placed	1,134,976	1,370,123	235,147
Data Collection	235,023	234,675	(348)
Graduation Alliance	211,120	208,600	(2,520)
Computer Adaptive Tests	-	47,677	47,677
Dual Enrollment	-	1,110	1,110
MiWorks	-	2,016	2,016
Targeted Literacy	118,142	173,448	55,306
First Robotics	5,000	12,500	7,500
	<u>73,779,223</u>	<u>74,355,732</u>	<u>576,509</u>
Total state sources			

Waterford School District
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2017

	Final Budget	Actual	Actual Over (Under) Budget
Interdistrict sources			
Oakland Schools	\$ 5,142,049	\$ 4,887,013	\$ (255,036)
Oakland Schools - Foreign Exchange Students	-	30,000	30,000
Oakland Schools - PA 18 Transportation	50,000	107,197	57,197
Vocational Millage	154,544	154,354	(190)
Educator Evaluation Grant	-	39,619	39,619
C.V.S. Oakland County	<u>250,000</u>	<u>14,968</u>	<u>(235,032)</u>
 Total interdistrict sources	 <u>5,596,593</u>	 <u>5,233,151</u>	 <u>(363,442)</u>
 Total revenue before federal sources	 94,641,267	 93,704,745	 (936,522)
Federal sources	<u>7,017,330</u>	<u>6,608,601</u>	<u>(408,729)</u>
 Total revenues	 <u>\$ 101,658,597</u>	 <u>\$ 100,313,346</u>	 <u>\$ (1,345,251)</u>

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Actual				Actual
		Supplies and Expenses	Total	Final Budget	Over (Under) Budget
	Salaries				
Basic program - elementary					
General Ed	\$ 8,885,195	\$ 339,975	\$ 9,225,170	\$ 9,301,262	\$ (76,092)
Spanish	229,807	2,831	232,638	196,821	35,817
Science	-	75,933	75,933	75,898	35
Phys Ed	264,393	4,921	269,314	320,839	(51,525)
Music-Fine Arts	234,048	9,831	243,879	254,827	(10,948)
Art-Fine Arts	242,699	14,429	257,128	277,401	(20,273)
Total elementary	9,856,142	447,920	10,304,062	10,427,048	(122,986)
Basic program - middle school					
General Ed	3,804,709	147,623	3,952,332	4,028,238	(75,906)
Music-Fine Arts	404,131	28,620	432,751	416,857	15,894
Art-Fine Arts	96,603	6,724	103,327	105,888	(2,561)
Physical Ed	223,568	4,016	227,584	229,760	(2,176)
Outdoor Ed	6,720	58,893	65,613	82,800	(17,187)
Total middle school	4,535,731	245,876	4,781,607	4,863,543	(81,936)
Basic program - high school					
General Ed	4,625,598	295,370	4,920,968	4,937,543	(16,575)
Durant High School	663,221	491,835	1,155,056	1,310,805	(155,749)
Cyber Academy	59,755	84,932	144,687	218,735	(74,048)
Robotics - Best Buy Grant	1,526	1,095	2,621	7,176	(4,555)
Music-Fine Arts	437,620	10,251	447,871	405,097	42,774
Art-Fine Arts	263,586	14,268	277,854	330,454	(52,600)
Physical Ed	193,397	3,293	196,690	197,365	(675)

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Salaries	Actual Supplies and Expenses	Total	Final Budget	Actual Over (Under) Budget
Basic program - high school (continued)					
Graduation Alliance (formerly WAY O/S)	\$ -	\$ 51,150	\$ 51,150	\$ 100,000	\$ (48,850)
International Academy	42,412	352,429	394,841	422,704	(27,863)
Total high school	6,287,115	1,304,623	7,591,738	7,929,879	(338,141)
Basic program - summer school					
Summer Success - Lit & Math	-	-	-	1,300	(1,300)
Summer Slam/Success - Lit & Math	-	-	-	300	(300)
Summer Academy	84,116	52,528	136,644	130,707	5,937
Total summer school	84,116	52,528	136,644	132,307	4,337
Basic program - Pre-K programs					
Preschool	165,485	109,445	274,930	337,635	(62,705)
GSRP	828,524	577,126	1,405,650	1,446,234	(40,584)
Total Pre-K programs	994,009	686,571	1,680,580	1,783,869	(103,289)
Added needs - special education programs					
Emot Impaired	166,525	112,768	279,293	414,633	(135,340)
Educ Ment Imp	149,025	105,298	254,323	254,199	124
CI - Local	222,858	134,446	357,304	409,716	(52,412)
CI (TMI)	412,025	280,841	692,866	684,095	8,771
AI	432,135	277,693	709,828	695,402	14,426
AI - Summer	1,418	1,653	3,071	31,961	(28,890)
AI - Pierce	146,670	85,209	231,879	242,945	(11,066)
AI - H.S.	178,211	116,051	294,262	273,703	20,559

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Actual				Actual
	Supplies and Expenses			Final Budget	Over (Under) Budget
	Salaries		Total		
Added needs - special education programs (continued)					
SCI	\$ 43,040	\$ 32,918	\$ 75,958	\$ 111,432	\$ (35,474)
CVS Reg	677,486	463,119	1,140,605	1,172,167	(31,562)
CVS EI	478,634	372,338	850,972	825,900	25,072
CVS Summer School	42,640	29,854	72,494	61,911	10,583
Sec Res Teacher	1,158,957	811,143	1,970,100	1,818,727	151,373
Elementary Teacher	724,855	480,506	1,205,361	1,121,408	83,953
EI Middle School	77,221	39,425	116,646	137,442	(20,796)
EI High School	96,438	53,686	150,124	150,050	74
Resource/Speech	-	6,392	6,392	19,210	(12,818)
IDEA local	354,843	321,630	676,473	649,673	26,800
SXI local	135,280	91,822	227,102	313,145	(86,043)
Total special education programs	5,498,261	3,816,792	9,315,053	9,387,719	(72,666)
Added needs - compensatory education					
31A	1,170,902	919,991	2,090,893	2,146,174	(55,281)
Targeted Literacy	50,096	106,638	156,734	87,142	69,592
Northwest Evaluation Association	-	835	835	6,800	(5,965)
Eng/Second Language	115,590	68,319	183,909	222,263	(38,354)
Total compensatory education	1,336,588	1,095,783	2,432,371	2,462,379	(30,008)

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Actual				Actual
		Supplies and Expenses	Total	Final Budget	Over (Under) Budget
	Salaries				
Added needs - vocational education					
Gen Voc Ed	\$ 922,848	\$ 42,150	\$ 964,998	\$ 989,838	\$ (24,840)
Vocational Millage	-	6,662	6,662	1,500	5,162
Robotics	3,000	9,884	12,884	12,950	(66)
Total vocational education	925,848	58,696	984,544	1,004,288	(19,744)
Total Instruction	29,517,810	7,708,789	37,226,599	37,991,032	(764,433)
Pupils					
Guidance-Mid	420,053	83	420,136	401,791	18,345
Guidance-HS	582,278	763	583,041	546,520	36,521
31A Counselors	232,144	155,263	387,407	392,490	(5,083)
Alt. H.S.-Durant - Hall Monitors	32,129	15,071	47,200	46,226	974
Alt. H.S.-Durant - Counselors	81,263	67,844	149,107	125,421	23,686
Other Pupil Serv	198,175	172,682	370,857	573,002	(202,145)
SXI Local - Nurse	7,199	18,720	25,919	19,387	6,532
SXI Local - Psych	9,004	6,895	15,899	14,971	928
SXI Local - Speech	27,495	29,732	57,227	44,560	12,667
SXI Local - Social Worker	2,773	1,934	4,707	3,138	1,569
SXI Local - Adaptive PE	18,303	7,085	25,388	17,201	8,187
Elementary EI	144,249	90,671	234,920	218,726	16,194
CI Health	21,374	14,568	35,942	74,610	(38,668)
CI Speech	8,899	8,608	17,507	14,505	3,002
CI Social Worker	-	-	-	17,079	(17,079)
Gen Spec Ed	123,170	74,769	197,939	336,699	(138,760)
LD - Teacher Consultant	304,195	207,062	511,257	475,057	36,200
CI Local - O.T.	15,093	6,421	21,514	24,953	(3,439)

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Actual				Actual
	Supplies and Expenses			Final Budget	Over (Under) Budget
	Salaries		Total		
Pupils (continued)					
CI Local - Psych	\$ 6,357	\$ 4,331	\$ 10,688	\$ 10,362	\$ 326
CI Local - Speech	35,723	26,205	61,928	57,533	4,395
CI Local - Social Worker	10,481	6,680	17,161	16,853	308
CI Local - Adaptive P.E.	6,916	3,283	10,199	10,716	(517)
CI (TMI) - O.T.	3,282	1,600	4,882	7,171	(2,289)
CI (TMI) - Psych	7,675	5,842	13,517	12,288	1,229
CI (TMI) - Social Worker	6,972	5,398	12,370	10,554	1,816
CI (TMI) - Adaptive P.E.	-	-	-	74,551	(74,551)
AI - O.T.	30,640	13,645	44,285	53,906	(9,621)
AI - Psych	12,085	8,839	20,924	19,226	1,698
AI - Speech	31,450	21,469	52,919	54,993	(2,074)
AI - Social Worker	66,278	48,621	114,899	105,467	9,432
AI M.S. - O.T.	8,907	4,923	13,830	15,326	(1,496)
AI M.S. - Psych	5,117	3,989	9,106	7,815	1,291
AI M.S. - Social Worker	31,133	21,159	52,292	50,975	1,317
AI H.S. - O.T.	9,787	5,374	15,161	15,953	(792)
AI H.S. - Psych	5,117	3,824	8,941	8,227	714
AI H.S. - Speech	17,164	7,993	25,157	29,002	(3,845)
AI H.S. - Social Worker	22,783	17,716	40,499	35,941	4,558
SCI - O.T. & P.T.	3,380	1,642	5,022	7,450	(2,428)
SCI - Psych	7,675	5,737	13,412	13,094	318
SCI - Speech	5,259	2,468	7,727	6,831	896
SCI - Social Worker	11,747	8,857	20,604	19,430	1,174
SCI - Adaptive P.E.	4,699	2,111	6,810	5,678	1,132
Early Intervention - O.T. & P.T.	55,744	96,603	152,347	140,366	11,981
Early Intervention - Psych	6,628	5,425	12,053	10,314	1,739
Early Intervention - Speech	48,195	35,144	83,339	74,389	8,950

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Actual				Actual
	Supplies and Expenses			Final Budget	Over (Under) Budget
	Salaries		Total		
Pupils (continued)					
Early Intervention - TC	\$ 113,783	\$ 80,686	\$ 194,469	\$ 172,464	\$ 22,005
CVS - EI, P.T. & O.T.	3,818	942	4,760	7,938	(3,178)
CVS - EI , Psychologist	23,880	13,163	37,043	40,276	(3,233)
CVS - EI , Speech	3,980	2,054	6,034	6,712	(678)
CVS - EI , Social Worker	32,072	27,917	59,989	50,548	9,441
EI - Middle School - OT	3,149	1,811	4,960	5,871	(911)
EI - Middle School - PT	2,377	1,971	4,348	3,874	474
EI - Middle School, Speech	421	195	616	-	616
EI Middle School, Social Worker	42,989	20,397	63,386	68,099	(4,713)
EI High School - PT	27	19	46	-	46
EI Middle & High School - Psych	4,754	3,941	8,695	7,562	1,133
EI Middle & High School - Psych	62,973	41,025	103,998	101,227	2,771
Resource/Speech	83,828	62,296	146,124	137,092	9,032
Resource Room - Secondary	76,342	46,170	122,512	117,824	4,688
GSRP - Behavior Counseling	37,165	28,594	65,759	42,996	22,763
GSRP - Social Worker	-	-	-	12,973	(12,973)
Sub Abuse Prevention	62,261	39,460	101,721	113,351	(11,630)
Speech Serv	570,351	399,075	969,426	948,087	21,339
Social Serv	525,691	364,677	890,368	730,811	159,557
Psychologist	316,015	210,341	526,356	473,064	53,292
31A Social Workers	241,829	164,011	405,840	390,419	15,421
Summer Academy	1,972	915	2,887	3,082	(195)
Robotics (WIRED)	-	4,012	4,012	10,000	(5,988)
Cyber Academy	27,044	21,105	48,149	50,031	(1,882)
Voc Ed Millage	25,879	11,972	37,851	49,178	(11,327)
Total pupils	4,951,590	2,793,798	7,745,388	7,764,226	(18,838)

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Actual				Actual
	Supplies and Expenses			Final Budget	Over (Under) Budget
	Salaries		Total		
Instructional staff					
Staff Development	\$ 267,085	\$ 230,763	\$ 497,848	\$ 456,069	\$ 41,779
English as a Second Language	28,730	13,235	41,965	46,563	(4,598)
Cyber Academy	18,678	8,014	26,692	37,548	(10,856)
Math Categorical	-	18,671	18,671	19,835	(1,164)
Secondary Ed Curriculum	47,339	-	47,339	69,495	(22,156)
Voc Ed Millage	22,600	40,078	62,678	50,132	12,546
Voc Ed Millage Admin	21,354	23,547	44,901	53,734	(8,833)
Vocational	79,903	745	80,648	82,407	(1,759)
Music -Fine Arts Adm	-	13,421	13,421	16,896	(3,475)
Substance Abuse & Prevention	-	-	-	3,300	(3,300)
GSRP - On Site Regional Support	-	8,376	8,376	8,200	176
GSRP - Library Tech	4,598	2,026	6,624	10,005	(3,381)
GSRP - Instructional Support	80,492	55,329	135,821	150,241	(14,420)
GSRP - Summer	4,281	1,922	6,203	-	6,203
Physical Ed - Adm	-	-	-	430	(430)
Special Ed Adm	176,090	144,405	320,495	357,799	(37,304)
CI (TMI)	-	3,553	3,553	30,200	(26,647)
Local SXI	-	-	-	465	(465)
Library-Elem	107,223	6,854	114,077	98,089	15,988
Library-Middle	18,473	3,051	21,524	33,228	(11,704)
Library-HS	18,678	6,380	25,058	30,081	(5,023)
Library Services	17,566	30,000	47,566	63,955	(16,389)
Library - Preschool	8,236	4,074	12,310	19,350	(7,040)
Preschool - Conference	-	1,300	1,300	2,500	(1,200)
Wtfd Found Grant	4,500	70,847	75,347	76,514	(1,167)
Talent Development Program	7,993	10,677	18,670	24,060	(5,390)
North Central Association	-	16,113	16,113	28,867	(12,754)
Targeted Literacy Grant	828	5,887	6,715	31,000	(24,285)
Durant Foundation	21,178	224,643	245,821	290,000	(44,179)
Summer SLAM	-	114	114	300	(186)
Total instructional staff	955,825	944,025	1,899,850	2,091,263	(191,413)

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Salaries	Actual Supplies and Expenses	Total	Final Budget	Actual Over (Under) Budget
General administration					
Board of Ed	\$ 72,840	\$ 353,038	\$ 425,878	\$ 378,620	\$ 47,258
Executive Adm	274,240	8,067	282,307	277,594	4,713
Instruction - Director	202,837	236,065	438,902	517,266	(78,364)
Instruction - Curriculum & Assessment	23,404	39,604	63,008	62,108	900
Total general administration	573,321	636,774	1,210,095	1,235,588	(25,493)
School administration					
Elem Principal	1,276,746	95,150	1,371,896	1,345,855	26,041
Mid Principal	596,622	63,404	660,026	643,617	16,409
HS Principal	1,110,688	53,516	1,164,204	1,200,437	(36,233)
Pre School Principal	41,705	24,958	66,663	66,650	13
CVS Principal	196,871	144,025	340,896	350,094	(9,198)
Alt. H.S.-Durant	155,181	109,214	264,395	260,525	3,870
GSRP Principal	-	261	261	500	(239)
Summer SLAM	-	-	-	700	(700)
Summer Academy	5,564	4,084	9,648	15,269	(5,621)
Total school administration	3,383,377	494,612	3,877,989	3,883,647	(5,658)
Business					
Fiscal Services	564,541	69,598	634,139	601,387	32,752
Utilities	-	2,284,927	2,284,927	2,004,587	280,340
Operations	930,160	1,600,607	2,530,767	2,641,352	(110,585)
Maintenance	139,267	946,985	1,086,252	1,258,074	(171,822)
Stadium Field Maintenance	-	1,250	1,250	1,250	-
Facility Use	11,764	1,485	13,249	-	13,249
Transportation	1,659,136	1,158,765	2,817,901	2,886,418	(68,517)
Transportation - Instruction	-	2,161	2,161	7,500	(5,339)

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Salaries	Actual Supplies and Expenses	Total	Final Budget	Actual Over (Under) Budget
Business (continued)					
Transportation - Athletics & Other	\$ -	\$ 107,984	\$ 107,984	\$ 87,305	\$ 20,679
Transportation - SpEd Work Experience	-	2,259	2,259	37,816	(35,557)
Purchasing	-	6,170	6,170	7,750	(1,580)
Print & Copy	-	1,369	1,369	4,581	(3,212)
Mail Services	-	14,796	14,796	18,419	(3,623)
Other Services	-	200,720	200,720	312,433	(111,713)
Safety & Security	31,454	196,254	227,708	256,687	(28,979)
Capital Improvement Projects	9,075	53,088	62,163	85,000	(22,837)
	<u>3,345,397</u>	<u>6,648,418</u>	<u>9,993,815</u>	<u>10,210,559</u>	<u>(216,744)</u>
Total business					
Central					
Computer Services	418,888	6,712	425,600	489,124	(63,524)
Central Enrollment/Pupil Accounting	123,447	4,814	128,261	128,689	(428)
Research & Evaluation	94,820	29,015	123,835	128,900	(5,065)
School Community Services	110,483	75,749	186,232	177,995	8,237
Human Resources	267,811	23,829	291,640	334,665	(43,025)
M.I.S.	217,563	253,058	470,621	492,432	(21,811)
M.I.S. - Communication	-	1,295,912	1,295,912	1,391,666	(95,754)
PEG Program - Cable	-	132,508	132,508	72,115	60,393
Other Services	-	1,655,130	1,655,130	370,959	1,284,171
Contingency	-	-	-	500,000	(500,000)
Employee Benefits	425,605	21,437,790	21,863,395	22,890,007	(1,026,612)
	<u>1,658,617</u>	<u>24,914,517</u>	<u>26,573,134</u>	<u>26,976,552</u>	<u>(403,418)</u>
Total central					
Total supporting services	<u>14,868,127</u>	<u>36,432,144</u>	<u>51,300,271</u>	<u>52,161,835</u>	<u>(861,564)</u>
Total local share of expenditures	<u>44,385,937</u>	<u>44,140,933</u>	<u>88,526,870</u>	<u>90,152,867</u>	<u>(1,625,997)</u>

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Salaries	Actual Supplies and Expenses	Total	Final Budget	Actual Over (Under) Budget
Athletics					
Athletics	\$ 485,669	\$ 1,062,019	\$ 1,547,688	\$ 1,510,079	\$ 37,609
Hockey	-	-	-	38,344	(38,344)
Total athletics	485,669	1,062,019	1,547,688	1,548,423	(735)
Civic activity					
Facility Use	677	5,465	6,142	65,739	(59,597)
GSRP	-	3,801	3,801	8,500	(4,699)
Community Education	4,927	89,541	94,468	32,119	62,349
Total civic activity	5,604	98,807	104,411	106,358	(1,947)
Federal programs	3,500,410	3,108,191	6,608,601	7,017,330	(408,729)
Other local match					
Headstart	213,076	138,526	351,602	337,350	14,252
Title III Limited English Proficiency	1,200	980	2,180	-	2,180
Success	8,544	5,569	14,113	22,070	(7,957)
MiWorks!	-	2,023	2,023	-	2,023
Medicaid	30,385	26,137	56,522	53,148	3,374
Total local federal	253,205	173,235	426,440	412,568	13,872
Total Federal Share	3,753,615	3,281,426	7,035,041	7,429,898	(394,857)

Waterford School District
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended June 30, 2017

	Salaries	Actual Supplies and Expenses	Total	Final Budget	Actual Over (Under) Budget
Debt service					
Principal	\$ -	\$ 845,000	\$ 845,000	\$ 845,000	\$ -
Interest	-	270,650	270,650	270,650	-
Total debt service	-	1,115,650	1,115,650	1,115,650	-
Interfund transfers					
School service fund	-	267,482	267,482	117,633	149,849
Total expenditures	<u>\$ 48,630,825</u>	<u>\$ 49,966,317</u>	<u>\$ 98,597,142</u>	<u>\$ 100,470,829</u>	<u>\$ (1,873,687)</u>

Waterford School District
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2017

Year Ending June 30,	2003 Series III	2013 Refunding	2014 Series IV	2014 Refunding	2003 Series V	2016 Series I	Energy Refunding Bonds	Total
2018	\$ 1,500,000	\$ 2,550,000	\$ 1,175,000	\$ 1,785,000	\$ 865,000	\$ 785,000	\$ 870,000	\$ 9,530,000
2019	1,500,000	3,550,000	1,200,000	1,790,000	885,000	800,000	890,000	10,615,000
2020	1,500,000	4,560,000	1,225,000	1,815,000	905,000	815,000	915,000	11,735,000
2021	1,500,000	2,575,000	1,275,000	1,810,000	930,000	835,000	915,000	9,840,000
2022	1,500,000	2,575,000	1,300,000	2,395,000	960,000	855,000	845,000	10,430,000
2023	1,500,000	3,145,000	1,325,000	-	985,000	880,000	640,000	8,475,000
2024	1,500,000	-	1,375,000	-	1,015,000	905,000	-	4,795,000
2025	1,500,000	-	1,425,000	-	1,050,000	935,000	-	4,910,000
2026	1,000,000	-	1,475,000	-	1,085,000	960,000	-	4,520,000
2027	1,000,000	-	1,500,000	-	1,125,000	995,000	-	4,620,000
2028	-	-	1,550,000	-	1,165,000	1,025,000	-	3,740,000
2029	-	-	1,600,000	-	1,200,000	1,055,000	-	3,855,000
2030	-	-	-	-	1,245,000	1,095,000	-	2,340,000
2031	-	-	-	-	-	1,130,000	-	1,130,000
2032	-	-	-	-	-	1,170,000	-	1,170,000
2033	-	-	-	-	-	1,210,000	-	1,210,000
2034	-	-	-	-	-	1,265,000	-	1,265,000
2035	-	-	-	-	-	1,315,000	-	1,315,000
2036	-	-	-	-	-	1,360,000	-	1,360,000
Total	<u>\$ 14,000,000</u>	<u>\$ 18,955,000</u>	<u>\$ 16,425,000</u>	<u>\$ 9,595,000</u>	<u>\$ 13,415,000</u>	<u>\$ 19,390,000</u>	<u>\$ 5,075,000</u>	<u>\$ 96,855,000</u>
Principal payments due the first day of	May	May	May	May	May	May	August	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	May and November	August and February	
Interest rate	2.00% - 3.00%	2.00% - 5.00%	2.00% - 3.10%	2.00% - 5.00%	2.00% - 3.125%	2.00% - 3.00%	2.00 - 5.00%	
Original issue	<u>\$ 20,000,000</u>	<u>\$ 26,150,000</u>	<u>\$ 20,000,000</u>	<u>\$ 13,455,000</u>	<u>\$ 15,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 6,755,000</u>	



October 16, 2017

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, 2017, and have issued our report dated October 16, 2017. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 1, 2017. 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 Board Statement (GASB) No. 77, *Tax Abatement Disclosures*, effective July 1, 2016. The Statement requires disclosures of tax abatement information. We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

Accounting Standards and Regulatory Updates

Accounting Standards

The Governmental Accounting Standards Board has released the following Statements:

Statement No. 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.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. The effective date is for the fiscal year ending June 30, 2018.

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

Regulatory and Other Updates

Cybersecurity Posture

Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. A recent study showed as many as four out of five U.S. companies have suffered from an attack. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached.

Risk assessment is a first step in mitigating cybersecurity risks and improving your School District's overall cybersecurity posture. The National Institute of Standards and Technology published *Framework for Improving Critical Infrastructure Cybersecurity*, which "enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving the security and resilience of critical infrastructure." The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at www.nist.gov.

Placing significant emphasis on evaluating your School District's cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat, and help lessen the impact of a breach.

Audit and FID Submission Deadline

The deadline to submit the Financial Information Database (FID) and school district financial audits will be November 1st. This will continue to be the deadline for future fiscal years as it is now State Law.

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. School districts implemented 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 is the source for guidance that school districts will follow. 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>
- MDE http://www.michigan.gov/mde/0,4615,7-140-5236_76204---,00.html

Implementation of Federal Grant Procurement Standards is Delayed

In May 2017, the federal government granted an additional one-year delay for implementation of the procurement standards under the Uniform Guidance. The grace period now extends through December 25, 2017. Therefore entities with fiscal years beginning on or after December 26, 2017 must have procurement standards, for federal expenditures, that meet the more stringent requirements of 2 CFR 200.317 to 326. For school districts, it will apply to fiscal year 2019 and therefore, must be in place starting July 1, 2018. If your School District did not previously adopt and implement procurement policies and procedures in accordance with 2 CFR 200 you should go through the appropriate channels to elect and document usage of the additional grace period year. The grace period decision and documentation should go through the same process as the adoptions of procurement policies. It is imperative that your procurement policies – whatever they are documented as – be followed. The Uniform Guidance and the old guidance in the OMB Circulars provide minimum requirements that must be covered by an entity's procurement policies. If an entity's policies are stricter than the federal rules, the entity policies still must be followed. As you adopt new procurement policies, we also recommend that you consider separate policies for federal and non-federal expenditures to ease the administrative burden of certain federal requirements.

Fiscal Year (FY) 2018 School Aid

The School Aid budget for FY 2018 was not signed until late July. Following are some significant highlights of the bill:

- The per pupil Foundation Grants for FY 2018 will increase by a range of \$60 to \$120 using the "2X formula." The increase will be added to the FY 2017 foundation grant resulting in the lowest foundation for FY 2018 being \$7,631 and the maximum state guaranteed foundation being \$8,289.
- The Pupil Membership Blend will remain at 90% of the current school year October count and 10% of the prior school year February count.
- The Section 31a At-Risk funding is increased by \$120,011,800 to \$499,000,000. Eligibility is expanded from free lunch eligible pupils to include pupils eligible for reduced price lunch, TANF, SNAP, or migrant, homeless, or pupils in foster care. Hold Harmless and Out of Formula districts are now eligible, but will be capped at 30% of the per pupil allowance. Districts that are currently eligible would receive approximately \$777 per pupil and newly eligible districts would receive approximately \$233 per pupil.
- The per pupil funding under Sections 20f(2) and 20f(4) will be equal to the per pupil funding under those Sections in 2016-17.
- Section 147c is reduced by approximately \$22.0 million to reflect higher rates of return on investments.
- Shared Time Instruction for Nonpublic and Homeschool Pupils Section 23f caps the maximum FTE for which a nonpublic school pupil may be counted in a shared-time program at 0.75 FTE per pupil.

Boilerplate changes include:

- A New Section 160 has been added which requires districts seeking a waiver to begin the school year before Labor Day to hold a public hearing with the MDE in the district before the waiver can be granted.

- A New Section 164g has been added which imposes a penalty on any district using State Aid funds to pay expenses related to legal action against the state.
- A New Section 164h has been added to state that there will be a state school aid penalty for a district or ISD that enters into a collective bargaining agreement that fails to comply with requirements including prohibitions on the automatic deduction of union dues from payroll and racial or religious preferences in hiring.

Early Warning

Pursuant to Public Act 109 of 2015, each school district and public school academy that has a General Fund balance less than 5% of total unrestricted general revenue for either of the 2014-2015 or 2015-2016 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI). The budget assumption data collection period begins June 1, 2017 and is open through July 7, 2017. The Department of Treasury will not declare potential fiscal stress based solely on a school district's or public school academy's budget assumption data.

Uniform Budgeting and Accounting Act (UBAA)

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

Unclaimed Property

Beginning in 2018, the State of Michigan will require the filing of zero balance reports for businesses and governmental agencies who hold property on behalf of others, such as uncashed payroll or vendor checks and other items comprising unclaimed property. This is a revision from the most recent change in 2012, which only encouraged, but did not require, reporting of zero unclaimed property situations. Under the negative attestation requirement, businesses and governmental agencies must ensure they are filing even in situations where entities have no unclaimed property.

Current rules require unclaimed property to be identified as of March 31st of each year and reported to the State on or before July 1. Property that has reached its applicable dormancy period (generally one year or three years) as of March 31 must be remitted with and reported on Michigan State Form 2011, *Michigan Holder Transmittal for Annual Report of Unclaimed Property* and the appropriate annual reporting form (there are separate forms for cash & safe deposit boxes and for securities). If the holder (business or government entity) has more than ten items to report, they must use electronic media for the annual report. The due date for this filing is July 1 (or the next work day if the 1st is on a weekend).

These rules remain unchanged, except that beginning in 2018, the negative attestation requirement will go into effect. Free software is available on the State of Michigan web site at <http://www.michigan.gov/treasury/>. The web site is a valuable resource for information regarding the law, filing requirements and related penalties, including the 33 page *Manual for Reporting Unclaimed Property*.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

- In the General Fund, eRate revenue was recognized during fiscal year 2016 in the amount of \$223,172 that should have been recognized during fiscal year 2017 due to timing of payments (receipt did not occur within 60 days of year end).
- Bond discounts from previous years were fully expensed, resulting in passed adjustments in the current year that have the cumulative effect of understating net position in the governmental activities of \$160,875.

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

Management has determined that the effects of the uncorrected misstatements attached 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.

Other Reports

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

Report on Required Supplementary Information

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

Report on Other Supplementary Information

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

Appendix II

Matters for Management's Consideration

In planning and performing our audit of the financial statements of Waterford School District as of and for the year ended June 30, 2017, 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 16, 2017, on the financial statements of Waterford School District. Our comments and recommendations regarding those matters are:

Signature Stamp for Checks

As a part of gaining an understanding of internal controls over cash activity at various buildings, we became aware that some buildings use a signature stamp for checks when the principal is not at the building. Signature stamps can be used by anyone if not properly safeguarded. Although we did not identify any suspicious activity, a signature stamp can open the School District to unwanted consequences.

In order to protect the School District and its employees from potential fraud or abuse, we recommend all signature stamps are removed from the School District and only authorized signers sign checks.

Parental Involvement

The School District did not distribute 95% of the amount reserved for parental involvement to schools receiving Title I, Part A. 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. The School District should develop a means to ensure the required amount is spent on an annual basis.

Prior Year Comments

- Parental Involvement – issue remains, see above
- Salary Allocation – corrected
- School Cash Receipting Procedures – corrected
- Signature Stamp for Checks – issue remains, see above
- Personnel Records - corrected
- Maintenance of Effort – management has concluded the Oakland Schools calculation is sufficient.
- Proportionate Share – corrected.

Waterford School District

Single Audit Report

June 30, 2017



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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, 2017, 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 16, 2017.

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.

A handwritten signature in cursive script that reads "Yeo & Yeo, P.C.".

Saginaw, Michigan
October 16, 2017

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

Independent Auditors' Report

Management and the Board of Education
Waterford School District

Report on Compliance for Each Major Federal Program

We have audited Waterford School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Waterford School District's major federal programs for the year ended June 30, 2017. Waterford School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Waterford School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Waterford School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Waterford School District's basic financial statements. We issued our report thereon dated October 16, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our

opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 16, 2017

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2016	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2017	Cash Transferred Subrecipients
U.S. Department of Agriculture										
Passed through Michigan Department of Education										
Child Nutrition Cluster										
Non-cash assistance (commodities)										
Entitlement Commodities	10.555	N/A	\$ 287,007	\$ -	\$ -	\$ 287,007	\$ 287,007	\$ -	\$ -	\$ -
Cash assistance										
National School Breakfast Program	10.553	161970	990,481	69,539	894,330	165,690	96,151	-	-	-
National School Breakfast Program		171970	845,298	-	-	670,952	845,298	-	174,346	-
				<u>69,539</u>	<u>894,330</u>	<u>836,642</u>	<u>941,449</u>	<u>-</u>	<u>174,346</u>	<u>-</u>
National School Lunch Program	10.555	161960	2,111,881	136,805	1,887,783	360,903	224,098	-	-	-
National School Lunch Program		171960	1,779,326	-	-	1,426,497	1,779,326	-	352,829	-
National School Lunch After School Snack Program		161980	16,260	3,239	16,056	3,443	204	-	-	-
National School Lunch After School Snack Program		171980	789	-	-	647	789	-	142	-
				<u>140,044</u>	<u>1,903,839</u>	<u>1,791,490</u>	<u>2,004,417</u>	<u>-</u>	<u>352,971</u>	<u>-</u>
Summer Food Service Program for Children	10.559	160900	69,962	9,489	9,489	69,962	60,473	-	-	-
Summer Food Service Program for Children		161900	7,246	986	986	7,246	6,260	-	-	-
Summer Food Service Program for Children		170900	15,611	-	-	-	15,611	-	15,611	-
Summer Food Service Program for Children		171900	1,616	-	-	-	1,616	-	1,616	-
				<u>10,475</u>	<u>10,475</u>	<u>77,208</u>	<u>83,960</u>	<u>-</u>	<u>17,227</u>	<u>-</u>
Total Child Nutrition Cluster				<u>220,058</u>	<u>2,808,644</u>	<u>2,992,347</u>	<u>3,316,833</u>	<u>-</u>	<u>544,544</u>	<u>-</u>
Direct Program										
Farm to School Grant Program	10.575	N/A	98,227	13,815	82,713	13,815	-	-	-	-
Farm to School Grant Program		N/A	15,514	-	-	15,514	15,514	-	-	-
				<u>13,815</u>	<u>82,713</u>	<u>29,329</u>	<u>15,514</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture				<u>233,873</u>	<u>2,891,357</u>	<u>3,021,676</u>	<u>3,332,347</u>	<u>-</u>	<u>544,544</u>	<u>-</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, 2017

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2016	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2017	Cash Transferred Subrecipients
U.S. Department of Labor										
Passed through Oakland County Department of Health										
Employment Services Cluster										
Wagner-Peyser Employment Service	17.207	PY-15	\$ 118,343	\$ 38,583	\$ 70,289	\$ 86,637	\$ 48,054	\$ -	\$ -	\$ -
Wagner-Peyser Employment Service		PY-16	102,236	-	-	42,246	66,573	-	24,327	-
Total Employment Services Cluster				38,583	70,289	128,883	114,627	-	24,327	-
RESEA	17.225	PY-15	31,958	4,508	31,958	4,508	-	-	-	-
RESEA		PY-16	29,584	-	-	20,288	28,507	-	8,219	-
				4,508	31,958	24,796	28,507	-	8,219	-
TGAAA	17.245	PY-15	25,850	13,133	13,133	25,850	12,717	-	-	-
TGAAA		PY-16	25,182	-	-	-	17,821	-	17,821	-
				13,133	13,133	25,850	30,538	-	17,821	-
TAA Admin	17.245	PY-16	8,000	-	-	8,000	8,000	-	-	-
Workforce Investment Act Cluster										
WIOA Admin	17.258	PY-15	13,665	4,029	8,321	9,373	5,344	-	-	-
WIOA Admin		PY-16	30,047	-	-	18,522	30,046	-	11,524	-
				4,029	8,321	27,895	35,390	-	11,524	-
WIOA Adult	17.258	PY-15	180,913	14,549	123,000	72,462	57,913	-	-	-
WIOA Adult		PY-16	130,633	-	-	31,331	69,376	-	38,045	-
				14,549	123,000	103,793	127,289	-	38,045	-
WIA One Stop	17.258	PY-15	11,972	9,582	9,582	9,582	-	-	-	-
WIOA One Stop	17.258	PY-16	57,581	-	-	48,506	54,999	-	6,493	-

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Waterford School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2016	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2017	Cash Transferred Subrecipients
WIOA Youth Services	17.259	PY-15	\$ 138,388	\$ 54,651	\$ 120,633	\$ 72,406	\$ 17,755	\$ -	\$ -	\$ -
WIOA Youth Services		PY-16	116,782	-	-	63,128	95,938	-	32,810	-
				<u>54,651</u>	<u>120,633</u>	<u>135,534</u>	<u>113,693</u>	<u>-</u>	<u>32,810</u>	<u>-</u>
WIOA Disabled Worker	17.277	PY-15	200,690	17,066	180,690	37,066	20,000	-	-	-
WIOA Disabled Worker		PY-16	174,432	-	-	125,926	151,467	-	25,541	-
				<u>17,066</u>	<u>180,690</u>	<u>162,992</u>	<u>171,467</u>	<u>-</u>	<u>25,541</u>	<u>-</u>
Total Workforce Investment Act Cluster				<u>99,877</u>	<u>442,226</u>	<u>488,302</u>	<u>502,838</u>	<u>-</u>	<u>114,413</u>	<u>-</u>
Total U.S. Department of Labor				<u>156,101</u>	<u>557,606</u>	<u>675,831</u>	<u>684,510</u>	<u>-</u>	<u>164,780</u>	<u>-</u>
U.S. Department of Education										
Passed through Michigan Department of Education										
Title I Grants to Local Educational Agencies	84.010	16 1530 1516	1,832,496	801,368	1,645,839	956,987	155,619	-	-	-
Title I Grants to Local Educational Agencies		17 1530 1617	1,551,310	-	-	742,721	1,232,493	-	489,772	-
				<u>801,368</u>	<u>1,645,839</u>	<u>1,699,708</u>	<u>1,388,112</u>	<u>-</u>	<u>489,772</u>	<u>-</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	16 1700 1415	569,235	198,250	-	242,051	43,801	-	-	-
Title I State Agency Program for Neglected and Delinquent Children and Youth		17 1700 1617	635,700	-	-	223,779	479,395	-	255,616	-
				<u>198,250</u>	<u>-</u>	<u>465,830</u>	<u>523,196</u>	<u>-</u>	<u>255,616</u>	<u>-</u>
Passed through Oakland Schools										
Special Education Cluster										
Special Education Grants to States	84.027A	150450	2,544,326	99,429	140,390	99,429	-	-	-	-
Special Education Grants to States		160450	2,531,725	1,752,405	2,493,843	1,759,620	39,271	-	32,056	-
Special Education Grants to States		170450	2,644,602	-	-	1,344,963	2,585,495	-	1,240,532	-
				<u>1,851,834</u>	<u>2,634,233</u>	<u>3,204,012</u>	<u>2,624,766</u>	<u>-</u>	<u>1,272,588</u>	<u>-</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, 2017

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2016	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2017	Cash Transferred Subrecipients
Special Education - Preschool	84.173A	150460	\$ 74,718	\$ 6,654	\$ 6,654	\$ 6,654	\$ -	\$ -	\$ -	\$ -
Special Education - Preschool		160460	72,985	72,985	72,985	72,985	-	-	-	-
Special Education - Preschool		170460	60,880	-	-	27,325	55,724	-	28,399	-
				<u>79,639</u>	<u>79,639</u>	<u>106,964</u>	<u>55,724</u>	<u>-</u>	<u>28,399</u>	<u>-</u>
Total Special Education Cluster				<u>1,931,473</u>	<u>2,713,872</u>	<u>3,310,976</u>	<u>2,680,490</u>	<u>-</u>	<u>1,300,987</u>	<u>-</u>
Direct Program										
English Language Acquisition State Grants	84.365A	1605801516	115,466	38,186	58,590	39,353	1,167	-	-	-
English Language Acquisition State Grants		1705801617	126,717	-	-	29,792	53,602	-	23,810	-
				<u>38,186</u>	<u>58,590</u>	<u>69,145</u>	<u>54,769</u>	<u>-</u>	<u>23,810</u>	<u>-</u>
Passed through Oakland Schools										
English Language Acquisition State Grants	84.365	170570-1516	22,751	-	-	-	8,830	-	8,830	-
Passed through Michigan Department of Education										
Supporting Effective Instruction State Grants	84.367	1605201516	351,596	149,318	300,622	170,078	20,760	-	-	-
Supporting Effective Instruction State Grants		1705201617	331,377	-	-	160,948	262,331	-	101,383	-
				<u>149,318</u>	<u>300,622</u>	<u>331,026</u>	<u>283,091</u>	<u>-</u>	<u>101,383</u>	<u>-</u>
Total U.S. Department of Education				<u>3,118,595</u>	<u>4,718,923</u>	<u>5,876,685</u>	<u>4,938,488</u>	<u>-</u>	<u>2,180,398</u>	<u>-</u>
U.S. Department of Health and Human Services										
Passed through Regional Area of Aging										
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	16-9052-03	163,961	32,307	158,189	32,307	-	-	-	-
Special Programs for the Aging Title III, Part C Nutrition Services		17-9052-03	146,110	-	-	181,630	197,278	-	15,648	-
				<u>32,307</u>	<u>158,189</u>	<u>213,937</u>	<u>197,278</u>	<u>-</u>	<u>15,648</u>	<u>-</u>
Passed through Oakland County Department of Health										
Temporary Assistance for Needy Families	93.558	PY-15	380,389	135,279	238,427	277,241	141,962	-	-	-
Temporary Assistance for Needy Families		PY-16	327,619	-	-	120,303	177,010	-	56,707	-
				<u>135,279</u>	<u>238,427</u>	<u>397,544</u>	<u>318,972</u>	<u>-</u>	<u>56,707</u>	<u>-</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, 2017

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Award Amount	Accrued (Deferred) Revenue July 1, 2016	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Adjustments	Accrued (Deferred) Revenue June 30, 2017	Cash Transferred Subrecipients
Passed through Oakland Livingston Human Services Agency (OLHSA)										
O.E.O. Headstart	93.600	ECS 15-011	\$ 1,567,952	\$ 923,532	\$ 1,183,140	\$ 923,532	\$ -	\$ -	\$ -	\$ -
O.E.O. Headstart		05CH010367	679,287	-	-	241,234	655,200	-	413,966	-
				<u>923,532</u>	<u>1,183,140</u>	<u>1,164,766</u>	<u>655,200</u>	<u>-</u>	<u>413,966</u>	<u>-</u>
Passed through Oakland County Department of Health										
Success	93.959	N/A	95,756	11,169	64,024	11,169	-	-	-	-
Success		N/A	11,432	-	-	11,432	11,432	-	-	-
				<u>11,169</u>	<u>64,024</u>	<u>22,601</u>	<u>11,432</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Health and Human Services				<u>1,102,287</u>	<u>1,643,780</u>	<u>1,798,848</u>	<u>1,182,882</u>	<u>-</u>	<u>486,321</u>	<u>-</u>
Total Federal Awards				<u>\$ 4,610,856</u>	<u>\$ 9,811,666</u>	<u>\$ 11,373,040</u>	<u>\$ 10,138,227</u>	<u>\$ -</u>	<u>\$ 3,376,043</u>	<u>\$ -</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, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Waterford School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Waterford School District, it is not intended to and does not present the financial position, changes in financial positions, and where applicable, cash flows of Waterford School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures

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

Indirect Cost Rate

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

Note 3 - Reconciliation to the Financial Statements

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

Note 4 - Subrecipients

No amounts were provided to subrecipients.

Note 5 - Michigan Department of Education Disclosures

The federal amounts reported on the grant auditor report are in agreement with the schedule of expenditures of federal awards with the following reconciliation due to timing differences of receipts:

	Receipts per the Grant Auditor Report	Receipts per Schedule	Difference
National School Breakfast Program 171970	\$ 785,939	\$ 670,952	\$ 114,987
National School Lunch Program 171960	1,665,445	1,426,497	238,948
National School Lunch After School Snack Program 171980	779	647	132
	<u>\$ 2,452,163</u>	<u>\$ 2,098,096</u>	<u>\$ 354,067</u>

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

Waterford School District
Schedule of Findings and Questioned Costs
June 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with §200.516(a)?

_____ yes X no

Identification of major programs:

CFDA Number(s)

10.553, 10.555 & 10.559
84.010

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X yes _____ no

Waterford School District
Schedule of Findings and Questioned Costs
June 30, 2017

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, 2017.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2017.

Waterford School District
Summary Schedule of Prior Audit Findings
June 30, 2017

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, 2016.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2016.