

**Waterford School District**

**Financial Statements**

**June 30, 2021**



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**Waterford School District**  
**Members of the Board of Education and Administration**  
**June 30, 2021**

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Members of the Board of Education

Michael Ristich – President

Robert Petrusha, Jr. – Vice President

Bob Piggot – Secretary

Joan Sutherland – Treasurer

John Himmelspach – Trustee

Julie Josselyn – Trustee

Kristen Wagner – Trustee

Administration

Scott Lindberg – Superintendent

Sandra Elka – Assistant Superintendent of Business and Operations

Amy Dagenhardt – Director of Finance and Budget

## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Waterford School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Waterford School District, as of June 30, 2021, 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.

## Adoption of New Accounting Standard

As described in Note 1 to the financial statements, during the year ended June 30, 2021, the School District adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

## Required Supplementary Information

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

## Other Information

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2021 on our consideration of Waterford School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterford School District's internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Auburn Hills, Michigan  
October 21, 2021

## ADMINISTRATION'S DISCUSSION AND ANALYSIS

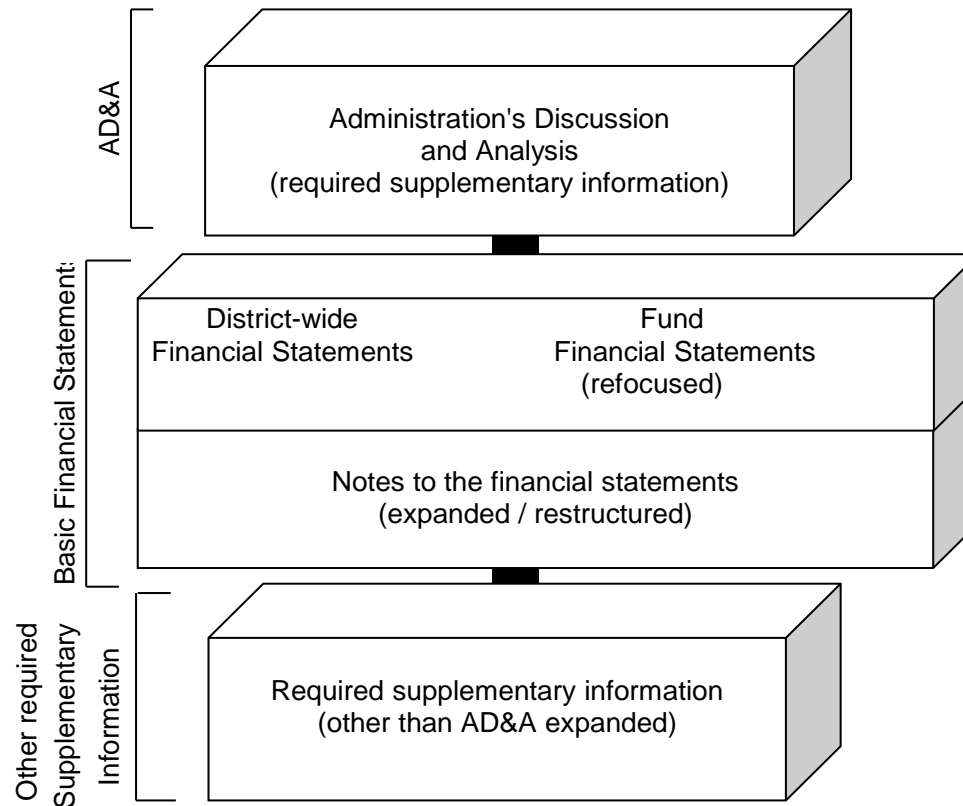


**Waterford School District**  
**Administration's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

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Waterford School District's (the District) Administration discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, 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, 2021.

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**  
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**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, and Capital Projects Funds. 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, Food Service, and Student and Senior Activity. Food Service, Child Care, Senior Citizens, and Senior and Student Activity are self-supporting programs. The Debt Fund is used to record the funding and payment of principal and interest on bonded debt. The Capital Projects Funds are used to account for financial resources to be used for the acquisition, construction or improvement of major capital facilities and equipment.

**Waterford School District**  
**Administration's Discussion and Analysis**  
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**Financial Analysis of the District as a Whole:**

	<u>2020-2021</u>	<u>2019-2020</u>	<u>Change</u>
<b>Assets</b>			
Current assets	<u>\$ 87,890,486</u>	<u>\$ 55,031,693</u>	<u>\$ 32,858,793</u>
Capital assets	369,737,087	357,028,311	12,708,776
Less: accumulated depreciation	<u>(166,806,790)</u>	<u>(154,815,640)</u>	<u>(11,991,150)</u>
Capital assets, net book value	<u>202,930,297</u>	<u>202,212,671</u>	<u>717,626</u>
Total assets	<u>290,820,783</u>	<u>257,244,364</u>	<u>33,576,419</u>
<b>Deferred outflows of resources</b>	<u>55,879,821</u>	<u>68,387,227</u>	<u>(12,507,406)</u>
<b>Liabilities</b>			
Current liabilities	29,342,120	27,949,721	1,392,399
Long-term liabilities	<u>390,510,160</u>	<u>383,445,854</u>	<u>7,064,306</u>
Total liabilities	<u>419,852,280</u>	<u>411,395,575</u>	<u>8,456,705</u>
<b>Deferred inflows of resources</b>	<u>44,112,729</u>	<u>41,460,661</u>	<u>2,652,068</u>
<b>Net Position</b>			
Net investment in capital assets	78,233,677	74,341,514	3,892,163
Restricted	226,972	426,706	(199,734)
Unrestricted (deficit)	<u>(195,725,054)</u>	<u>(201,992,865)</u>	<u>6,267,811</u>
Total net position	<u>\$ (117,264,405)</u>	<u>\$ (127,224,645)</u>	<u>\$ 9,960,240</u>

As indicated by the statement above, total net position is (\$117,264,405) and (\$127,224,645) for 2020-2021 and 2019-2020, respectively. Net position can be separated into three categories: net investment in capital assets, restricted net position, and unrestricted net position.

**Waterford School District**  
**Administration's Discussion and Analysis**  
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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 2020-2021 and 2019-2020 is \$369,737,087 and \$357,028,311, 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 2020-2021 and 2019-2020 is \$166,806,790 and \$154,815,640, 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 2020-2021 and 2019-2020 was \$158,104,399 and \$138,716,117, respectively.

Restricted net position for fiscal year 2020-2021 consist of Debt Service of \$226,972. The remaining net position of (\$195,725,054) and (\$201,992,865) for fiscal year 2020-2021 and 2019-2020, respectively, are unrestricted. The unrestricted net position is an accumulation of prior years' operating results, and includes the GASB 68 and GASB 75 Unfunded Liability. This balance is directly affected each year by the District's operating results.

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

- Current assets increased \$32,858,793, primarily due to the new bond series 2021 cash and the spend down of the previous capital projects funds.
- Net Capital assets increased \$33,576,419 as a result of the new bond series 2021 and \$12,708,776 in capital improvements, offset by \$11,991,150 in normally scheduled depreciation.
- Current liabilities increased by \$1,392,399 mainly due to an increase of the short-term borrowing note and decrease in accounts payable and payroll deductions and withholding due to timing of expenses.
- Long-term liabilities increased \$7,064,306 mainly as a result of increased scheduled principal payments netting to \$1,065,000(net of change in amount due within one year), increase in debt due in more than one year of \$18,323,282 due to the new bond series 2021, offset by a reduction in OPEB liabilities of \$12,039,463.

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**Administration's Discussion and Analysis**  
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	<u>2020-2021</u>	<u>2019-2020</u>	<u>Change</u>
<b>Program revenue</b>			
Charges for services local and intermediate	\$ 2,047,327	\$ 4,256,241	\$ (2,208,914)
Operating grants - federal and state	<u>49,592,477</u>	<u>40,947,638</u>	<u>8,644,839</u>
Total program revenue	<u>51,639,804</u>	<u>45,203,879</u>	<u>6,435,925</u>
<b>General revenue</b>			
Property taxes, levied for general purposes	12,389,276	12,489,083	(99,807)
State of Michigan aid, unrestricted	<u>53,411,246</u>	<u>52,889,645</u>	<u>521,601</u>
Total foundation allowance	65,800,522	65,378,728	421,794
Property taxes, levied for debt service	17,740,079	16,930,046	810,033
Interest and investment earnings	68,264	717,289	(649,025)
Gain on sale of capital assets	-	3,966	(3,966)
Other	<u>60,014</u>	<u>363,130</u>	<u>(303,116)</u>
Total general revenue	<u>83,668,879</u>	<u>83,393,159</u>	<u>275,720</u>
<b>Expense</b>			
Instruction	71,048,741	69,547,968	1,500,773
Support services	38,968,964	40,712,282	(1,743,318)
Food service	3,722,864	5,720,256	(1,997,392)
Pool & fitness centers	512,472	799,210	(286,738)
Performing arts center	176,433	222,073	(45,640)
Childcare	848,220	1,271,204	(422,984)
Senior citizens	625,684	744,763	(119,079)
Special education center programs	6,447,603	6,494,686	(47,083)
Senior and studenty activity	1,142,233	-	1,142,233
Interest on long-term debt	<u>3,364,601</u>	<u>3,667,113</u>	<u>(302,512)</u>
Total expenses	<u>126,857,815</u>	<u>129,179,555</u>	<u>(2,321,740)</u>
Change in net position	<u>\$ 8,450,868</u>	<u>\$ (582,517)</u>	<u>\$ 9,033,385</u>

As indicated on the above, fiscal year 2020-2021 and 2019-2020, the change in net position was (\$8,450,868) and (\$582,517), respectively.

**Waterford School District**  
**Administration's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

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The 2020-2021 increase in net position as compared to fiscal year 2019-2020 is due to the following factors:

Revenues:

- Charges for service local and intermediate decreased primarily due to COVID-19 school closures September 2020-January 2021.
- Operating grants increased \$8,644,839, primarily due to an increase in Federal grants of \$4,670,975 in Coronavirus Relief Fund (CRF) and \$1,867,204 in Elementary Secondary School Emergency Relief (ESSER), along with the addition of \$1,128,166 Senior and Student Activity Fund revenue added to the financial statement based on GASB 84.
- Unrestricted State Aid increased \$521,601 as a result of a \$65 one time per student increase in foundation allowance, with a state aid membership "super blend" of 25% of the 2020-2021 student blend and 75% of the 2019-2200 student blend due to COVID-19 reducing the effect of declining enrollment.
- Property taxes increased \$810,033, due to increased taxable property values.
- Earnings on investments decreased \$649,025 due to the planned spend down of capital projects funds.

Expenses:

- Instructional expenses increased \$1,500,773 primarily due to an increase in completed capital improvements in the school buildings net of related depreciation, offset by a reduction due to COVID-19 school closures September 2020-January 2021.
- Support services decreased by \$1,743,318 due to a decrease in expenditures related to COVID-19 school closures.
- Food Service decreased \$1,997,392 over last year due to COVID-19 school closure and less participation in the free breakfast and lunch program.
- Pool & Fitness Center, Performing Arts Center, Childcare and Senior Citizens all had lower costs due to the COVID-19 school closures.
- Senior and Student Activity increased \$1,142,233 due to the addition to the financial statements based on GASB 84.
- Interest on long term debt decreased \$302,512 due to the refunding of debt funds and the normally scheduled principal payments.

**Waterford School District**  
**Administration's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

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**Capital Assets and Debt Administration**

**Capital Assets**

At June 30, 2021, the District had \$202,212,671 invested in a broad range of capital assets, including land, buildings, furniture and equipment.

	<u>2020-2021</u>	<u>2019-2020</u>
<b>Capital assets</b>		
Land	\$ 1,096,155	\$ 1,096,155
Construction in progress	6,234,990	12,949,349
Buildings and additions	345,472,236	326,234,150
Furniture and equipment	8,699,116	8,636,928
Buses and other vehicles	<u>8,234,590</u>	<u>8,111,729</u>
 Subtotal	 369,737,087	 357,028,311
 Less: accumulated depreciation	 <u>166,806,790</u>	 <u>154,815,640</u>
 Net capital assets	 <u><u>\$ 202,930,297</u></u>	 <u><u>\$ 202,212,671</u></u>

This is an increase in net capital assets of \$717,626 over last year. Depreciation expense for the year is \$11,991,150. During the fiscal year, the District expended \$1,600,740 of the 2016 Series II bonds, \$2,777,500 of the 2016 Series III bonds, \$3,985,425 of the 2016 Series IV bonds and \$4,279,559 of the 2021 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 decreased over prior year by \$6,714,359 due to projects being completed at Beaumont Elementary, Cooley Elementary, Grayson Elementary, Schoolcraft, Kettering and Mott. The District has \$0 remaining of the 2016 Series II bonds, \$0 of the 2016 Series III bonds, \$2,426,009 of the 2016 Series IV bonds and \$30,715,999 of the 2021 Series I bonds set aside for future capital projects.

**Debt**

At the end of this fiscal year, the District had \$147,625,000 in General Obligation Bonds outstanding. This is an increase of \$13,965,000 compared to last year due to the refunding of the 2014 Series IV debt and the scheduled principal payments, as well as issuing the new 2021 Series I bonds.

**Waterford School District  
Administration's Discussion and Analysis  
For the Year Ended June 30, 2021**

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## **Governmental Fund Revenues**

### **Sources of Revenues:**

Local sources of revenues total \$33,433,126. This is a decrease of \$1,222,878 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, Senior and Student Activity Fund and Capital Project Fund revenues. The General Fund local revenues of \$13,357,976 decreased \$864,853. The Debt Fund local revenues of \$17,743,448 increased \$736,735. Special Education Center Programs revenues were \$0, which was consistent with prior year. The Childcare Fund revenues of \$243,169 decreased \$534,971 from prior year. The Senior Citizen Fund local revenues of \$320,784 increased \$127,912 over prior year. The Pool & Fitness Center Fund of \$165,288 decreased \$289,600. The Performing Arts Centers Fund had local revenue of \$0, which was a decrease of \$86,161 from prior year. The Food Service Fund local revenues of \$406,202 decreased \$748,755 from prior year. The Senior and Student Activity Fund local revenues of \$1,128,166, increased \$1,128,166. Capital Project funds of \$135,724 decreased \$337,897 over prior year due to less investment income as bond funds are spent.

State sources of revenue total \$75,660,964. This is an increase of \$2,100,173 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 \$74,239,964 increased \$1,981,415 from prior year. This increase is mainly due to a state aid membership "super blend" due to COVID-19 reducing the effect of declining enrollment with a one time increase in the per student foundation grant of \$65 totaling \$517,219, increase in special education cost reimbursement of \$373,402, increase in pension funding of \$885,600, and a new state funding through Oakland Schools for Early Literacy of \$187,349 over prior year. State sources of revenue make up 69.97% of General Fund revenues. This ties the District directly to the State's overall economy.

Federal sources of revenue total \$15,530,597, an increase of \$6,172,127 from prior year. This was mainly due to additional federal grants due to COVID-19, \$4,670,975 Coronavirus Relief Funds (CRF) and \$1,867,204 Elementary Secondary School Emergency Relief (ESSER), offset by a reduction other grants.

Interdistrict sources of revenue total \$10,986,117, an increase of \$414,513 over prior year. The Interdistrict funding is primarily for special education.

### **Property Taxes**

A significant portion of local revenue is provided by property taxes for the General Fund and Debt Retirement Fund. Property tax revenue totaled \$30,129,355 an increase of \$710,226 over prior year. Total property tax revenue is obtained through a voter approved 18-mill levy on the taxable value of non-homestead properties for the District's operations and a voter approved 6.75-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, 2021**

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**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 \$8,134 for 2020-2021 and \$8,134 for 2019-2020 fiscal years. The number of students to be funded is normally calculated by student enrollment blended at 90% of the Fall 2020 count and 10% Supplemental Count (February 2020). This year due to COVID-19 the count was based on the "super blend", calculated on 25% of the 2020-21 student blend and 75% of the 2019-20 student blend. Total blended student enrollment for this fiscal year is 8,015, a decrease of 196 students from prior year. The overall funding is then reduced by the District's non-homestead tax levy based on 18-mills.

**Governmental Fund Expenditures**

Expenditures include Instruction, Support Services, Community Services, Federal Programs, School Service Funds, Debt, and Capital Projects. Instruction expenditures of \$47,053,278 decreased \$3,507,675 as result of less staffing for fewer students, savings due to COVID-19 shutdown and \$2,873,990 of salary moved to Federal grants. Support Services expenditures of \$36,695,022 decreased \$367,023. The changes in Support Services were mainly due to savings due to COVID-19 shut down. Federal Program expenditures of \$12,050,848 increased \$5,972,622 mainly due to the new federal grants for COVID-19. School Service Fund expenses of \$12,911,529 decreased \$1,271,847 over prior year mainly due to the reduction in expenses due to the COVID-19 shut down for Childcare, Pool & Fitness and Performing Arts and a reduction in Food Service due to reduced participation. The Capital Projects fund of \$12,522,279 decreased \$13,945,779 due to the completion of projects via the 2016 Series II, 2016 Series III, and 2016 Series IV bond improvements. The Debt Service Fund with expenditures of \$16,084,856 decreased \$2,521,570 mainly as a result of a debt refunding. In addition costs of \$12,998,394 were incurred in relation to the refunding the 2014 Series IV Bond.

**Economic Factors and Next Year's Budgets and Rates**

The Board of Education and administration consider many factors when setting the School District's 2021-2022 fiscal year budget. This year's four major factors affecting the budget are the anticipated student count, State funding of the unrestricted foundation allowance, staffing projections and cost containment.

The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. When the District approved the budget in June 2021, the blended count for the 2021-2022 fiscal year reverted from the previous "super blend" to the regular blend of 90 percent and 10 percent of the Fall 2021 and Supplemental Count (February) 2021 student counts, respectively. The 2021-2022 budget was based on an estimate of students that will be enrolled in Fall 2021, as well as State Aid funding based on the projections at that time. The District showed a foundation allowance increase of \$162 per pupil and a blended loss of 243 students.

At the end of September, the Legislature approved a budget that would increase the foundation allowance to \$8,700 and increase of \$566 per student. The student blend is 90% of the Fall 2021 count and 10% of the Supplemental Count (February) 2021. Therefore the District will in effect realize the full student decline from 2020-21 and 2021-22 of 658 students.

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**Administration's Discussion and Analysis**  
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As a result of the funding structure, the District's funding depends heavily on the State's ability to fund local school operations. Once the final student count and related per pupil funding are validated, state law requires the District to amend the budget if actual district resources are insufficient to fund original appropriations.

As a result of declining enrollment the District also looked at staffing reductions. The 2021-22 budget included a decrease of 20 teaching FTE. This was calculated based on the previous year student decrease and the projected 2021-22 student decrease. This will be adjusted based on actual student count for Fall 2021.

The District extended current contracts for all 4 bargaining units until June 30, 2022. Employee groups were given steps and off schedule one time payments. Non-bargaining employees were also given a percentage increase and off schedule one time payment. Benefit agreements are on a calendar year basis. The current letter of agreement for benefits includes employee contributions to healthcare for those who qualify and extends through December 31, 2022.

In addition to the foundation allowance, the District has received funds in 2021-2022 from the Federal CARES Act through various Federal grants. These funds will offset the increased costs associated with the pandemic, such as devices for students, software for virtual learning, professional development for staff for remote learning, personal protection equipment, supplies for staff and students, and additional staff time for implementing safety protocols. These funds will also be used to address learning loss during the pandemic. These funds were available during the 2020-2021 fiscal year and the grant period goes through September 30, 2024.

The District also included cost containment measures in this budget totaling approximately \$513,000. These measures include staffing reductions in multiple departments, reductions in transportation and athletics, along with reductions in Child Care and Preschool program costs from the general fund.

**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 2020-2021, the budget was amended in June of 2020 to reflect the changes since the Original Budget adopted in June of 2020.

**Waterford School District  
Administration's Discussion and Analysis  
For the Year Ended June 30, 2021**

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**General Fund Revenues:**

The General Fund budget revenues for the final budget increased by 19.27% as compared to the original budget.

**General Fund Revenues**

Total revenues final budget	\$ 110,366,442
Total revenues original budget	<u>92,533,445</u>
 Increase in budget revenues	 <u>\$ 17,832,997</u>

**Decrease in Revenue Budget:**

Significant final budget adjustments for the year include:

- Increase in:
  - State Aid “super blend” calculated on 25% of the 2020-21 student blend and 75% of the 2019-20 student blend along with a one time \$65 per student increase.
  - Federal grant increase of \$10,991,026 due to Coronavirus Relief Funds and Elementary Secondary School Relief Funds
- Decrease in:
  - Local revenue charges for services due to the pandemic

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

The District's actual General Fund revenues were less than the final budget by \$4,268,029, a variance of 3.87%. Of the total variance, local revenues increased by \$346,168. This increase is mainly due to an increase in property taxes of \$309,832, an increase in Medicaid funding of \$115,720 offset by a decrease of \$79,384 in other local revenues due to the COVID-19 shutdown. State sources increased by \$526,331 due primarily to the one time \$65 foundation increase. Additionally, Interdistrict Sources increased \$760,148 mainly as a result of increased PA-18 special education and transportation funds. Finally, a decrease in Federal sources of \$5,933,932 that are mostly Elementary Secondary School Emergency Relief (ESSER) deferred into the 2021-2022 fiscal year.

**Waterford School District  
Administration's Discussion and Analysis  
For the Year Ended June 30, 2021**

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**General Fund Expenditures:**

The District's budget for expenditures increased by 9.02% for the year ended June 30, 2021:

**General Fund Expenditures**

Total expenditures final budget	\$ 106,682,941
Total expenditures original budget	<u>97,858,686</u>
 Increase in budget expenditures	 <u>\$ 8,824,255</u>

**Increase in Expenditure Budget:**

Some of the final budget adjustments for the year include:

- Increase as follows:
  - Increase in Federal grant expenditures of \$10,991,026 due to Coronavirus Relief Funds and Elementary Secondary School Relief Funds
- Decrease as follows:
  - Decrease in expenditures due to COVID-19 school shut down September 2020 – January 2021

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

The District's actual General Fund expenditures were less than the final budget by 8.94%. This variance of \$8,743,700 is a result of additional savings realized with the COVID-19 shutdown. Along with \$2,873,990 of Coronavirus Relief Funds used to offset instructional expenditures and \$5,470,596 of Federal expenditures deferred to 2021-22 school year.

**Contacting the District's Financial Management**

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

## BASIC FINANCIAL STATEMENTS

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**Waterford School District**  
**Statement of Net Position**  
**June 30, 2021**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 65,234,534
Investments	1,879
Accounts receivable	222,849
Due from other governmental units	21,268,555
Inventory	10,707
Prepaid items	1,151,962
Capital assets not being depreciated	7,331,145
Capital assets - net of accumulated depreciation	<u>195,599,152</u>
Total assets	<u>290,820,783</u>
<b>Deferred outflows of resources</b>	
Deferred amount on refunding	265,771
Deferred amount relating to net pension liability	41,638,412
Deferred amount relating to net OPEB liability	<u>13,975,638</u>
Total deferred outflows	<u>55,879,821</u>

See Accompanying Notes to the Financial Statements

**Waterford School District**  
**Statement of Net Position**  
**June 30, 2021**

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	Governmental Activities
<b>Liabilities</b>	
Accounts payable	\$ 5,696,403
State aid and tax anticipation notes	12,074,949
Payroll deductions and withholdings	3,278,391
Accrued expenditures	1,315,659
Accrued salaries payable	5,257,898
Unearned revenue	1,718,820
Long-term liabilities	
Debt due within one year	13,880,000
Debt due in more than one year	144,224,399
Net pension liability	201,377,581
Net OPEB liability	<u>31,028,180</u>
Total liabilities	<u>419,852,280</u>
<b>Deferred inflow of resources</b>	
Deferred amount relating to net pension liability	17,344,788
Deferred amount relating to net OPEB liability	<u>26,767,941</u>
Total deferred inflows of resources	<u>44,112,729</u>
<b>Net position</b>	
Net investment in capital assets	78,233,677
Restricted	
Debt service	226,972
Unrestricted (deficit)	<u>(195,725,054)</u>
Total net position	<u>\$ (117,264,405)</u>

See Accompanying Notes to the Financial Statements

**Waterford School District**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				
<b>Functions/Programs</b>					
Governmental activities					
Instruction	\$ 71,048,741	\$ 1,698	\$ 27,516,126	\$ -	\$ (43,530,917)
Supporting services	38,968,964	910,186	11,227,688	-	(26,831,090)
Food services	3,722,864	406,202	3,756,797	-	440,135
Pool and fitness centers	512,472	165,288	-	-	(347,184)
Performing arts centers	176,433	-	-	-	(176,433)
Child care	848,220	243,169	-	-	(605,051)
Senior citizens	625,684	320,784	294,912	-	(9,988)
Special education center program	6,447,603	-	5,668,788	-	(778,815)
Senior and student activity	1,142,233	-	1,128,166	-	(14,067)
Interest and fiscal charges on long-term debt	3,364,601	-	-	-	(3,364,601)
<b>Total governmental activities</b>	<b>\$ 126,857,815</b>	<b>\$ 2,047,327</b>	<b>\$ 49,592,477</b>	<b>\$ -</b>	<b>(75,218,011)</b>
General revenues					
Property taxes, levied for general purposes					12,389,276
Property taxes, levied for debt service					17,740,079
State aid - unrestricted					53,411,246
Interest and investment earnings					68,264
Other					60,014
Total general revenues					83,668,879
<b>Change in net position</b>					8,450,868
Net position - beginning, as restated					(125,715,273)
<b>Net position - ending</b>					<b>\$ (117,264,405)</b>

See Accompanying Notes to the Financial Statements



**Waterford School District**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2021**

	General Fund	Capital Project 2021 Series I	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 19,172,408	\$ 34,797,914	\$ 9,946,629	\$ 63,916,951
Investments	-	-	1,879	1,879
Accounts receivable	170,959	-	51,890	222,849
Due from other funds	1,107,159	-	385,268	1,492,427
Due from other governmental units	21,069,288	-	199,267	21,268,555
Inventory	-	-	10,707	10,707
Prepaid items	1,150,475	-	1,487	1,151,962
<b>Total assets</b>	<b><u>\$ 42,670,289</u></b>	<b><u>\$ 34,797,914</u></b>	<b><u>\$ 10,597,127</u></b>	<b><u>\$ 88,065,330</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 486,656	\$ 3,689,340	\$ 1,520,407	\$ 5,696,403
State aid and tax anticipation note	12,074,949	-	-	12,074,949
Due to other funds	4,989	392,575	1,094,863	1,492,427
Payroll deductions and withholdings	3,278,391	-	-	3,278,391
Accrued expenditures	70,329	-	-	70,329
Accrued salaries payable	5,257,898	-	-	5,257,898
Unearned revenue	1,679,298	-	39,522	1,718,820
<b>Total liabilities</b>	<b><u>22,852,510</u></b>	<b><u>4,081,915</u></b>	<b><u>2,654,792</u></b>	<b><u>29,589,217</u></b>

See Accompanying Notes to the Financial Statements

**Waterford School District**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2021**

	<u>General Fund</u>	<u>Capital Project 2021 Series I</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Deferred inflows of resources</b>				
Unavailable				
Operating grants	\$ 402,779	\$ -	\$ -	\$ 402,779
<b>Fund balance</b>				
Non-spendable				
Inventory	\$ -	\$ -	\$ 10,707	\$ 10,707
Prepaid items	1,150,475	-	-	1,150,475
Restricted				
Debt service	-	-	1,038,710	1,038,710
Capital projects	-	30,715,999	2,426,009	33,142,008
Special Education center programs	-	-	502,731	502,731
Food service	-	-	1,205,726	1,205,726
Committed - senior and student activity	-	-	1,495,305	1,495,305
Assigned				
Capital projects	-	-	1,263,147	1,263,147
Unassigned	18,264,525	-	-	18,264,525
 Total fund balance	 19,415,000	 30,715,999	 7,942,335	 58,073,334
 <b>Total liabilities, deferred inflows of resources and fund balance</b>	 <b>\$ 42,670,289</b>	 <b>\$ 34,797,914</b>	 <b>\$ 10,597,127</b>	 <b>\$ 88,065,330</b>

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, 2021**

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<b>Total fund balances for governmental funds</b>	\$ 58,073,334
Total net position for governmental activities in the statement of net position is different because	
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Operating grants	402,779
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	7,331,145
Capital assets - net of accumulated depreciation	195,599,152
Other long-term assets are not deferred in the governmental funds.	
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from net pension liability	(17,344,788)
Deferred outflows of resources resulting from net pension liability	41,638,412
Deferred inflows of resources resulting from net OPEB liability	(26,767,941)
Deferred outflows of resources resulting from net OPEB liability	13,975,638
Deferred outflows of resources resulting from debt refunding	265,771
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(811,738)
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	(147,625,000)
Bond premium payable	(10,479,399)
Net pension liability	(201,377,581)
Net OPEB liability	(31,028,180)
Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position	<u>883,991</u>
<b>Net position of governmental activities</b>	<u><u>\$ (117,264,405)</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, 2021**

	General Fund	Capital Project 2021 Series I	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 13,357,976	\$ 462	\$ 20,074,688	\$ 33,433,126
State sources	74,239,964	-	1,421,000	75,660,964
Federal sources	11,881,589	-	3,649,008	15,530,597
Interdistrict sources	6,335,628	-	4,650,489	10,986,117
Total revenues	<u>105,815,157</u>	<u>462</u>	<u>29,795,185</u>	<u>135,610,804</u>
<b>Expenditures</b>				
Current				
Education				
Instruction	47,053,278	-	-	47,053,278
Supporting services	36,695,022	-	-	36,695,022
Federal programs	12,050,848	-	-	12,050,848
Food services	-	-	3,707,374	3,707,374
Pool and fitness centers	-	-	506,516	506,516
Performing arts centers	-	-	173,455	173,455
Child care	-	-	818,437	818,437
Senior citizens	-	-	615,696	615,696
Special education center program	-	-	5,947,818	5,947,818
Senior and student activity	-	-	1,142,233	1,142,233
Building and site	-	4,158,614	8,363,665	12,522,279
Debt service				
Principal	915,000	-	10,625,000	11,540,000
Interest and fiscal charges	135,142	120,945	4,288,769	4,544,856
Payment to bond refunding escrow agent	-	-	12,998,394	12,998,394
Total expenditures	<u>96,849,290</u>	<u>4,279,559</u>	<u>49,187,357</u>	<u>150,316,206</u>
Excess (deficiency) of revenues over expenditures	<u>8,965,867</u>	<u>(4,279,097)</u>	<u>(19,392,172)</u>	<u>(14,705,402)</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, 2021**

	General Fund	Capital Project 2021 Series I	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other financing sources (uses)</b>				
Proceeds from refunding bonds	\$ -	\$ -	\$ 8,830,000	\$ 8,830,000
Proceeds from issuance of bonds	-	29,500,000	-	29,500,000
Premium on issuance of bonds	-	5,495,096	1,257,150	6,752,246
Transfers in	283,256	-	4,278,439	4,561,695
Transfers out	<u>(1,089,951)</u>	<u>-</u>	<u>(3,471,744)</u>	<u>(4,561,695)</u>
Total other financing sources (uses)	<u>(806,695)</u>	<u>34,995,096</u>	<u>10,893,845</u>	<u>45,082,246</u>
Net change in fund balance	8,159,172	30,715,999	(8,498,327)	30,376,844
Fund balance - beginning, as restated	<u>11,255,828</u>	<u>-</u>	<u>16,440,662</u>	<u>27,696,490</u>
<b>Fund balance - ending</b>	<u><u>\$ 19,415,000</u></u>	<u><u>\$ 30,715,999</u></u>	<u><u>\$ 7,942,335</u></u>	<u><u>\$ 58,073,334</u></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, 2021**

<b>Net change in fund balances - Total governmental funds</b>	<b>\$ 30,376,844</b>
Total change in net position reported for governmental activities in the statement of activities is different because	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating grants	(302,121)
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	(11,991,150)
Capitalized capital outlay	12,708,776
Expenses are recorded when incurred in the statement of activities.	
The statement of net position reports the net pension liability and deferred outflows and deferred inflows of resources related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions	
Net change in net pension liability	284,513
Net change in the deferrals of resources related to the net pension liability	(8,984,724)
The statement of net position reports the net OPEB liability and deferred outflows and deferred inflows of resources related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions	
Net change in net OPEB liability	12,039,463
Net change in the deferrals of resources related to the net OPEB liability	(6,317,604)
Expenses are recorded when incurred in the statement of activities.	
Interest	(118,169)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(45,082,246)
Repayments of long-term debt	11,540,000
Payment to bond refunding escrow agent	12,998,394
Amortization of premiums	1,328,964
Amortization of deferred amount on refunding	(30,540)
Internal Service Fund revenues and expenses are included in governmental activities in the statement of activities	468
<b>Change in net position of governmental activities</b>	<b><u>\$ 8,450,868</u></b>

See Accompanying Notes to the Financial Statements

**Waterford School District**  
**Proprietary Fund**  
**Internal Service Fund**  
**Statement of Net Position**  
**June 30, 2021**

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	Internal Service Fund
	<u>                    </u>
<b>Assets</b>	
Cash	\$ <u>1,317,583</u>
<b>Liabilities</b>	
Workers' compensation claims payable	151,666
Compensated absences	<u>281,926</u>
Total liabilities	<u>433,592</u>
<b>Net position</b>	<u><u>\$ 883,991</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, 2021**

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	Internal Service Fund
	<u>                    </u>
<b>Operating revenue</b>	
Employee contributions	\$ 1,269,614
Charges for services	<u>34,295,070</u>
Total operating revenues	<u>35,564,684</u>
<b>Operating expense</b>	
Health, dental and vision	10,570,267
Retirement	21,167,633
Social security	3,539,274
Compensated absences	66,574
Workers compensation	<u>220,468</u>
Total operating expenses	<u>35,564,216</u>
Opearting income	468
Net position - beginning	<u>883,523</u>
<b>Net position - ending</b>	<u><u>\$ 883,991</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, 2021**

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	Internal Service Fund
	<u>                    </u>
<b>Cash flows from operating activities</b>	
Employee contributions	\$ 1,269,614
Charges for services	34,295,070
Health, dental and vision	(10,570,267)
Retirement	(21,167,633)
Social security	(3,539,274)
Compensated absences	(67,042)
Workers' compensation	<u>(336,162)</u>
Net cash used by operating activities	(115,694)
Cash and cash equivalents - beginning of year	<u>1,433,277</u>
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 1,317,583</u></u>
<b>Reconciliation of operating income to net cash from operating activities</b>	
Change in net position	\$ 468
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in assets and liabilities	
Workers' compensation claims payable	(115,694)
Compensated absences	<u>(468)</u>
Net cash used by operating activities	<u><u>\$ (115,694)</u></u>

See Accompanying Notes to the Financial Statements

**Waterford School District**  
**Notes to the Financial Statements**  
**June 30, 2021**

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

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

**Reporting Entity**

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

**District-wide Financial Statements**

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

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

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by

general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

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

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

**Fund Financial Statements**

Separate financial statements are provided for governmental funds. 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 the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

**Waterford School District**  
**Notes to the Financial Statements**  
**June 30, 2021**

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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.

**2021 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** – 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, Senior Citizens and Senior and Student Activity Funds. Operating deficits generated by these activities are generally transferred from the General Fund.

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

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

**Internal Service Fund** – The School District's Proprietary Fund is the Internal Service Fund. The purpose of the fund is to finance services provided to other funds of the School District on a cost-reimbursement basis. The Internal Service Fund maintained by the School District accounts for employee benefits and taxes. It is

funded through transfers primarily from the General Fund in amounts equal to normal estimated risk management.

**Assets, Liabilities and Net Position Equity**

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

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

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

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2021, 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	6.75000

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

**Waterford School District**  
**Notes to the Financial Statements**  
**June 30, 2021**

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Oakland and remitted to the School District by May 15.

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

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

Buildings and additions	7 - 50 years
Equipment and furniture	5 - 20 years
Buses and other vehicles	5 - 15 years

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

reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

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

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

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

**Pension** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (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.

**Waterford School District**  
**Notes to the Financial Statements**  
**June 30, 2021**

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*Postemployment Benefits Other Than Pensions* – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (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 and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to 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.

**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.

**Waterford School District**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**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. 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

**Upcoming Accounting and Reporting Changes**

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2023.

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

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

**Budgetary Information**

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

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

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.

**Waterford School District**  
**Notes to the Financial Statements**  
**June 30, 2021**

**Excess of Expenditures over Appropriations**

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Instruction			
Employee benefits	\$ 12,384,281	\$ 13,934,619	\$ 1,550,338
Support			
Pupil	7,397,375	7,545,111	147,736
Business	11,178,252	11,301,478	123,226
Athletics	1,364,798	1,411,315	46,517
Civil	11,000	46,593	35,593
Debt service	1,012,125	1,050,142	38,017
Transfers out	836,169	1,089,951	253,782
Performing Arts Center	168,416	173,455	5,039
Pool and Fitness Centers	420,000	506,516	86,516
Senior Citizens	602,050	615,696	13,646
Food Service			
Food service	3,335,997	3,707,374	371,377
Transfers out	-	283,256	283,256

**Compliance Bond Proceeds**

The Capital Projects 2016 Series II, 2016 Series III, 2016 Series IV, and 2021 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 II	2016 Series III	2016 Series IV	2021 Series I
Proceeds from issuance of bonds	\$ 50,000,000	\$ 10,000,000	\$ 17,875,000	\$ 29,500,000
Premium on issuance of bonds	341,359	80,018	1,654,911	5,495,096
Interest revenue	831,508	587,490	159,443	462
Expenditures	<u>(51,172,867)</u>	<u>(10,667,508)</u>	<u>(17,263,345)</u>	<u>(4,279,559)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,426,009</u>	<u>\$ 30,715,999</u>

**Note 3 - Deposits and Investments**

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

	Total Primary Government
Cash and cash equivalents	\$ 65,234,534
Investments	<u>1,879</u>
	<u>\$ 65,236,413</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 65,210,911
Investments in securities, mutual funds, and similar vehicles	1,879
Petty cash and cash on hand	<u>23,623</u>
Total	<u>\$ 65,236,413</u>

# Waterford School District

## Notes to the Financial Statements

### June 30, 2021

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

Investment	Fair Value	Maturities	Rating	Organization
Dreyfus Government Cash Management	\$ 1,879	N/A	AAAm	S&P

**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, \$64,439,700 of the School District's bank balance of \$56,765,810 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

#### **Note 4 - Fair Value Measurements**

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

The School District has the following recurring fair value measurements as of June 30, 2021:

- Amounts invested in Dreyfus Government Cash Management of \$1,879. The investments are valued at fair market value using quoted market prices. (Level 1 inputs)



**Waterford School District**  
**Notes to the Financial Statements**  
**June 30, 2021**

**Note 5 - Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,096,155	\$ -	\$ -	\$ 1,096,155
Construction-in-progress	12,949,349	6,234,990	12,949,349	6,234,990
Total capital assets not being depreciated	14,045,504	6,234,990	12,949,349	7,331,145
Capital assets being depreciated				
Buildings and additions	326,234,150	19,238,086	-	345,472,236
Equipment and furniture	8,636,928	62,188	-	8,699,116
Buses and other vehicles	8,111,729	122,861	-	8,234,590
Total capital assets being depreciated	342,982,807	19,423,135	-	362,405,942
Less accumulated depreciation for				
Buildings and additions	142,832,207	11,164,601	-	153,996,808
Equipment and furniture	5,727,324	406,148	-	6,133,472
Buses and other vehicles	6,256,109	420,401	-	6,676,510
Total accumulated depreciation	154,815,640	11,991,150	-	166,806,790
Net capital assets being depreciated	188,167,167	7,431,985	-	195,599,152
Net capital assets	\$ 202,212,671	\$ 13,666,975	\$ 12,949,349	\$ 202,930,297

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

<b>Governmental activities</b>	
Instruction	\$ 10,036,017
Support services	1,539,977
Senior citizens	1,053
Special education center program	383,630
Food service	30,473
Total governmental activities	<u>\$ 11,991,150</u>

**Construction Contracts**

The School District has active construction projects as of June 30, 2021. At year end, the School District's commitment with contractors is as follows:

	Remaining Construction Commitment at Year End	Total Contract
Cooley Elementary	\$ 15,995	\$ 7,314,059
Grayson Elementary	31,515	7,196,864
Kettering High School	1,925,708	8,398,391
Kurzman Administration	5,000	110,430
Mott High School	396,628	2,677,711
Pierce Middle School	432	72,412
Schoolcraft Elementary	453,439	6,991,576
Stepanski Early Childhood Center	1,053,223	1,239,086
Village Elementary	4,170	20,850
	<u>\$ 3,886,110</u>	<u>\$ 34,021,379</u>

**Note 6 - Interfund Receivable and Payable and Transfers**

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental funds	\$ 1,087,393
General	2021 Series I	19,766
Nonmajor governmental funds	General	4,989
Nonmajor governmental funds	2021 Series I	372,809
Nonmajor governmental funds	Nonmajor governmental funds	7,470
		<u>\$ 1,492,427</u>

**Waterford School District**  
**Notes to the Financial Statements**  
**June 30, 2021**

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

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

Interfund transfers consist of the following:

	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Total
<b>Transfers in</b>			
General Fund	\$ -	\$ 283,256	\$ 283,256
Nonmajor governmental funds	<u>1,089,951</u>	<u>3,188,488</u>	<u>4,278,439</u>
	<u>\$ 1,089,951</u>	<u>\$ 3,471,744</u>	<u>\$ 4,561,695</u>

Interfund transfers were made during the year between the General Fund and the Child Care, Performing Arts Centers, and Pool and Fitness Centers Funds. These transfers were made to cover the costs of the School District's programs that were in excess of revenues generated from those activities. A transfer was made to reimburse the General Fund for indirect costs incurred by the Food Service Fund. In addition, a transfer was made between the 2014 Series IV and 2021 Refunding Debt Funds to move remaining fund balance to the new refunded bond.

**Note 7 - Unearned Revenue**

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

Prepayment of student meals	\$ 39,522
Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>1,679,298</u>
<b>Total</b>	<u><u>\$ 1,718,820</u></u>

**Note 8 - Leases**

**Operating Lease**

The School District leases buses, computer equipment, and copiers under non-cancelable operating leases. Total costs for such leases were \$700,934 for the year ended June 30, 2021. The future minimum lease payments for the leases are as follows:

Year ending June 30,	
2022	\$ 730,312
2023	687,978
2024	<u>127,728</u>
<b>Total</b>	<u><u>\$ 1,546,018</u></u>

**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 30<sup>th</sup>.

**Waterford School District**  
**Notes to the Financial Statements**  
**June 30, 2021**

Activity for the state aid anticipation note was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 7,660,000	\$ 12,074,949	\$ 7,660,000	\$ 12,074,949

**Note 9 - Long-Term Debt**

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

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 133,660,000	\$ 38,330,000	\$ 24,365,000	\$ 147,625,000	\$ 13,880,000
Premium on bonds	5,056,117	6,752,246	1,328,964	10,479,399	-
Total	\$ 138,716,117	\$ 45,082,246	\$ 25,693,964	\$ 158,104,399	\$ 13,880,000

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

\$26,150,000 serial bond due in annual installments ranging from \$2,575,000 to \$4,560,000 through 2023, interest at 5.00%	\$ 5,720,000
\$13,455,000 serial bond due in annual installments ranging from \$1,810,000 to \$2,395,000 through 2022, interest at 5.00%	2,395,000
\$15,000,000 serial bond due in annual installments ranging from \$905,000 to \$1,245,000 through 2030, interest ranging from 2.00% to 3.125%	9,830,000
\$20,000,000 serial bond due in annual installments ranging from \$815,000 to \$1,360,000 through 2036, interest ranging from 2.00% to 3.00%	16,155,000
\$50,000,000 serial bond due in annual installments ranging from \$1,500,000 to \$3,325,000 through 2037, interest ranging from 2.00% to 3.00%	42,175,000
\$10,000,000 serial bond due in annual installments ranging from \$300,000 to \$860,000 through 2032, interest ranging from 3.00% to 3.125%	8,290,000
\$17,875,000 serial bond due in annual installments ranging from \$355,000 to \$1,655,000 through 2032, interest ranging from 4.00% to 5.00%	16,020,000
\$6,755,000 Energy bond due in annual installments ranging from \$640,000 to \$915,000 through 2023, interest at 5.00%	1,485,000
\$8,475,000 serial bond due in annual installments ranging from \$905,000 to \$1,380,000 through 2027, interest at 4.00% to 5.00%	7,225,000
\$38,330,000 serial bond due in annual installments ranging from \$1,370,000 to \$2,595,000 through 2041, interest at 4.00%	38,330,000
Total general obligation bonded debt	\$ 147,625,000

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

Year Ending June 30,	Principal	Interest	Total
2022	\$ 13,880,000	\$ 5,202,523	\$ 19,082,523
2023	12,465,000	4,613,050	17,078,050
2024	9,165,000	4,159,800	13,324,800
2025	9,775,000	3,855,900	13,630,900
2026	9,630,000	3,498,100	13,128,100
2027-2031	45,470,000	12,503,171	57,973,171
2032-2036	34,000,000	5,685,988	39,685,988
2037-2041	13,240,000	494,850	13,734,850
Total	<u>\$ 147,625,000</u>	<u>\$ 40,013,382</u>	<u>\$ 187,638,382</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 \$1,038,710 to pay this debt. Future debt and interest will be payable from future tax levies.

#### Current Refunding

In April 2021, the School District issued general obligation bonds of \$8,830,000 (par value) with an interest rate of 4.00% to refinance the 2014 Series IV Bond Funds with an interest rate of 2.25% to 3.10% and a par value of \$20,000,000. The net proceeds from the issuance of the general obligation bonds were deposited with an escrow agent to provide debt service payments.

As a result of the current refunding, the School District reduced its total debt service requirements by \$1,056,533, which resulted in an economic gain of \$928,946.

#### Deferred Amount on Refunding

The 2013, 2020 and 2021 advance refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$181,720, \$54,772 and \$173,400, respectively. 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 for the 2013 refunding, through fiscal year 2027 for the 2020 refunding and through fiscal year 2041 for the 2021 refunding.. The activity and resulting balance of this deferred amount is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred amount on refunding	\$ 122,917	\$ 173,394	\$ 30,540	\$ 265,771

#### Note 10 - Risk Management

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

The School District is self-insured under the Michigan Worker's Disability Compensation Act. Workers' compensation excess insurance has been retained for the aggregate claims exceeding \$2,418,987 for a two year policy period, to a maximum of \$5,000,000. This excess insurance also applies to individual occurrences exceeding \$400,000, with a statutory maximum for those individual occurrences. For governmental activities, the liability for workers' compensation benefits is primarily liquidated by the General Fund.

# Waterford School District

## Notes to the Financial Statements

### June 30, 2021

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

	2021	2020
Estimated liability at the beginning of the year	\$ 267,360	\$ 388,483
Estimated claims incurred including changes in estimates	166,147	330,746
Claim payments	(281,841)	(451,869)
Estimated liability end of year	<u>\$ 151,666</u>	<u>\$ 267,360</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 11 - Pension Plans

##### Plan Description

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

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

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

##### Benefits Provided

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

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

##### Contributions

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

**Waterford School District**  
**Notes to the Financial Statements**  
**June 30, 2021**

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2020.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	13.39 - 19.41%
Member Investment Plan	3.0 - 7.0%	13.39 - 19.41%
Pension Plus	3.0 - 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$16,110,459 for the year ending September 30, 2020.

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

At June 30, 2021, the School District reported a liability of \$201,377,581 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the

percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2020, the School District's proportion was 0.5862 percent, which was a decrease of 0.0227 percent from its proportion measured as of September 30, 2019.

For the plan year ending September 30, 2020, the School District recognized pension expense of \$24,336,306 for the measurement period. For the reporting period ending June 30, 2021, the School District recognized total pension contribution expense of \$16,566,506.

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 3,076,884	\$ (429,811)	\$ 2,647,073
Changes of assumptions	22,314,578	-	22,314,578
Net difference between projected and actual earnings on pension plan investments	846,099	-	846,099
Changes in proportion and differences between the School District contributions and proportionate share of contributions	-	(9,368,486)	(9,368,486)
Total to be recognized in future	26,237,561	(9,798,297)	16,439,264
School District contributions subsequent to the measurement date	15,400,851	(7,546,491)	7,854,360
Total	\$ 41,638,412	\$ (17,344,788)	\$ 24,293,624

# Waterford School District

## Notes to the Financial Statements

### June 30, 2021

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The District will offset the contribution expense in the year ended June 30, 2022 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)		
2021	\$	8,102,350
2022		5,329,282
2023		2,337,862
2024		669,770
	\$	<u>16,439,264</u>

#### Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

#### Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2019
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans: 6.80% net of investment expenses
  - Pension Plus Plan: 6.80% net of investment expenses
  - Pension Plus 2 Plan: 6.00% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
  - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
  - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.

**Waterford School District**  
**Notes to the Financial Statements**  
**June 30, 2021**

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Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.4892 years.  
The recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**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, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.6 %
Alternative Investment Pools	16.0	9.3
International Equity	15.0	7.4
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	4.9
Absolute Return Pools	9.0	3.2
Real Return/Opportunistic Pools	12.5	6.6
Short Term Investment Pools	2.0	(0.1)
	<u>100.0%</u>	

*\*Long-term rates of return are net of administrative expenses and 2.1% inflation.*

**Rate of Return**

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



# Waterford School District

## Notes to the Financial Statements

### June 30, 2021

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease*	Current Single Discount Rate Assumption*	1% Increase*
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
\$ 260,649,117	\$ 201,377,581	\$ 152,254,688

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

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS Comprehensive Annual Financial Report, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

#### **Payables to the Michigan Public School Employees' Retirement System (MPERS)**

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

#### **Note 12 - Postemployment Benefits Other Than Pensions (OPEB)**

##### **Plan Description**

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

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

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

##### **Benefits Provided**

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan

**Waterford School District**  
**Notes to the Financial Statements**  
**June 30, 2021**

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members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

#### **Contributions**

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for the fiscal year ending September 30, 2020.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the School District were \$4,092,045 for the year ended September 30, 2020.

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

At June 30, 2021, the School District reported a liability of \$31,028,180 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2020, the School District's proportion was 0.5792 percent, which is a decrease of 0.0208 percent from its proportion measured as of September 30, 2019.

**Waterford School District**  
**Notes to the Financial Statements**  
**June 30, 2021**

For the plan year ending September 30, 2020, the School District recognized OPEB expense of (\$1,792,293) for the measurement period. For the reporting period ending June 30, 2021, the School District recognized total OPEB contribution expense of \$3,935,402.

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (23,118,895)	\$ (23,118,895)
Changes of assumptions	10,230,607	-	10,230,607
Net difference between projected and actual earnings on OPEB plan investments	258,965	-	258,965
Changes in proportion and differences between the School District contributions and proportionate share of contributions	60,137	(3,649,046)	(3,588,909)
Total to be recognized in future	10,549,709	(26,767,941)	(16,218,232)
School District contributions subsequent to the measurement date	3,425,929	-	3,425,929
Total	<u>\$ 13,975,638</u>	<u>\$ (26,767,941)</u>	<u>\$ (12,792,303)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)		
	2021	\$ (4,363,969)
	2022	(4,004,997)
	2023	(3,357,327)
	2024	(2,593,166)
	2025	<u>(1,898,773)</u>
		<u>\$ (16,218,232)</u>

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2019
- Actuarial Cost Method: Entry Age, Normal

# Waterford School District

## Notes to the Financial Statements

### June 30, 2021

- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95% net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Healthcare Cost Trend Rate: 7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 12
- Mortality:
  - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
  - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

#### Other Assumptions:

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, and rolled forward using generally accepted actuarial procedures, including the experience study.

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

The recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

#### Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.6 %
Alternative Investment Pools	16.0	9.3
International Equity	15.0	7.4
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	4.9
Absolute Return Pools	9.0	3.2
Real Return/Opportunistic Pools	12.5	6.6
Short Term Investment Pools	2.0	(0.1)
	<u>100.0%</u>	

*\*Long-term rates of return are net of administrative expenses and 2.1% inflation.*

**Waterford School District**  
**Notes to the Financial Statements**  
**June 30, 2021**

**Rate of Return**

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
<u>\$ 39,859,224</u>	<u>\$ 31,028,180</u>	<u>\$ 23,593,182</u>

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
<u>\$ 23,308,509</u>	<u>\$ 31,028,180</u>	<u>\$ 39,808,354</u>

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued MPSERS Comprehensive Annual Financial Report, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the OPEB Plan**

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

**Note 13 - 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, 2021.

**Waterford School District**  
**Notes to the Financial Statements**  
**June 30, 2021**

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**Note 14 - Tax Abatements**

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the cities and townships within the County. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2021, the School District's property tax revenues were reduced by \$313,055 under these programs.

There are no significant abatements made by the School District.

**Note 15 - Change in Accounting Principle**

As indicated in Note 1, Governmental Accounting Standards Board Statement 84 has been adopted. The standard requires this change be applied retroactively. The impact of this change is to increase beginning fund balance by \$1,509,372 as of July 1, 2020 in the Senior and Student Activity Fund, restating it from \$0 to \$1,509,372, in the nonmajor governmental funds, restating it from \$14,931,290 to \$16,440,662, and beginning net position in the statement of activities, restating it from (\$127,224,645) to (\$125,715,273).

## REQUIRED SUPPLEMENTARY INFORMATION

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**Waterford School District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
<b>Revenues</b>				
Local sources	\$ 13,529,603	\$ 13,011,808	\$ 13,357,976	\$ 346,168
State sources	65,733,746	73,713,633	74,239,964	526,331
Federal sources	7,414,616	17,815,521	11,881,589	(5,933,932)
Interdistrict sources	5,605,480	5,575,480	6,335,628	760,148
Total revenues	92,283,445	110,116,442	105,815,157	(4,301,285)
<b>Expenditures</b>				
Current				
Instruction				
Basic programs	22,907,556	22,464,485	19,014,492	(3,449,993)
Added needs	15,150,165	15,090,522	14,104,167	(986,355)
Employee benefits	12,429,963	12,384,281	13,934,619	1,550,338
Supporting services				
Pupil	7,577,375	7,397,375	7,545,111	147,736
Instructional staff	2,340,823	1,973,206	1,971,236	(1,970)
General administration	1,345,313	1,306,688	939,211	(367,477)
School administration	3,965,259	4,006,467	3,791,751	(214,716)
Business	11,917,910	11,178,252	11,301,478	123,226
Central	3,941,163	3,352,663	3,012,055	(340,608)
Athletics	1,364,798	1,364,798	1,411,315	46,517
Civic	56,928	11,000	46,593	35,593
Employee benefits	6,808,488	6,783,466	6,676,272	(107,194)
Teacher retirement savings	(300,000)	-	-	-
Federal programs	6,707,695	17,521,444	12,050,848	(5,470,596)
Debt service				
Principal	915,000	915,000	915,000	-
Interest and fiscal charges	97,125	97,125	135,142	38,017
Total expenditures	97,225,561	105,846,772	96,849,290	(8,997,482)
Excess of revenues over expenditures	(4,942,116)	4,269,670	8,965,867	4,696,197



**Waterford School District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Other financing sources (uses)</b>				
Transfers in	\$ 250,000	\$ 250,000	\$ 283,256	\$ 33,256
Transfers out	(633,125)	(836,169)	(1,089,951)	(253,782)
Total other financing sources (uses)	(383,125)	(586,169)	(806,695)	(220,526)
Net change in fund balance	(5,325,241)	3,683,501	8,159,172	4,475,671
Fund balance - beginning	11,255,828	11,255,828	11,255,828	-
<b>Fund balance - ending</b>	<u>\$ 5,930,587</u>	<u>\$ 14,939,329</u>	<u>\$ 19,415,000</u>	<u>\$ 4,475,671</u>

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. School District's proportion of net pension liability (%)	0.5862%	0.6089%	0.6292%	0.6373%	0.6550%	0.6847%	0.7286%			
B. School District's proportionate share of net pension liability	\$ 201,377,581	\$ 201,662,094	\$ 189,149,810	\$ 165,146,402	\$ 163,414,471	\$ 167,238,058	\$ 160,486,652			
C. School District's covered-employee payroll	\$ 51,431,272	\$ 52,511,862	\$ 53,277,705	\$ 53,070,379	\$ 53,274,188	\$ 57,421,142	\$ 61,986,820			
D. School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	391.55%	384.03%	355.03%	311.18%	306.74%	291.25%	258.90%			
E. Plan fiduciary net position as a percentage of total pension liability	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%			

**Note Disclosures**

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2020.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2020.

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

		For the Years Ended June 30,									
		2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A.	Statutorily required contributions	\$ 16,566,506	\$ 16,090,831	\$ 16,139,266	\$ 14,947,605	\$ 9,792,111	\$ 8,926,955	\$ 11,660,435			
B.	Contributions in relation to statutorily required contributions	<u>16,566,506</u>	<u>16,090,831</u>	<u>16,139,266</u>	<u>14,947,605</u>	<u>9,792,111</u>	<u>8,926,955</u>	<u>11,660,435</u>			
C.	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
D.	School District's covered- employee payroll	\$ 48,562,626	\$ 52,397,008	\$ 52,727,396	\$ 53,278,044	\$ 52,042,873	\$ 53,717,246	\$ 58,630,710			
E.	Contributions as a percentage of covered-employee payroll	34.11%	30.71%	30.61%	28.06%	18.82%	16.62%	19.89%			

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A. School District's proportion of net OPEB liability (%)	0.5792%	0.6000%	0.6255%	0.6373%						
B. School District's proportionate share of net OPEB liability	\$ 31,028,180	\$ 43,067,643	\$ 49,721,940	\$ 56,436,215						
C. School District's covered-employee payroll	\$ 51,431,272	\$ 52,511,862	\$ 53,277,705	\$ 53,070,379						
D. School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	60.33%	82.02%	93.33%	106.34%						
E. Plan fiduciary net position as a percentage of total OPEB liability	59.44%	48.46%	42.95%	36.39%						

**Note Disclosures**

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2020.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2020.

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

		For the Years Ended June 30,									
		2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
A.	Statutorily required contributions	\$ 3,935,402	\$ 4,235,368	\$ 4,199,646	\$ 4,961,674						
B.	Contributions in relation to statutorily required contributions	<u>3,935,402</u>	<u>4,235,368</u>	<u>4,199,646</u>	<u>4,961,674</u>						
C.	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
D.	School District's covered- employee payroll	\$ 48,562,626	\$ 52,397,008	\$ 52,727,396	\$ 53,278,044						
E.	Contributions as a percentage of covered-employee payroll	8.10%	8.08%	7.96%	9.31%						

## OTHER SUPPLEMENTARY INFORMATION

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**Waterford School District**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2021**

	Special Revenue Funds							
	Special Education Center Programs	Child Care	Senior Citizens	Pool and Fitness Centers	Performing Arts Centers	Food Service	Senior and Student Activity	Total Special Revenue Funds
<b>Assets</b>								
Cash and cash equivalents	\$ 506,243	-	\$ -	\$ -	\$ -	\$ 2,143,010	\$ 1,495,305	\$ 4,144,558
Investments								
Accounts receivable	-	51,890	-	-	-	-	-	51,890
Due from other governmental units	-	-	-	-	-	199,267	-	199,267
Due from other funds	-	-	-	-	-	4,989	-	4,989
Prepays	-	1,487	-	-	-	-	-	1,487
Inventory	-	-	-	-	-	10,707	-	10,707
<b>Total assets</b>	<u>\$ 506,243</u>	<u>\$ 53,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,357,973</u>	<u>\$ 1,495,305</u>	<u>\$ 4,412,898</u>
<b>Liabilities and fund balance</b>								
Liabilities								
Accounts payable	\$ 3,512	\$ 53,377	\$ -	\$ -	\$ -	\$ 20,319	\$ -	\$ 77,208
Due to other funds	-	-	-	-	-	1,081,699	-	1,081,699
Unearned revenue	-	-	-	-	-	39,522	-	39,522
<b>Total liabilities</b>	<u>3,512</u>	<u>53,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,141,540</u>	<u>-</u>	<u>1,198,429</u>
Fund balance								
Non-spendable								
Inventory	-	-	-	-	-	10,707	-	10,707
Restricted								
Debt service	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Special Education center programs	502,731	-	-	-	-	-	-	502,731
Food service	-	-	-	-	-	1,205,726	-	1,205,726
Committed - senior and student activity	-	-	-	-	-	-	1,495,305	1,495,305
Assigned								
Capital projects	-	-	-	-	-	-	-	-
<b>Total fund balance</b>	<u>502,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,216,433</u>	<u>1,495,305</u>	<u>3,214,469</u>
<b>Total liabilities and fund balance</b>	<u>\$ 506,243</u>	<u>\$ 53,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,357,973</u>	<u>\$ 1,495,305</u>	<u>\$ 4,412,898</u>

**Waterford School District**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2021**

	Debt Service Funds										Total Debt Service Funds
	2013 Refunding	2014 Series IV	2014 Refunding	2003 Series V	2016 Series I	2016 Series II	2016 Series III	2016 Series IV	2020 Refunding	2021 Refunding	
<b>Assets</b>											
Cash and cash equivalents	\$ 169,195	\$ -	\$ 115,424	\$ 70,773	\$ 73,145	\$ 160,308	\$ 57,215	\$ 107,176	\$ 95,380	\$ 190,094	\$ 1,038,710
Investments											
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Prepays	-	-	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ 169,195</u>	<u>\$ -</u>	<u>\$ 115,424</u>	<u>\$ 70,773</u>	<u>\$ 73,145</u>	<u>\$ 160,308</u>	<u>\$ 57,215</u>	<u>\$ 107,176</u>	<u>\$ 95,380</u>	<u>\$ 190,094</u>	<u>\$ 1,038,710</u>
<b>Liabilities and fund balance</b>											
<b>Liabilities</b>											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance</b>											
Non-spendable											
Inventory	-	-	-	-	-	-	-	-	-	-	-
Restricted											
Debt service	169,195	-	115,424	70,773	73,145	160,308	57,215	107,176	95,380	190,094	1,038,710
Capital projects	-	-	-	-	-	-	-	-	-	-	-
Special Education center programs	-	-	-	-	-	-	-	-	-	-	-
Food service	-	-	-	-	-	-	-	-	-	-	-
Committed - senior and student activity	-	-	-	-	-	-	-	-	-	-	-
Assigned											
Capital projects	-	-	-	-	-	-	-	-	-	-	-
<b>Total fund balance</b>	<u>169,195</u>	<u>-</u>	<u>115,424</u>	<u>70,773</u>	<u>73,145</u>	<u>160,308</u>	<u>57,215</u>	<u>107,176</u>	<u>95,380</u>	<u>190,094</u>	<u>1,038,710</u>
<b>Total liabilities and fund balance</b>	<u>\$ 169,195</u>	<u>\$ -</u>	<u>\$ 115,424</u>	<u>\$ 70,773</u>	<u>\$ 73,145</u>	<u>\$ 160,308</u>	<u>\$ 57,215</u>	<u>\$ 107,176</u>	<u>\$ 95,380</u>	<u>\$ 190,094</u>	<u>\$ 1,038,710</u>



**Waterford School District**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2021**

	Capital Projects					Total Nonmajor Governmental Funds
	Building Maintenance	2016 Series II	2016 Series III	2016 Series IV	Total Capital Projects	
<b>Assets</b>						
Cash and cash equivalents	\$ 1,263,147	\$ -	\$ 5,591	\$ 3,494,623	\$ 4,763,361	\$ 9,946,629
Investments	-	-	1,879	-	1,879	1,879
Accounts receivable	-	-	-	-	-	51,890
Due from other governmental units	-	-	-	-	-	199,267
Due from other funds	-	-	-	380,279	380,279	385,268
Prepays	-	-	-	-	-	1,487
Inventory	-	-	-	-	-	10,707
<b>Total assets</b>	<u>\$ 1,263,147</u>	<u>\$ -</u>	<u>\$ 7,470</u>	<u>\$ 3,874,902</u>	<u>\$ 5,145,519</u>	<u>\$ 10,597,127</u>
<b>Liabilities and fund balance</b>						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 1,443,199	\$ 1,443,199	\$ 1,520,407
Due to other funds	-	-	7,470	5,694	13,164	1,094,863
Unearned revenue	-	-	-	-	-	39,522
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>7,470</u>	<u>1,448,893</u>	<u>1,456,363</u>	<u>2,654,792</u>
Fund balance						
Non-spendable						
Inventory	-	-	-	-	-	10,707
Restricted						
Debt service	-	-	-	-	-	1,038,710
Capital projects	-	-	-	2,426,009	2,426,009	2,426,009
Special Education center programs	-	-	-	-	-	502,731
Food service	-	-	-	-	-	1,205,726
Committed - senior and student activity	-	-	-	-	-	1,495,305
Assigned						
Capital projects	<u>1,263,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,263,147</u>	<u>1,263,147</u>
<b>Total fund balance</b>	<u>1,263,147</u>	<u>-</u>	<u>-</u>	<u>2,426,009</u>	<u>3,689,156</u>	<u>7,942,335</u>
<b>Total liabilities and fund balance</b>	<u>\$ 1,263,147</u>	<u>\$ -</u>	<u>\$ 7,470</u>	<u>\$ 3,874,902</u>	<u>\$ 5,145,519</u>	<u>\$ 10,597,127</u>

**Waterford School District**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2021**

	Special Revenue Funds/School Service Funds							
	Special Education Center Programs	Child Care	Senior Citizens	Pool and Fitness Centers	Performing Arts Centers	Food Service	Senior and Student Activity	Total Special Revenue Funds
<b>Revenues</b>								
Local sources	\$ -	\$ 243,169	\$ 320,784	\$ 165,288	\$ -	\$ 406,202	\$ 1,128,166	\$ 2,263,609
State sources	1,018,299	-	-	-	-	402,701	-	1,421,000
Federal sources	-	-	294,912	-	-	3,354,096	-	3,649,008
Interdistrict sources	4,650,489	-	-	-	-	-	-	4,650,489
<b>Total revenues</b>	<b>5,668,788</b>	<b>243,169</b>	<b>615,696</b>	<b>165,288</b>	<b>-</b>	<b>4,162,999</b>	<b>1,128,166</b>	<b>11,984,106</b>
<b>Expenditures</b>								
Current								
Instruction	1,979,124	-	-	-	-	-	-	1,979,124
Supporting services	3,968,694	818,437	320,784	506,516	173,455	353,278	1,142,233	7,283,397
Federal programs	-	-	294,912	-	-	3,354,096	-	3,649,008
Building and site	-	-	-	-	-	-	-	-
Debt service								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>5,947,818</b>	<b>818,437</b>	<b>615,696</b>	<b>506,516</b>	<b>173,455</b>	<b>3,707,374</b>	<b>1,142,233</b>	<b>12,911,529</b>
Excess (deficiency) of revenues over expenditures	(279,030)	(575,268)	-	(341,228)	(173,455)	455,625	(14,067)	(913,356)
<b>Other financing sources</b>								
Proceeds from refunding bonds	-	-	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-	-
Transfers in	-	575,268	-	341,228	173,455	-	-	1,089,951
Transfers out	-	-	-	-	-	(283,256)	-	(283,256)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>575,268</b>	<b>-</b>	<b>341,228</b>	<b>173,455</b>	<b>(283,256)</b>	<b>-</b>	<b>806,695</b>
<b>Net change in fund balance</b>	<b>(279,030)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>172,369</b>	<b>(14,067)</b>	<b>(120,728)</b>
Fund balance - beginning, as restated	781,761	-	-	-	-	1,044,064	1,509,372	3,335,197
<b>Fund balance - ending</b>	<b>\$ 502,731</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,216,433</b>	<b>\$ 1,495,305</b>	<b>\$ 3,214,469</b>

**Waterford School District**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2021**

Debt Service Funds

	2013 Refunding	2014 Series IV	2014 Refunding	2003 Series V	2016 Series I	2016 Series II	2016 Series III	2016 Series IV	2020 Refunding	2021 Refunding	Total Debt Service
<b>Revenues</b>											
Local sources	\$ 2,887,372	\$ 3,247,200	\$ 1,970,372	\$ 1,208,880	\$ 1,249,910	\$ 2,740,425	\$ 977,670	\$ 1,832,404	\$ 1,629,215	\$ -	\$ 17,743,448
State sources	-	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-	-
Interdistrict sources	-	-	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<u>2,887,372</u>	<u>3,247,200</u>	<u>1,970,372</u>	<u>1,208,880</u>	<u>1,249,910</u>	<u>2,740,425</u>	<u>977,670</u>	<u>1,832,404</u>	<u>1,629,215</u>	<u>-</u>	<u>17,743,448</u>
<b>Expenditures</b>											
Current											
Instruction	-	-	-	-	-	-	-	-	-	-	-
Supporting services	-	-	-	-	-	-	-	-	-	-	-
Federal programs	-	-	-	-	-	-	-	-	-	-	-
Building and site	-	-	-	-	-	-	-	-	-	-	-
Debt service											
Principal	2,575,000	-	1,810,000	930,000	835,000	1,575,000	660,000	990,000	1,250,000	-	10,625,000
Interest and other	414,994	173,394	211,421	296,104	431,769	1,244,245	271,123	737,547	421,022	87,150	4,288,769
Payment to bond refunding escrow ager	-	-	-	-	-	-	-	-	-	12,998,394	12,998,394
<b>Total expenditures</b>	<u>2,989,994</u>	<u>173,394</u>	<u>2,021,421</u>	<u>1,226,104</u>	<u>1,266,769</u>	<u>2,819,245</u>	<u>931,123</u>	<u>1,727,547</u>	<u>1,671,022</u>	<u>13,085,544</u>	<u>27,912,163</u>
Excess (deficiency) of revenues over expenditures	<u>(102,622)</u>	<u>3,073,806</u>	<u>(51,049)</u>	<u>(17,224)</u>	<u>(16,859)</u>	<u>(78,820)</u>	<u>46,547</u>	<u>104,857</u>	<u>(41,807)</u>	<u>(13,085,544)</u>	<u>(10,168,715)</u>
<b>Other financing sources</b>											
Proceeds from refunding bonds	-	-	-	-	-	-	-	-	-	8,830,000	8,830,000
Premium on issuance of bonds	-	-	-	-	-	-	-	-	-	1,257,150	1,257,150
Transfers in	-	-	-	-	-	-	-	-	-	3,188,488	3,188,488
Transfers out	-	(3,188,488)	-	-	-	-	-	-	-	-	(3,188,488)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(3,188,488)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,275,638</u>	<u>10,087,150</u>
<b>Net change in fund balance</b>	<u>(102,622)</u>	<u>(114,682)</u>	<u>(51,049)</u>	<u>(17,224)</u>	<u>(16,859)</u>	<u>(78,820)</u>	<u>46,547</u>	<u>104,857</u>	<u>(41,807)</u>	<u>190,094</u>	<u>(81,565)</u>
Fund balance - beginning	<u>271,817</u>	<u>114,682</u>	<u>166,473</u>	<u>87,997</u>	<u>90,004</u>	<u>239,128</u>	<u>10,668</u>	<u>2,319</u>	<u>137,187</u>	<u>-</u>	<u>1,120,275</u>
<b>Fund balance - ending</b>	<u>\$ 169,195</u>	<u>\$ -</u>	<u>\$ 115,424</u>	<u>\$ 70,773</u>	<u>\$ 73,145</u>	<u>\$ 160,308</u>	<u>\$ 57,215</u>	<u>\$ 107,176</u>	<u>\$ 95,380</u>	<u>\$ 190,094</u>	<u>\$ 1,038,710</u>

**Waterford School District**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2021**

	Capital Projects					Total Nonmajor Governmental Funds
	Building Maintenance	2016 Series II	2016 Series III	2016 Series IV	Total Capital Projects	
<b>Revenues</b>						
Local sources	\$ -	\$ -	\$ 68,600	\$ (969)	\$ 67,631	\$ 20,074,688
State sources	-	-	-	-	-	1,421,000
Federal sources	-	-	-	-	-	3,649,008
Interdistrict sources	-	-	-	-	-	4,650,489
Total revenues	-	-	68,600	(969)	67,631	29,795,185
<b>Expenditures</b>						
Current						
Instruction	-	-	-	-	-	1,979,124
Supporting services	-	-	-	-	-	7,283,397
Federal programs	-	-	-	-	-	3,649,008
Building and site	-	1,600,740	2,777,500	3,985,425	8,363,665	8,363,665
Debt service						
Principal	-	-	-	-	-	10,625,000
Interest	-	-	-	-	-	4,288,769
Payment to bond refunding escrow agent	-	-	-	-	-	12,998,394
Total expenditures	-	1,600,740	2,777,500	3,985,425	8,363,665	49,187,357
Excess (deficiency) of revenues over expenditures	-	(1,600,740)	(2,708,900)	(3,986,394)	(8,296,034)	(19,392,172)
<b>Other financing sources</b>						
Proceeds from refunding bonds	-	-	-	-	-	8,830,000
Premium on issuance of bonds	-	-	-	-	-	1,257,150
Transfers in	-	-	-	-	-	4,278,439
Transfers out	-	-	-	-	-	(3,471,744)
Total other financing sources (uses)	-	-	-	-	-	10,893,845
Net change in fund balance	-	(1,600,740)	(2,708,900)	(3,986,394)	(8,296,034)	(8,498,327)
Fund balance - beginning	1,263,147	1,600,740	2,708,900	6,412,403	11,985,190	16,440,662
<b>Fund balance - ending</b>	<b>\$ 1,263,147</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,426,009</b>	<b>\$ 3,689,156</b>	<b>\$ 7,942,335</b>

**Waterford School District**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2021**

Year Ending June 30,	2013 Refunding	2014 Refunding	2003 Series V	2016 Series I	2016 Series II	2016 Series III	2016 Series IV	Energy Refunding Bonds	2020 Refunding	2021 Refunding and Series I	Total
2022	\$ 2,575,000	\$ 2,395,000	\$ 960,000	\$ 855,000	\$ 1,650,000	\$ 670,000	\$ 1,025,000	\$ 845,000	\$ 1,320,000	\$ 1,585,000	\$ 13,880,000
2023	3,145,000	-	985,000	880,000	1,700,000	680,000	1,075,000	640,000	1,340,000	2,020,000	12,465,000
2024	-	-	1,015,000	905,000	1,950,000	690,000	1,130,000	-	1,360,000	2,115,000	9,165,000
2025	-	-	1,050,000	935,000	2,300,000	700,000	1,190,000	-	1,380,000	2,220,000	9,775,000
2026	-	-	1,085,000	960,000	2,400,000	720,000	1,245,000	-	905,000	2,315,000	9,630,000
2027	-	-	1,125,000	995,000	2,500,000	740,000	1,315,000	-	920,000	2,390,000	9,985,000
2028	-	-	1,165,000	1,025,000	2,550,000	760,000	1,360,000	-	-	2,490,000	9,350,000
2029	-	-	1,200,000	1,055,000	2,625,000	800,000	1,415,000	-	-	2,595,000	9,690,000
2030	-	-	1,245,000	1,095,000	2,700,000	830,000	1,475,000	-	-	1,370,000	8,715,000
2031	-	-	-	1,130,000	2,800,000	840,000	1,535,000	-	-	1,425,000	7,730,000
2032	-	-	-	1,170,000	2,900,000	860,000	1,600,000	-	-	1,485,000	8,015,000
2033	-	-	-	1,210,000	3,000,000	-	1,655,000	-	-	1,545,000	7,410,000
2034	-	-	-	1,265,000	3,100,000	-	-	-	-	1,605,000	5,970,000
2035	-	-	-	1,315,000	3,200,000	-	-	-	-	1,670,000	6,185,000
2036	-	-	-	1,360,000	3,325,000	-	-	-	-	1,735,000	6,420,000
2037	-	-	-	-	3,475,000	-	-	-	-	1,805,000	5,280,000
2038	-	-	-	-	-	-	-	-	-	1,875,000	1,875,000
2039	-	-	-	-	-	-	-	-	-	1,950,000	1,950,000
2040	-	-	-	-	-	-	-	-	-	2,030,000	2,030,000
2041	-	-	-	-	-	-	-	-	-	2,105,000	2,105,000
Total	<u>\$ 5,720,000</u>	<u>\$ 2,395,000</u>	<u>\$ 9,830,000</u>	<u>\$ 16,155,000</u>	<u>\$ 42,175,000</u>	<u>\$ 8,290,000</u>	<u>\$ 16,020,000</u>	<u>\$ 1,485,000</u>	<u>\$ 7,225,000</u>	<u>\$ 38,330,000</u>	<u>\$ 147,625,000</u>
Principal payments due the first day of	May	May	May	May	May	May	May	August	May	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	May and November	May and November	August and February	May and November	May and November	
Interest rate	2.00% - 5.00%	2.00% - 5.00%	2.00% - 3.125%	2.00% - 3.00%	2.00% - 3.00%	2.00% - 3.00%	4.00% - 5.00%	2.00 - 5.00%	4.00% - 5.00%	4.00%	
Original issue	<u>\$ 26,150,000</u>	<u>\$ 13,455,000</u>	<u>\$ 15,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 50,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 17,875,000</u>	<u>\$ 6,755,000</u>	<u>\$ 8,475,000</u>	<u>\$ 38,330,000</u>	

**Waterford School District**

**Single Audit Report**

**June 30, 2021**



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

### **Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waterford School District, as of and for the year ended June 30, 2021, 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 21, 2021.

#### **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) as a basis for designing 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 financial statements. 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.

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

Auburn Hills, Michigan  
October 21, 2021

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

### **Independent Auditors' Report**

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

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

We have audited Waterford School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Waterford School District's major federal programs for the year ended June 30, 2021. 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, 2021.

## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to this matter.

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

## 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waterford School District, as of and for the year ended June 30, 2021, 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 21, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Auburn Hills, Michigan  
October 21, 2021

**Waterford School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2021**

Federal Grantor Pass-Through Grantor Program Title	Assistance Listing Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2020	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2021
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance (commodities)								
Entitlement Commodities	10.555	63300	\$ 256,275	\$ -	\$ -	\$ 256,275	\$ 256,275	\$ -
Bonus		63300	1,706	-	-	1,706	1,706	-
				-	-	257,981	257,981	-
Cash assistance								
COVID-19 Cares Act Summer Food Service Program	10.555	200902	1,414,305	241,770	1,414,305	241,770	-	-
COVID-19 Extended Summer Food Service Program	10.559	210904 2021	2,449,051	-	-	2,447,050	2,447,050	-
COVID-19 Summer Food Service Program Operating		200900 2021	647,064	-	-	449,797	649,065	199,268
				-	-	2,896,847	3,096,115	199,268
Total Child Nutrition Cluster				241,770	1,414,305	3,396,598	3,354,096	199,268
Total U.S. Department of Agriculture				241,770	1,414,305	3,396,598	3,354,096	199,268
U.S. Department of Treasury								
Passed through Michigan Department of Education								
COVID-19 103(2) District Covid Costs	21.019	N/A	101,163	-	-	101,163	101,163	-
COVID-19 11p Coronavirus Relief Fund		N/A	2,873,990	-	-	2,873,990	2,873,990	-
Passed through Oakland County								
COVID-19 Coronavirus Relief Fund		N/A	1,695,822	-	-	1,695,822	1,695,822	-
Total U.S. Department of Treasury				-	-	4,670,975	4,670,975	-

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Waterford School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2021**

Federal Grantor Pass-Through Grantor Program Title	Assistance Listing Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2020	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2021
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Grants to Local Educational Agencies	84.010	201530 1920	\$ 1,353,633	\$ 667,540	\$ 1,333,178	\$ 668,905	\$ 1,365	\$ -
Title I Grants to Local Educational Agencies		211530 2021	1,307,309	-	-	-	1,156,107	1,156,107
				<u>667,540</u>	<u>1,333,178</u>	<u>668,905</u>	<u>1,157,472</u>	<u>1,156,107</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	201700 1920	598,738	193,859	338,770	193,859	-	-
Title I State Agency Program for Neglected and Delinquent Children and Youth		211700 2021	600,115	-	-	-	518,460	518,460
				<u>193,859</u>	<u>338,770</u>	<u>193,859</u>	<u>518,460</u>	<u>518,460</u>
Passed through Oakland Schools								
Special Education Cluster								
Special Education Grants to States	84.027A	190450	2,704,599	7,337	2,673,182	38,754	31,417	-
Special Education Grants to States		200450	2,606,420	1,075,459	2,490,503	1,075,459	101,729	101,729
Special Education Grants to States		210450	2,539,708	-	-	-	2,189,017	2,189,017
				<u>1,082,796</u>	<u>5,163,685</u>	<u>1,114,213</u>	<u>2,322,163</u>	<u>2,290,746</u>
Special Education - Preschool	84.173A	190460	74,762	12,622	34,626	12,622	-	-
Special Education - Preschool		200460	80,794	35,349	73,924	35,349	6,870	6,870
Special Education - Preschool		210460	71,520	-	-	-	71,520	71,520
				<u>47,971</u>	<u>108,550</u>	<u>47,971</u>	<u>78,390</u>	<u>78,390</u>
Total Special Education Cluster				<u>1,130,767</u>	<u>5,272,235</u>	<u>1,162,184</u>	<u>2,400,553</u>	<u>2,369,136</u>
Passed through Michigan Department of Education								
English Language Acquisition State Grants	84.365	200580 1920	124,797	32,141	60,056	48,094	15,953	-
English Language Acquisition State Grants		210580 2021	116,119	-	-	-	36,628	36,628
				<u>32,141</u>	<u>60,056</u>	<u>48,094</u>	<u>52,581</u>	<u>36,628</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, 2021**

Federal Grantor Pass-Through Grantor Program Title	Assistance Listing Number	Grant Number	Award Amount	Accrued (Unearned) Revenue July 1, 2020	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2021
Passed through Michigan Department of Education								
Supporting Effective Instruction State Grants	84.367	200520 1920	\$ 460,591	\$ 143,271	\$ 256,987	\$ 143,271	\$ -	\$ -
Supporting Effective Instruction State Grants		210520 2021	499,761	-	-	-	360,622	360,622
				<u>143,271</u>	<u>256,987</u>	<u>143,271</u>	<u>360,622</u>	<u>360,622</u>
Passed through Michigan Department of Education								
Student Support and Academic Enrichment	84.424A	200750 1920	192,632	162,143	162,143	162,410	-	(267)
Student Support and Academic Enrichment		210750 2021	128,065	-	-	-	28,369	28,369
				<u>162,143</u>	<u>162,143</u>	<u>162,410</u>	<u>28,369</u>	<u>28,102</u>
Passed through Michigan Department of Education								
COVID-19 Governor's Emergency Education Relief (GEER)	84.425C	201200	596,275	-	-	-	596,275	596,275
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula	84.425D	203710	1,105,156	-	-	-	1,105,156	1,105,156
COVID-19 ESSER Education Equity	84.425D	203720	165,773	-	-	-	165,773	165,773
				<u>-</u>	<u>-</u>	<u>-</u>	<u>1,867,204</u>	<u>1,867,204</u>
Total U.S. Department of Education				<u>2,329,721</u>	<u>7,423,369</u>	<u>2,378,723</u>	<u>6,385,261</u>	<u>6,336,259</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	20-9052-03	283,800	25,944	194,987	114,757	88,813	-
Special Programs for the Aging Title III, Part C Nutrition Services		21-9052-04	206,099	-	-	185,434	206,099	20,665
				<u>25,944</u>	<u>194,987</u>	<u>300,191</u>	<u>294,912</u>	<u>20,665</u>
Passed through Oakland Livingston Human Services Agency (OLHSA)								
Head Start Cluster								
Head Start	93.600	05CH010367	826,330	411,629	411,629	723,338	350,818	39,109
Head Start		05CH010367	751,955	-	-	-	444,237	444,237
				<u>411,629</u>	<u>411,629</u>	<u>723,338</u>	<u>795,055</u>	<u>483,346</u>
Passed through Oakland Schools								
Medicaid Cluster								
Medical Assistance Program	93.778	N/A	21,409	-	-	21,409	21,409	-
Total U.S. Department of Health and Human Services				<u>437,573</u>	<u>606,616</u>	<u>1,044,938</u>	<u>1,111,376</u>	<u>504,011</u>
Total Federal Awards				<u>\$ 3,009,064</u>	<u>\$ 9,444,290</u>	<u>\$ 11,491,234</u>	<u>\$ 15,521,708</u>	<u>\$ 7,039,538</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, 2021**

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**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, 2021. 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 modified 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 as follows:

Expenditures per the schedule of expenditures of federal awards	\$ 15,521,708
Funds not received within 60 days of June 30, 2021	(678,357)
Funds not received within 60 days of June 30, 2020	<u>687,246</u>
Federal revenues per the financial statements	<u><u>\$ 15,530,597</u></u>

**Note 4 - Subrecipients**

No amounts were provided to subrecipients.

**Note 5 - Michigan Department of Education Disclosure**

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

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

**Note 6 - Prior Year Expenditures**

Certain grants that were awarded as a result of COVID-19, allowed recipients to reimburse eligible costs incurred during the prior year ended June 30, 2020. Therefore, \$124,512 of prior year expenditures related to 21.019 Coronavirus Relief Funds are included in the June 30, 2021 Schedule of Expenditures of Federal Awards.



**Waterford School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2021**

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**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)?   X   yes      \_\_\_\_\_ 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)?

  X   yes      \_\_\_\_\_ no

Identification of major programs:

*Assistance Listing Number(s)*

*Name of Federal Program or Cluster*

21.019  
84.425C, 84.425D

Coronavirus Relief Fund  
Education Stabilization Fund

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, 2021**

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**SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS**

There were no *Government Auditing Standards* findings for the year ended June 30, 2021.

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

**2021-001 – Significant Deficiency and Noncompliance – Special Tests**

**Program information:** COVID-19 Governor's Emergency Education Relief (GEER), U.S. Department of Education, passed through Michigan Department of Education, AL #84.425C; COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula, U.S. Department of Education, passed through Michigan Department of Education, AL #84.425D; COVID-19 ESSER Education Equity, U.S. Department of Education, passed through Michigan Department of Education, AL #84.425D.

**Criteria:** The School District has a responsibility to contact all private schools within the district that might have students eligible to participate Education Stabilization Fund (ESF) programs. In addition, the School District is required to contact private schools outside of the district if the School District has reason to believe students who reside the public school attendance area attend those schools.

**Condition:** The School District did not contact private schools in the district to offer Education Stabilization Funds.

**Questioned costs:** None

**Cause and effect:** The School District did not have controls in place to ensure that Education Stabilization Funds were properly offered to private schools within the School District.

**Recommendation:** The School District should implement controls to verify ESF funding is offered to private schools in the School District. The School District will need to verify they have an accurate list of the private schools and retain documentation that those schools were contacted, as well as their response. We recommend that certified mail receipts be retained for all letters sent to the private schools. Therefore, if a private school doesn't respond to the letter this can be used as support that the letter was received and services were assumed denied in order to maintain compliance with federal requirements.

**Views of responsible officials:** Management agrees with the finding.

**Corrective action plan:** See attached corrective action plan.

**Waterford School District**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2021**

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**SECTION IV- PRIOR AUDIT FINDINGS**

***Government Auditing Standards Findings***

There were no *Government Auditing Standards* findings for the year ended June 30, 2020.

**Federal Award Findings**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2020.



# Waterford School District

**Kurzman Administration Services**  
Crary Campus  
501 N. Cass Lake Road  
Waterford, Michigan 48328

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## Federal Award Findings Corrective Action Plan

Finding Reference #: 2021-001 – Significant Deficiency and Noncompliance – Special Tests

Name(s) of Contact Persons: Debra Cooper, Director of Curriculum, Instruction and Assessment

Corrective Action Plan: The District felt the guidance was not clear when applying for the Governor’s Emergency Education Relief (GEER) and Elementary Secondary School Emergency Relief (ESSER) funds on the responsibility of providing equitable services to non-public/private schools under the CARES Act program.

Based on auditor feedback, the District will notify by certified mail, offer, and initiate the consultation process with the officials of the non-public/private schools to determine if they want services.

The District will confirm the list from Central Enrollment of non-public/private schools within the district that might have eligible students that want to participate in equitable services. The District will document the offer letter to the non-public/private schools with a certified mail receipt. If the non-public/private school declines to participate or does not respond to the good faith effort the services will be assumed denied.

Anticipated Completion Date: December 31, 2021