

# **Warren Woods Public Schools**

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**Financial Report  
with Supplemental Information  
June 30, 2012**

# Warren Woods Public Schools

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## Independent Auditor's Report

To the Board of Education  
Warren Woods Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Warren Woods Public Schools (the "School District") as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Warren Woods Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Warren Woods Public Schools as of June 30, 2012 and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

To the Board of Education  
Warren Woods Public Schools

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

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated August 1, 2012 on our consideration of the 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. 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 opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Morse, PLLC*

August 1, 2012

# **Warren Woods Public Schools**

## **Management's Discussion and Analysis**

This section of Warren Woods Public Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2012. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Warren Woods Public Schools' financial operations. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, which includes the SMTEC Vocational Education Consortium, and the Special Education Center Program Fund - with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)  
(Required Supplemental Information)

### **Basic Financial Statements**

Government-wide Financial Statements      Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for Major Funds

Other Supplemental Information

# **Warren Woods Public Schools**

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## **Management's Discussion and Analysis (Continued)**

### ***Reporting the School District as a Whole - Government-wide Financial Statements***

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, food services, enrichment, student stores, debt retirement, and internal services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

### ***Reporting the School District's Most Significant Funds - Fund Financial Statements***

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services and Special Education Center Program Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

# Warren Woods Public Schools

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## Management's Discussion and Analysis (Continued)

- **Governmental Funds** - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

### *The School District as Trustee - Reporting the School District's Fiduciary Responsibilities*

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### **The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2012 and 2011:

# Warren Woods Public Schools

## Management's Discussion and Analysis (Continued)

TABLE I

	Governmental Activities	
	June 30	
	2012	2011
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 14.9	\$ 15.4
Capital assets	51.4	53.5
Total assets	66.3	68.9
<b>Liabilities</b>		
Current liabilities	7.5	7.3
Long-term liabilities	39.9	42.3
Total liabilities	47.4	49.6
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	9.2	9.5
Restricted	1.2	0.5
Unrestricted	8.4	9.3
Total net assets	<u>\$ 18.8</u>	<u>\$ 19.3</u>

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$18.8 million at June 30, 2012. The investment in capital assets, net of related debt, reflects a balance of \$9.2 million. This figure compares the original cost less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets, \$8.4 million, was unrestricted.

The \$8.4 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net assets for the fiscal years ended June 30, 2012 and 2011.



# Warren Woods Public Schools

## Management's Discussion and Analysis (Continued)

TABLE 2

	Governmental Activities	
	2012	2011
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 1.4	\$ 1.4
Operating grants and contributions	10.2	10.0
General revenue:		
Property taxes	6.7	7.1
State foundation allowance	23.5	23.0
Other	0.5	1.1
Total revenue	<u>42.3</u>	<u>42.6</u>
<b>Functions/Program Expenses</b>		
Instruction	20.9	20.6
Support services	14.2	14.5
Child care	0.7	0.6
Food services	1.4	1.2
Athletics	0.6	0.6
Interest on long-term debt	2.0	2.0
Depreciaton (unallocated)	3.0	3.0
Total functions/program expenses	<u>42.8</u>	<u>42.5</u>
<b>(Decrease) Increase in Net Assets</b>	(0.5)	0.1
<b>Net Assets - Beginning of year</b>	<u>19.3</u>	<u>19.2</u>
<b>Net Assets - End of year</b>	<u><u>\$ 18.8</u></u>	<u><u>\$ 19.3</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$42.8 million. Certain activities were partially funded from those who paid for goods and services from those programs, \$1.4 million, or by other governments and organizations that subsidized certain programs with grants and contributions, \$10.2 million. We paid for the remaining "public benefit" portion of our governmental activities with \$6.7 million in taxes, \$23.5 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements) of \$0.5 million. Overall, the cost of activities exceeded the amount of revenue from funding sources by \$0.5 million, resulting in a corresponding decrease in net assets.

# Warren Woods Public Schools

## Management's Discussion and Analysis (Continued)

As discussed above, the net cost shows the financial burden that was placed on the state and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with available funding resources.

### The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being held accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As of June 30, 2012, the governmental funds reported a combined fund balance of \$10.0 million, which is a decrease of \$0.6 million from last year. The primary reasons for the decrease are as follows:

In the General Fund, our principal operating fund, the fund balance increased by \$0.3 million to \$7.6 million. This amount helps to provide for cash flow needs during the months when state aid isn't received from the state. The change was mainly due to:

- An increase in student enrollment
- A positive budget to actual variance
- One-time Best Practices Incentive funds from the state

General Fund fund balance is available to fund costs related to allowable school operating purposes.

Our Special Revenue Funds remained stable compared to prior years, showing a net decrease of approximately \$17,000 due to the reinvestment of fund balance from the Food Services and Child Care Program Funds into capital improvements.

Combined, the Debt Service Funds showed a fund balance decrease of \$137,000. This decrease is due primarily to a loss in property tax revenue as a result of declining property values. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

The 2006 Capital Projects Funds fund balance decreased as the School District continued construction related to the bond issue. The Capital Projects Building and Site Fund fund balance also decreased as the School District continued to invest in technology in accordance with its technology plan, as well as replace buses and other aging equipment in accordance with its replacement schedules.

# **Warren Woods Public Schools**

## **Management's Discussion and Analysis (Continued)**

### **General Fund Budgetary Highlights**

By state law, the Warren Woods Board of Education must approve a balanced budget, effective July 1 of each year. At the same time, the State Legislature's fiscal year does not begin until October 1 of the same year.

Over the course of the year, the School District must revise its budget as additional information ranging from student enrollment counts to unanticipated changes in costs and state funding becomes available. These revisions, known as budget adjustments, are again required by state law to ensure that expenditures do not exceed the board's authorized budget.

The School District made two budget amendments during the 2011-2012 year, the second of which was approved by the Board of Education on June 25, 2012. A schedule showing the School District's original and final budget amounts compared to actual amounts is provided in the required supplemental information in these financial statements.

Budgeted revenue was increased \$1.09 million resulting from an unanticipated increase in foundation allowance payments due to actual student enrollment greater than original estimates, the addition of Best Practice Incentive Funds, and an increase in federal grant awards.

Budgeted expenditures were also decreased \$1.04 million to account for changes in salaries, purchased professional services, and supplies resulting from the School District's revised operating plan due to the fluctuations in revenue as well as savings from a new collective bargaining agreement with the teachers' union.

The School District's final actual fund balance was \$600,000 more than the final budget. This variance represents a 1.9 percent difference from the amount budgeted.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

As of June 30, 2012, the School District had \$51.4 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$2.1 million from last year.

# Warren Woods Public Schools

## Management's Discussion and Analysis (Continued)

	2012	2011
Land	\$ 4,000	\$ 4,000
Construction in progress	3,579	205,835
Land Improvements	4,709,975	4,207,006
Buildings and building improvements	66,566,056	66,400,795
Buses and other vehicles	1,245,312	1,173,239
Furniture and equipment	<u>13,016,234</u>	<u>12,955,502</u>
Total capital assets	85,545,156	84,946,377
Less accumulated depreciation	<u>34,160,204</u>	<u>31,469,732</u>
Net capital assets	<u><b>\$ 51,384,952</b></u>	<u><b>\$ 53,476,645</b></u>

This year's additions of \$1.1 million included cafeteria equipment, technology, building renovations, land renovations, replacement furniture and equipment, and a new bus. No new debt was issued for these additions.

Major capital projects planned for the 2012-2013 fiscal year include technology upgrades, bus/vehicle replacements, and energy improvements. We present more detailed information about our capital assets in the notes to the financial statements.

### **Debt**

At the end of this year, the School District had \$42.0 million in bonds outstanding versus \$44.2 million in the previous year – a decrease of 5 percent. Those bonds consisted of the following:

	2012	2011
General obligation bonds	<u><b>\$ 41,975,000</b></u>	<u><b>\$ 44,215,000</b></u>

The School District's general obligation bond rating continues to be A+. The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. The School District's outstanding unqualified general obligation debt of \$42.0 million is significantly below this statutorily imposed limit of 15 percent (\$82.0 million) of the assessed value of all taxable property within the School District's boundaries.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

# **Warren Woods Public Schools**

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## **Management's Discussion and Analysis (Continued)**

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

The following factors will affect the School District in the future and were considered in preparing the School District's budget for the 2013 fiscal year budget:

One of the most important factors affecting the budget is our student count. The other is the state foundation revenue determined by multiplying the blended student count by the foundation allowance per pupil. The 2012-2013 budget was adopted in June 2012, based on an estimated number of students who will be enrolled in September 2012. Based on early enrollment projections at the end of the 2011-2012 school year, we anticipate that the fall student count will be consistent with what was used in creating the 2013 budget. In an effort to sustain student enrollment and maximize funding from the state, Warren Woods Public Schools continues to provide opportunities to students throughout Macomb County through Schools of Choice.

The State School Aid Act for 2012-2013 maintains the foundation grant for each student at \$7,749 in Warren Woods Public Schools, with a reduction of \$470 per student from the foundation level during the 2010-2011 fiscal year remaining in place. Due to the state's own overall economic decline, Michigan school districts have been allocated funding at less than inflationary increases over the past nine years. This is due to job losses, reductions in consumer spending, and reductions in property values which, in turn, resulted in lower revenue from income, sales, and property taxes. Consequently, this limits funding available to public schools from its primary revenue source, the State of Michigan. Additionally, the School District has been challenged by increased fixed costs such as retirement and health care.

Prudent fiscal responsibility and cost containment remain critical to the School District's ability to effectively operate in this volatile and difficult economic climate. Over the past five years, the School District has made a series of budget adjustments to protect the financial future of its schools. The School District continues to explore avenues that allow it to reduce costs by restructuring its delivery of services. To balance the budget, an estimated \$2.67 million contribution from fund balance will be used as a strategy to reduce further impact to programs and services.

### **Contacting the School District's Management**

This financial report is intended to provide the School District's citizens, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office at 12900 Frazho Road, Warren, MI 48089.

# Warren Woods Public Schools

## Statement of Net Assets June 30, 2012

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 3)	\$ 8,319,558
Receivables:	
Accounts receivable	196,107
Due from other governmental units	5,788,154
Inventories	25,728
Prepaid costs and other assets	132,599
Restricted assets (Note 1)	404,719
Capital assets - Net (Note 4)	<u>51,384,952</u>
Total assets	66,251,817
<b>Liabilities</b>	
Accounts payable	251,344
Accrued payroll-related liabilities	3,859,581
Other accrued liabilities	614,443
Deferred revenue (Note 6)	383,693
Noncurrent liabilities: (Note 7)	
Due within one year:	
Compensated absences less than one year	34,548
Long-term debt less than one year	2,350,000
Due in more than one year:	
Compensated absences greater than one year	310,931
Long-term debt greater than one year	<u>39,625,000</u>
Total liabilities	<u>47,429,540</u>
<b>Net Assets</b>	
Invested in capital assets - Net of related debt	9,170,964
Restricted:	
Debt service	336,441
Capital projects	136
Special revenue	855,026
Unrestricted	<u>8,459,710</u>
Total net assets	<u><u>\$ 18,822,277</u></u>

# Warren Woods Public Schools

## Statement of Activities Year Ended June 30, 2012

Functions/Programs	Program Revenue			Governmental Activities - Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary government - Governmental activities:				
Instruction	\$ 20,951,246	\$ 41,946	\$ 9,341,232	\$ (11,568,068)
Support services	14,204,680	-	-	(14,204,680)
Bookstores	31,477	26,192	-	(5,285)
Athletics	553,318	44,911	-	(508,407)
Food services	1,407,588	517,146	917,186	26,744
Child care	680,240	747,611	-	67,371
Interest	1,988,980	-	-	(1,988,980)
Depreciation expense (unallocated)	2,982,916	-	-	(2,982,916)
Total primary government	<u>\$ 42,800,445</u>	<u>\$ 1,377,806</u>	<u>\$ 10,258,418</u>	(31,164,221)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				2,917,316
Property taxes, levied for debt service				3,745,946
State aid not restricted to specific purposes				23,469,146
Federal sources - Unrestricted				404,152
Interest and investment earnings				7,667
Gain on the disposal of capital assets				916
Other				157,667
Total general revenue				<u>30,702,810</u>
<b>Change in Net Assets</b>				(461,411)
<b>Net Assets - Beginning of year</b>				<u>19,283,688</u>
<b>Net Assets - End of year</b>				<u><u>\$ 18,822,277</u></u>

# Warren Woods Public Schools

## Governmental Funds Balance Sheet June 30, 2012

	General Fund	Special Education Center Program	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 888,512	\$ -	\$ 1,771,565	\$ 2,660,077
Investments (Note 3)	5,659,481	-	-	5,659,481
Receivables:				
Accounts receivable	-	-	186,928	186,928
Due from other governmental units	5,788,154	-	-	5,788,154
Due from other funds (Note 5)	95,509	63,476	187,630	346,615
Inventories	-	-	25,728	25,728
Prepaid costs and other assets	132,599	-	-	132,599
Restricted assets (Note 1)	-	-	404,719	404,719
	<u>\$ 12,564,255</u>	<u>\$ 63,476</u>	<u>\$ 2,576,570</u>	<u>\$ 15,204,301</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 238,570	\$ -	\$ 12,774	\$ 251,344
Accrued payroll-related liabilities:				
Salaries payable	2,922,514	-	-	2,922,514
Payroll-related liabilities	937,067	-	-	937,067
Other accrued liabilities	307,254	-	59	307,313
Due to other funds (Note 5)	247,427	476	89,533	337,436
Deferred revenue (Note 6)	345,119	63,000	5,771	413,890
	<u>4,997,951</u>	<u>63,476</u>	<u>108,137</u>	<u>5,169,564</u>
<b>Fund Balances</b>				
Nonspendable:				
Inventories	-	-	25,728	25,728
Prepaid costs	132,599	-	-	132,599
Restricted:				
Capital projects	-	-	68,278	68,278
Debt service	-	-	336,441	336,441
Food services	-	-	516,204	516,204
Child care	-	-	324,028	324,028
Committed:				
Tax tribunal cases	100,000	-	-	100,000
Compensated absences	345,480	-	-	345,480
Assigned:				
Working capital	3,065,399	-	-	3,065,399
Susequent year budget shortfall	2,674,134	-	-	2,674,134
Capital replacements	-	-	1,208,688	1,208,688
Unassigned	1,248,692	-	(10,934)	1,237,758
	<u>7,566,304</u>	<u>-</u>	<u>2,468,433</u>	<u>10,034,737</u>
Total fund balances	<u>7,566,304</u>	<u>-</u>	<u>2,468,433</u>	<u>10,034,737</u>
Total liabilities and fund balances	<u>\$ 12,564,255</u>	<u>\$ 63,476</u>	<u>\$ 2,576,570</u>	<u>\$ 15,204,301</u>

The Notes to Financial Statements are an  
Integral Part of this Statement.



# Warren Woods Public Schools

## Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2012

**Fund Balance Reported in Governmental Funds** \$ 10,034,737

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

Cost of capital assets	\$ 85,545,156	
Accumulated depreciation	<u>(34,160,204)</u>	<u>51,384,952</u>

Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds 30,197

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds payable	\$ (41,975,000)	
Compensated absences	<u>(345,479)</u>	(42,320,479)

Accrued interest payable is not included as a liability in governmental funds (307,130)

**Net Assets of Governmental Activities** **\$ 18,822,277**

# Warren Woods Public Schools

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2012

	General Fund	Special Education Center Program	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>				
Local sources	\$ 3,161,769	\$ -	\$ 5,044,633	\$ 8,206,402
State sources	25,043,788	1,405,935	30,982	26,480,705
Federal sources	2,279,440	-	919,524	3,198,964
Interdistrict and other sources	1,007,870	3,399,000	41,903	4,448,773
Total revenue	31,492,867	4,804,935	6,037,042	42,334,844
<b>Expenditures</b>				
Current:				
Instruction	18,508,055	2,392,824	-	20,900,879
Support services:				
Pupil	2,458,515	1,515,511	-	3,974,026
Instructional staff	1,445,674	250,648	-	1,696,322
General administration	456,407	-	-	456,407
School administration	1,945,244	-	-	1,945,244
Business	733,364	-	96,824	830,188
Operations and maintenance	3,325,347	-	-	3,325,347
Pupil transportation services	707,512	6,287	-	713,799
Central	725,426	-	-	725,426
Other	542,063	-	767	542,830
Bookstores	-	-	31,477	31,477
Athletics	553,318	-	-	553,318
Food services	-	-	1,407,588	1,407,588
Child care	-	-	669,116	669,116
Debt service:				
Principal	-	-	2,240,000	2,240,000
Interest	-	-	2,006,975	2,006,975
Capital outlay	65,900	-	870,543	936,443
Total expenditures	31,466,825	4,165,270	7,323,290	42,955,385
<b>Excess of Revenue Over (Under) Expenditures</b>	26,042	639,665	(1,286,248)	(620,541)
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	4,554	-	1,555	6,109
Transfers in	739,665	-	509,535	1,249,200
Transfers out	(459,535)	(639,665)	(150,000)	(1,249,200)
Total other financing sources (uses)	284,684	(639,665)	361,090	6,109
<b>Net Change in Fund Balances</b>	310,726	-	(925,158)	(614,432)
<b>Fund Balances - Beginning of year</b>	7,255,578	-	3,393,591	10,649,169
<b>Fund Balances - End of year</b>	<u>\$ 7,566,304</u>	<u>\$ -</u>	<u>\$ 2,468,433</u>	<u>\$ 10,034,737</u>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# Warren Woods Public Schools

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2012

**Net Change in Fund Balances - Total Governmental Funds** \$ (614,432)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (2,982,916)	
Capitalized capital outlay	<u>896,415</u>	(2,086,501)

Governmental funds do not report loss from disposal of assets; in the statement of activities, these are recorded net of carrying value of the disposed assets (5,193)

Revenue is reported in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end 3,274

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 2,240,000

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 17,995

Liabilities for compensated absences are recorded when earned in the statement of activities. In the current year, more was paid out than was earned (16,554)

**Change in Net Assets of Governmental Activities** \$ (461,411)

# Warren Woods Public Schools

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## Fiduciary Fund - Agency Fund (Student Activities) Statement of Fiduciary Assets and Liabilities June 30, 2012

<b>Assets</b> - Cash and investments (Note 3)	<b><u>\$ 404,696</u></b>
<b>Liabilities</b>	
Due to student groups	\$ 395,517
Due to other funds (Note 5)	<u>9,179</u>
Total liabilities	<b><u>\$ 404,696</u></b>

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2012

### Note I - Summary of Significant Accounting Policies

The accounting policies of Warren Woods Public Schools (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

#### **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. Based on the application of the criteria, the School District does not contain any component units.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function.

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

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-wide Financial Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# Warren Woods Public Schools

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## Notes to Financial Statements June 30, 2012

### Note I - Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the School District's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the School District's policy to spend funds in this order: committed, assigned, and unassigned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

**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 revenue to be available if it is 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 School District.

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

The School District reports the following major governmental funds:

**General Fund** - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

**Special Education Center Program Fund** - The Special Education Center Program Fund is used to record special education millage revenue from the intermediate school district, state revenue related to special education, and disbursements associated with special education center programs administered by the School District on behalf of the county.

# Warren Woods Public Schools

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## Notes to Financial Statements June 30, 2012

### Note I - Summary of Significant Accounting Policies (Continued)

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 expenditure for specified purposes. The School District's nonmajor Special Revenue Funds include the bookstore activities, food services, and child care program funds. Revenue sources for the bookstore activities and food services funds include sales to customers, and the Food Services Fund receives dedicated grants from state and federal sources. Revenue of the Child Care Program Fund consists primarily of tuition and fees charged to users. Any operating deficit generated by these activities is the responsibility of the General Fund.

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

**Capital Projects Fund** - Capital Projects Funds are used to record proceeds from the sale of bonds and other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The School District's Capital Projects Funds are the 2006 Capital Projects Fund - Series II and the Building and Site Fund.

**Agency Fund (Student Activities)** - The School District maintains an Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

#### **Assets, Liabilities, and Net Assets or Equity**

**Cash and Investments** - Cash and investments 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** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2012

### Note I - Summary of Significant Accounting Policies (Continued)

**Inventories and Prepaid Costs** - 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, including United States Department of Agriculture commodities inventory received by the Food Services Fund. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

**Restricted Assets** - The unspent bond proceeds and related interest of the 2006 Capital Projects Fund Series II are required to be set aside for construction. In addition, unspent property taxes levied in the Debt Service Funds are required to be set aside for future bond principal and interest payments. These amounts have been classified as restricted assets.

**Capital Assets** - Capital assets, which include land, buildings, land improvements, equipment, and vehicles, are reported in the applicable governmental financial activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$1,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building additions	20 to 50 years
Land improvements	20 years
Buses and other vehicles	5 to 10 years
Furniture and other equipment	5 to 10 years

**Compensated Absences (Vacation and Sick Leave)** - The liability for compensated absences reported in the government-wide financial statements consists of earned but unused accumulated vacation and sick leave benefits. In the fund financial statements, a liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

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



# Warren Woods Public Schools

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## Notes to Financial Statements June 30, 2012

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Fund Balance** - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable** - Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted** - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed** - Amounts that have been formally set aside by the Board of Education for use of specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education
- **Assigned** - Intent to spend resources on specific purposes expressed by the Board of Education or superintendent, who is authorized by policy approved by the Board of Education to make assignments
- **Unassigned** - The residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications. The unassigned classification is also used for other funds, only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned

The Board of Education has adopted a fund balance policy. The fund balance policy prescribes the fund balance goal as 15 percent of expenditures in the General Fund. This is deemed to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year. If the total fund balance of the General Fund falls below the goal, it shall be recovered at a rate of at least 1 percent each year.

### 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 Fund and special revenue funds, except that transfers in and transfers out are reported net and capital outlay expenditures are reported in other expenditure categories. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the School District amended the General Fund budget to reflect changes in funding from state and federal sources.

# Warren Woods Public Schools

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## Notes to Financial Statements June 30, 2012

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The School District did not have significant expenditure budget variances.

**Fund Balance** - The School District submitted a plan to the Michigan Department of Education (MDE) in response to a MDE notification that the June 30, 2011 fund balance in the Food Services Fund exceeded the allowable level of three months of operating expenditures. The MDE approved the School District's plan for utilizing these excess funds. The School District plans to reduce fund balance by \$143,253 by June 30, 2013, and demonstrated that it had committed the use of the funds by providing documentation of the work scheduled to be done over the summer of 2012.

### Note 3 - Deposits and Investments

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 offices 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. The School District's deposits are in accordance with statutory authority.

The School District has designated three financial institutions for the deposit of its funds.

The School District's cash and investments are subject to several types of risk, which are described in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk of bank deposits 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. At year end, the School District's deposit balance of \$3,516,211 included \$299,813 of bank deposits (money market, checking, and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2012

### Note 3 - Deposits and Investments (Continued)

**Custodial Credit Risk of Investments** - Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have an investment policy for custodial credit risk.

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity.

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At June 30, 2012, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rating Organization</u>
Michigan Liquid Asset Fund	<u>\$ 6,064,195</u>	n/a 2a7 like pool	AAAm	S&P

**Concentration of Credit Risk** - The School District places no limit on the amount the School District may invest in any one issuer.

**Foreign Currency Risk** - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2012

### Note 4 - Capital Assets

Capital asset activity of the School District was as follows:

	Balance July 1, 2011	Additions	Transfers	Disposals and Adjustments	Balance June 30, 2012
<b>Governmental Activities</b>					
Assets not being depreciated:					
Land	\$ 4,000	\$ -	\$ -	\$ -	\$ 4,000
Construction in progress	205,835	-	(202,256)	-	3,579
Subtotal	209,835	-	(202,256)	-	7,579
Capital assets being depreciated:					
Land improvements	4,207,006	300,713	202,256	-	4,709,975
Buildings and improvements	66,400,795	165,261	-	-	66,566,056
Furniture and equipment	12,955,502	322,729	-	(261,997)	13,016,234
Buses and other vehicles	1,173,239	107,712	-	(35,639)	1,245,312
Subtotal	84,736,542	896,415	202,256	(297,636)	85,537,577
Accumulated depreciation:					
Land improvements	1,423,552	174,298	-	-	1,597,850
Buildings and improvements	19,651,158	1,929,389	-	-	21,580,547
Furniture and equipment	9,589,733	804,808	-	(256,804)	10,137,737
Buses and other vehicles	805,288	74,421	-	(35,639)	844,070
Subtotal	31,469,731	2,982,916	-	(292,443)	34,160,204
Net capital assets being depreciated	53,266,811	(2,086,501)	202,256	(5,193)	51,377,373
Net capital assets	\$ 53,476,646	\$ (2,086,501)	\$ -	\$ (5,193)	\$ 51,384,952

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

**Construction Commitments** - The School District has active construction projects at year end related to the 2006 Capital Projects - Series II bond issuance. At year end, the School District's commitments with contractors were approximately \$60,000.

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due From	Fund Due To			Total
	General Fund	Special Education Center Program Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 63,476	\$ 183,951	\$ 247,427
Special Education Center Program Fund	-	-	476	476
Nonmajor governmental funds	89,533	-	-	89,533
Agency Fund	5,976	-	3,203	9,179
Total	\$ 95,509	\$ 63,476	\$ 187,630	\$ 346,615

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2012

### Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

#### Interfund Transfers

Fund Advanced To	Transfers Out			Total
	General Fund	Special Education Center Program Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 639,665	\$ 100,000	\$ 739,665
Nonmajor governmental funds	459,535	-	50,000	509,535
Total	<u>\$ 459,535</u>	<u>\$ 639,665</u>	<u>\$ 150,000</u>	<u>\$ 1,249,200</u>

Transfers from the General Fund to the Debt Service Funds related to the allocation of property tax revenue to designated funds. Transfers to the General Fund consist of reimbursement by the Special Education Center Program, Child Care Program, and Food Services Funds for certain indirect expenses.

### Note 6 - Deferred Revenue

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

	Governmental Funds		
	Unavailable	Unearned	Total
Grant receivables unavailable for use in the current period	\$ 30,197	\$ -	\$ 30,197
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	383,693	383,693
Total	<u>\$ 30,197</u>	<u>\$ 383,693</u>	<u>\$ 413,890</u>

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2012

### Note 7 - 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.

Long-term debt activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds	\$ 44,215,000	\$ -	\$ 2,240,000	\$ 41,975,000	\$ 2,350,000
Other obligations - Compensated absences	328,925	68,265	51,711	345,479	34,548
Total governmental activities	<u>\$ 44,543,925</u>	<u>\$ 68,265</u>	<u>\$ 2,291,711</u>	<u>\$ 42,320,479</u>	<u>\$ 2,384,548</u>

Year Ending June 30	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,350,000	\$ 1,908,100	\$ 4,258,100
2014	2,480,000	1,808,162	4,288,162
2015	2,610,000	1,694,962	4,304,962
2016	2,740,000	1,590,562	4,330,562
2017	2,855,000	1,457,462	4,312,462
2018-2022	16,165,000	5,162,762	21,327,762
2023-2026	12,775,000	1,393,350	14,168,350
Total	<u>\$ 41,975,000</u>	<u>\$ 15,015,360</u>	<u>\$ 56,990,360</u>

# Warren Woods Public Schools

## Notes to Financial Statements June 30, 2012

### Note 7 - Long-term Debt (Continued)

#### Governmental Activities

General obligation bonds consist of the following at June 30, 2012:

\$17,775,000 2005 general obligation unlimited tax and refunding bonds due in annual installments of \$575,000 to \$835,000 through May 1, 2025; interest at 3.50 percent to 5.00 percent	\$ 9,260,000
\$34,365,000 2006 general obligation unlimited tax and refunding bonds due in annual installments of \$1,475,000 to \$2,600,000 through May 1, 2026; interest at 4.25 percent to 5.00 percent	28,125,000
\$5,500,000 2007 general obligation unlimited tax and refunding bonds due in annual installments of \$300,000 to \$515,000 through May 1, 2023; interest at 4.00 percent	<u>4,590,000</u>
Total	<u>\$ 41,975,000</u>

### Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### Note 9 - Defined Contribution Pension Plan

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

# Warren Woods Public Schools

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## Notes to Financial Statements June 30, 2012

### Note 9 - Defined Contribution Pension Plan (Continued)

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

**Pension Benefits** - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate for basic plan members was 12.16 percent of covered payroll for the period from July 1, 2011 through September 30, 2011 and 15.96 percent for the period from October 1, 2011 through June 30, 2012. The employer contribution rate for pension plus plan members was 10.66 from July 1, 2011 through September 30, 2011 and 14.73 percent for the period from October 1, 2011 through June 30, 2012. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages, or up to 6.4 percent of gross wages for members entering the MIP Plus plan on or after July 1, 2008. The School District's required contributions to the plan for the years ended June 30, 2012, 2011, and 2010 were approximately \$4,365,000, \$3,733,000, and \$3,261,000, respectively.

**Postemployment Benefits** - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing the coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. For members who first work after June 30, 2008, a graded premium health insurance subsidy has been put in place. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. Required contributions for postemployment healthcare benefits are included as part of the School District's total contribution to the MPSERS plan discussed above. The employer contribution rate was 8.5 percent of covered payroll for the period from July 1, 2011 through June 30, 2012. The School District's required contributions to the plan for retiree healthcare benefits for the years ended June 30, 2012, 2011, and 2010 were approximately \$614,000, \$429,000, and \$324,000, respectively.



# Warren Woods Public Schools

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## Notes to Financial Statements June 30, 2012

### **Note 10 - Upcoming Accounting Pronouncements**

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued by the GASB in June 2011 and will be effective for the School District's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this Statement are effective for financial statements for the year ending June 30, 2015.

### **Note 11 - Subsequent Events**

In July 2012, the School District sold \$2,000,000 of Qualified School Construction Bonds that will be used to acquire and construct certain energy conservation improvements.

## **Required Supplemental Information**

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# Warren Woods Public Schools

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2012

	Original Budget	Final Amended Budget	Actual
<b>Revenue</b>			
Local sources	\$ 3,534,843	\$ 3,151,241	\$ 3,161,769
State sources	23,853,782	25,080,674	25,043,788
Federal sources	2,215,229	2,325,804	2,279,440
Interdistrict and other sources	873,860	1,007,716	1,007,870
Total revenue	30,477,714	31,565,435	31,492,867
<b>Expenditures - Current</b>			
Instruction:			
Basic programs	15,621,584	15,148,147	15,024,342
Added needs	3,402,644	3,340,595	3,310,049
Adult and continuing education	274,259	235,808	219,523
Support services:			
Pupil	2,540,120	2,481,525	2,458,515
Instructional staff	1,717,246	1,520,089	1,445,674
General administration	485,383	481,010	460,716
School administration	2,051,602	1,989,495	1,945,244
Business services	654,962	778,270	733,364
Operations and maintenance	3,757,783	3,548,888	3,341,077
Transportation	819,197	755,654	707,512
Central support services	770,276	763,216	725,426
Other support services	555,920	556,089	542,065
Athletics	583,577	553,441	553,318
Total expenditures	33,234,553	32,152,227	31,466,825
<b>Excess of Expenditures Over Revenue</b>	(2,756,839)	(586,792)	26,042
<b>Other Financing Sources - Transfers in and other - Net</b>	341,587	297,462	284,684
<b>Net Change in Fund Balance</b>	(2,415,252)	(289,330)	310,726
<b>Fund Balance - July 1, 2011</b>	7,255,578	7,255,578	7,255,578
<b>Fund Balance - June 30, 2012</b>	<u>\$ 4,840,326</u>	<u>\$ 6,966,248</u>	<u>\$ 7,566,304</u>

# Warren Woods Public Schools

## Required Supplemental Information Budgetary Comparison Schedule - Special Education Center Fund Year Ended June 30, 2012

	Original Budget	Final Amended Budget	Actual
<b>Revenue</b>			
State sources	\$ 1,474,071	\$ 1,405,935	\$ 1,405,935
Interdistrict and other sources	3,678,000	3,431,000	3,399,000
Total revenue	5,152,071	4,836,935	4,804,935
<b>Expenditures - Current</b>			
Instruction - Added needs	2,564,471	2,414,001	2,392,824
Support services:			
Pupil	1,618,858	1,531,776	1,515,511
Instructional staff	246,630	250,675	250,648
Pupil transportation services	21,000	8,000	6,287
Total expenditures	4,450,959	4,204,452	4,165,270
<b>Excess of Revenue Over Expenditures</b>	701,112	632,483	639,665
<b>Other Financing Uses - Transfers out - Net</b>	(701,112)	(632,483)	(639,665)
<b>Net Change in Fund Balance</b>	-	-	-
<b>Fund Balance - July 1, 2011</b>	-	-	-
<b>Fund Balance - June 30, 2012</b>	\$ -	\$ -	\$ -

## **Other Supplemental Information**

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# Warren Woods Public Schools

	Special Revenue Funds			Debt Service Funds		
	Bookstore Activities	Food Services	Child Care Program	2005 Issue	2006 Issue	2007 Issue
<b>Assets</b>						
Cash and cash equivalents	\$ 5,274	\$ 544,829	\$ -	\$ -	\$ -	\$ -
Receivables	-	46,635	140,293	-	-	-
Due from other funds	-	3,895	183,735	-	-	-
Inventories	10,934	14,794	-	-	-	-
Restricted assets	-	-	-	84,896	251,544	1
<b>Total assets</b>	<b>\$ 16,208</b>	<b>\$ 610,153</b>	<b>\$ 324,028</b>	<b>\$ 84,896</b>	<b>\$ 251,544</b>	<b>\$ 1</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other accrued liabilities	-	59	-	-	-	-
Due to other funds	16,208	73,325	-	-	-	-
Deferred revenue	-	5,771	-	-	-	-
<b>Total liabilities</b>	<b>16,208</b>	<b>79,155</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>						
Nonspendable - Inventory	10,934	14,794	-	-	-	-
Restricted:						
Capital projects	-	-	-	-	-	-
Debt service	-	-	-	84,896	251,544	1
Food services	-	516,204	-	-	-	-
Child care	-	-	324,028	-	-	-
Assigned - Capital Replacements	-	-	-	-	-	-
Unassigned	(10,934)	-	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>530,998</b>	<b>324,028</b>	<b>84,896</b>	<b>251,544</b>	<b>1</b>
<b>Total liabilities and fund balances</b>	<b>\$ 16,208</b>	<b>\$ 610,153</b>	<b>\$ 324,028</b>	<b>\$ 84,896</b>	<b>\$ 251,544</b>	<b>\$ 1</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012**

Capital Projects Fund		Total
Building and Site	2006 Capital Projects - Series II	Nonmajor Governmental Funds
\$ 1,221,462	\$ -	\$ 1,771,565
-	-	186,928
-	-	187,630
-	-	25,728
-	68,278	404,719
<b><u>\$ 1,221,462</u></b>	<b><u>\$ 68,278</u></b>	<b><u>\$ 2,576,570</u></b>

\$ 12,774	\$ -	\$ 12,774
-	-	59
-	-	89,533
-	-	5,771
12,774	-	108,137
-	-	25,728
-	68,278	68,278
-	-	336,441
-	-	516,204
-	-	324,028
1,208,688	-	1,208,688
-	-	(10,934)
1,208,688	68,278	2,468,433
<b><u>\$ 1,221,462</u></b>	<b><u>\$ 68,278</u></b>	<b><u>\$ 2,576,570</u></b>

# Warren Woods Public Schools

	Special Revenue Funds			Debt Service Funds		
	Bookstore Activities	Food Services	Child Care Program	2005 Issue	2006 Issue	2007 Issue
<b>Revenue</b>						
Local sources	\$ 26,205	\$ 522,455	\$ 747,611	\$ 1,000,236	\$ 2,747,307	\$ -
State sources	-	30,982	-	-	-	-
Federal sources	-	919,524	-	-	-	-
Governmental - Intergovernmental	-	41,903	-	-	-	-
<b>Total revenue</b>	<b>26,205</b>	<b>1,514,864</b>	<b>747,611</b>	<b>1,000,236</b>	<b>2,747,307</b>	<b>-</b>
<b>Expenditures</b>						
Current:						
Instruction:						
Support services	-	-	-	26,893	69,931	-
Bookstores	31,477	-	-	-	-	-
Food services	-	1,407,588	-	-	-	-
Child care	-	-	669,116	-	-	-
Debt service:						
Principal	-	-	-	549,999	1,425,001	265,000
Interest	-	-	-	465,664	1,346,787	194,524
Capital outlay	-	44,314	3,133	-	-	-
<b>Total expenditures</b>	<b>31,477</b>	<b>1,451,902</b>	<b>672,249</b>	<b>1,042,556</b>	<b>2,841,719</b>	<b>459,524</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(5,272)</b>	<b>62,962</b>	<b>75,362</b>	<b>(42,320)</b>	<b>(94,412)</b>	<b>(459,524)</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds from sale of capital assets	-	-	-	-	-	-
Transfers in	10	-	-	-	-	459,525
Transfers out	-	(75,000)	(75,000)	-	-	-
<b>Total other financing sources (uses)</b>	<b>10</b>	<b>(75,000)</b>	<b>(75,000)</b>	<b>-</b>	<b>-</b>	<b>459,525</b>
<b>Net Change in Fund Balances</b>	<b>(5,262)</b>	<b>(12,038)</b>	<b>362</b>	<b>(42,320)</b>	<b>(94,412)</b>	<b>1</b>
<b>Fund Balances - Beginning of year</b>	<b>5,262</b>	<b>543,036</b>	<b>323,666</b>	<b>127,216</b>	<b>345,956</b>	<b>-</b>
<b>Fund Balances - End of year</b>	<b>\$ -</b>	<b>\$ 530,998</b>	<b>\$ 324,028</b>	<b>\$ 84,896</b>	<b>\$ 251,544</b>	<b>\$ 1</b>



**Other Supplemental Information  
Combining Statement of Revenue, Expenditures, and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2012**

Capital Projects Fund		Total
Building and Site	2006 Capital Projects - Series II	Nonmajor Governmental Funds
\$ 683	\$ 136	\$ 5,044,633
-	-	30,982
-	-	919,524
-	-	41,903
<u>683</u>	<u>136</u>	<u>6,037,042</u>
767	-	97,591
-	-	31,477
-	-	1,407,588
-	-	669,116
-	-	2,240,000
-	-	2,006,975
<u>356,292</u>	<u>466,804</u>	<u>870,543</u>
<u>357,059</u>	<u>466,804</u>	<u>7,323,290</u>
(356,376)	(466,668)	(1,286,248)
1,555	-	1,555
50,000	-	509,535
-	-	(150,000)
<u>51,555</u>	<u>-</u>	<u>361,090</u>
(304,821)	(466,668)	(925,158)
<u>1,513,509</u>	<u>534,946</u>	<u>3,393,591</u>
<u><b>\$ 1,208,688</b></u>	<u><b>\$ 68,278</b></u>	<u><b>\$ 2,468,433</b></u>

# Warren Woods Public Schools

## Other Supplemental Information Schedule of Bonded Indebtedness June 30, 2012

Year Ending June 30	2005 Issue	2006 Issue	2007 Issue
	Principal	Principal	Principal
2013	\$ 575,000	\$ 1,475,000	\$ 300,000
2014	600,000	1,550,000	330,000
2015	625,000	1,625,000	360,000
2016	650,000	1,700,000	390,000
2017	675,000	1,775,000	405,000
2018	700,000	1,875,000	420,000
2019	725,000	1,950,000	440,000
2020	725,000	2,050,000	460,000
2021	750,000	2,125,000	475,000
2022	775,000	2,200,000	495,000
2023	800,000	2,300,000	515,000
2024	825,000	2,400,000	-
2025	835,000	2,500,000	-
2026	-	2,600,000	-
Total	<b>\$ 9,260,000</b>	<b>\$ 28,125,000</b>	<b>\$ 4,590,000</b>
Principal payments due	May 1	May 1	May 1
Interest payments due	May 1 and Nov 1	May 1 and Nov 1	May 1 and Nov 1
Interest rate	3.50% to 5.0%	4.25% to 5.0%	4%
Original issue	<b>\$ 17,775,000</b>	<b>\$ 34,365,000</b>	<b>\$ 5,500,000</b>