

Warren Woods Public Schools

**Financial Report
with Supplemental Information
June 30, 2013**

Warren Woods Public Schools

Contents

Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-13
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	17
Statement of Revenue, Expenditures, and Change in Fund Balance	18
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Fiduciary Funds - Agency Fund (Student Activities) - Statement of Fiduciary Assets and Liabilities	20
Notes to Financial Statements	21-35
Required Supplemental Information	36
Budgetary Comparison Schedule - General Fund	37
Budgetary Comparison Schedule - Special Education Center Fund	38
Other Supplemental Information	39
Nonmajor Governmental Funds:	
Combining Balance Sheet	40-41
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	42-43
Schedule of Bonded Indebtedness	44
Federal Awards Supplemental Information	Issued Under Separate Cover

Independent Auditor's Report

To the Board of Education
Warren Woods Public Schools

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 Warren Woods Public Schools (the "School District") as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise Warren Woods Public Schools' 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.

Auditor's 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 auditor's 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.

To the Board of Education
Warren Woods Public Schools

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Warren Woods Public Schools as of June 30, 2013 and the respective changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, effective July 1, 2012, the School District adopted the provisions of Governmental Accounting Standards Board Statement Nos. 62, 63, and 65. Our opinion is not modified with respect to this matter.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major fund budgetary comparison schedules on pages 4-13 and 37-38, respectively, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Warren Woods Public Schools' basic financial statements. The nonmajor governmental funds combining balance sheet, combining statement of revenue, expenditures, and changes in fund balance, and the schedule of bonded indebtedness are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

To the Board of Education
Warren Woods Public Schools

The nonmajor governmental funds combining balance sheet, combining statement of revenue, expenditures, and changes in fund balance, and the schedule of bonded indebtedness are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, nonmajor governmental funds combining balance sheet, combining statement of revenue, expenditures, and changes in fund balance, and the schedule of bonded indebtedness are 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 August 1, 2013 on our consideration of Warren Woods Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Warren Woods Public Schools' internal control over financial reporting and compliance.

Plante & Morse, PLLC

August 1, 2013

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, 2013. 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

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 position 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 position - the difference between assets and liabilities, as reported in the statement of net position - 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 position - 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 position 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

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 position 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 position provides the perspective of the School District as a whole. Table I provides a summary of the School District's net position as of June 30, 2013 and 2012:

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

TABLE I

	Governmental Activities	
	June 30	
	2013	2012
	(in millions)	
Assets		
Current and other assets	\$ 14.9	\$ 14.9
Capital assets	50.9	51.4
Total assets	65.8	66.3
Liabilities		
Current liabilities	8.4	7.5
Long-term liabilities	39.2	39.9
Total liabilities	47.6	47.4
Net Position		
Invested in capital assets - Net of related debt	9.5	9.2
Restricted	0.4	1.2
Unrestricted	8.3	8.5
Total net position	<u>\$ 18.2</u>	<u>\$ 18.9</u>

The above analysis focuses on the net position (see Table I). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was \$18.2 million at June 30, 2013. The investment in capital assets, net of related debt, reflects a balance of \$9.5 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 position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use the net position for day-to-day operations. The remaining amount of net position, \$8.3 million, was unrestricted.

The \$8.3 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position 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 position 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 position for the fiscal years ended June 30, 2013 and 2012.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

TABLE 2

	Governmental Activities	
	2013	2012
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 1.3	\$ 1.4
Operating grants and contributions	10.8	10.2
General revenue:		
Property taxes	6.5	6.7
State foundation allowance	23.2	23.5
Other	0.2	0.5
Total revenue	<u>42.0</u>	<u>42.3</u>
Functions/Program Expenses		
Instruction	20.6	20.9
Support services	14.4	14.2
Child care	0.7	0.7
Food services	1.5	1.4
Athletics	0.5	0.6
Interest on long-term debt	1.9	2.0
Depreciation (unallocated)	3.0	3.0
Total functions/program expenses	<u>42.6</u>	<u>42.8</u>
Decrease in Net Position	(0.6)	(0.5)
Net Position - Beginning of year	<u>18.8</u>	<u>19.3</u>
Net Position - End of year	<u><u>\$ 18.2</u></u>	<u><u>\$ 18.8</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$42.6 million. Certain activities were partially funded from those who paid for goods and services from those programs, (\$1.3 million), or by other governments and organizations that subsidized certain programs with grants and contributions, (\$10.8 million). We paid for the remaining "public benefit" portion of our governmental activities with \$6.5 million in taxes, \$23.2 million in state foundation allowance, and \$0.2 million with our other revenue (i.e., interest and general entitlements). Overall, the cost of activities exceeded the amount of revenue from funding sources by \$0.6 million, resulting in a corresponding decrease in net position.

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, 2013, the governmental funds reported a combined fund balance of \$9.48 million, which is a decrease of \$554,054 million from last year.

In the General Fund, our principal operating fund, the fund balance decreased by \$50,900 to \$7.5 million. The fund balance remained stable compared to the prior year. This amount helps to provide for cash flow needs during the months when state aid is not received from the State.

Special revenue funds include Food Services, Childcare Program, and Bookstore Activities. The combined special revenue funds fund balance decreased by \$93,644. Food Services Fund balance decreased by \$116,094 due to the reinvestment of fund balance into capital improvements. The Bookstore Activities Fund balance increased by \$5,352 and the Child Care Program Fund balance increased by \$17,098.

Combined, the debt service funds showed a fund balance decrease of \$46,299. Warren Woods Public Schools determines millage rates 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 Fund fund balance was decreased to zero as the School District finished all projects, which were substantially complete in the fiscal year ended June 30, 2012, related to the bond issue. The Capital Projects Building and Site Fund fund balance also decreased by \$446,508 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. The new 2012 Energy Bond Fund ended the year with a fund balance of \$151,575.

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.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

Over the course of the year, the School District must revise its budget as additional information becomes available, ranging from student enrollment counts to unanticipated changes in costs and state funding. These revisions, known as budget amendments, 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 2012-2013 year, the second of which was approved by the Board of Education on June 24, 2013. 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.

The first amendment was approved on January 14, 2013 and adjusted revenues for a decrease of 62 students. Revenue adjustments also included the addition of \$40 per student for District Performance Grant funds and additional state special education reimbursement funds. Expenses were amended to include staff changes due to retirements and resignations from the summer of 2012 as well as a reduction in the retirement rate as the State began to implement MPSERS pension reforms.

During the last budget amendment, budgeted revenue was increased by \$847,191 mainly due to the addition of Best Practice Incentive Funds, Technology Infrastructure Grant Funds, energy incentive payments, MPERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Funds, and an increase in current and previous year special education funds.

Budgeted expenditures were also decreased by \$130,167 during the second amendment to account for changes in salaries, midyear staffing changes, and the payment of the MPSERS UAAL, as well as savings from a new collective bargaining agreement with the teachers' union.

When comparing the second amended budget to actual for both revenue and expenditures:

- Revenue was \$39,402 over projected revenue (0.13 percent)
- Expenditures were \$664,551 under projected expenditures (2.1 percent)

The School District's final actual General Fund fund balance decreased by \$50,900 to \$7,515,404, as a percentage of actual expenditures, the 2012-2013 fund balance is 21.30 percent.

There were no significant variances between the final budget and actual amounts.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2013, the School District had \$50.9 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 \$0.43 million from last year.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

	2013	2012
Land	\$ 4,000	\$ 4,000
Construction in progress	188,408	3,579
Land improvements	4,851,952	4,709,975
Buildings and building improvements	68,399,874	66,566,056
Buses and other vehicles	1,289,275	1,245,312
Furniture and equipment	<u>12,854,472</u>	<u>13,016,234</u>
Total capital assets	87,587,981	85,545,156
Less accumulated depreciation	<u>36,632,968</u>	<u>34,160,204</u>
Net capital assets	<u>\$ 50,955,013</u>	<u>\$ 51,384,952</u>

This year's additions of \$2.4 million included cafeteria equipment, technology, building renovations, land renovations, replacement furniture and equipment, a new bus and maintenance truck, energy conservation improvements, and a new roof at Pinewood Elementary. The energy conservation improvements along with the new roof at Pinewood Elementary were funded with a 2012 Energy Conservation Bond.

Major capital projects planned for the 2013-2014 fiscal year include technology upgrades, bus/vehicle replacements, and additional 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 \$41.6 million in bonds outstanding versus \$42.0 million in the previous year - a decrease of 0.9 percent. The decrease in the outstanding debt was the result of the principal payments made on the outstanding bond issues of \$2.35 million and the issuance of \$2.0 million in new Energy Conservation Bonds.

Those bonds consisted of the following:

	2013	2012
General obligation bonds	<u>\$ 41,625,000</u>	<u>\$ 41,975,000</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 \$41.6 million is significantly below this statutorily imposed limit of 15 percent (\$73.3 million) of the assessed value of all taxable property within the School District's boundaries.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

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.

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 2014 fiscal year budget:

Economic conditions and the ability of the State of Michigan to adequately fund K-12 education continue to be a concern for Warren Woods Public Schools and all school districts in Michigan. 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 2013-2014 budget was adopted in June 2013, based on an estimated number of students who will be enrolled from September 2013 through February 2014. Based on early enrollment projections at the end of the 2012-2013 school year, we anticipate that the fall student count will be down by approximately 70 students and we used that number in creating the 2014 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 2013-2014 was approved prior to the start of the fiscal year with a small improvement in funding for Warren Woods Public Schools (foundation allowance increase of \$30 per pupil, with a reduction of \$44 per pupil in MPERS offset funds and a new supplemental grant of \$19 per pupil, for a net increase of \$5 per pupil). The School District continues to find ways to deal with a reduction of funding per student from the foundation level of \$8,489 per student during the 2008-2009 fiscal year to the current 2013-2014 level of \$7,779 per student. Due to the State's own overall economic decline, Michigan school districts have been allocated funding at less than inflationary increases over the past 10 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.

The impact of the 2013-2014 State Aid Act, along with a projected decrease in enrollment of 70 students, shows revenues decreasing by \$482,887, going from \$31.2 million in 2012-2013 to \$30.7 million in 2013-2014. Expenditures for 2013-2014 are estimated to be \$32.8 million and include a decrease of 2.85 teaching positions due to enrollment, ½ salary step increases for teachers in their first four years of teaching, off-schedule payments for teachers tied to performance funding, caps on the amount the School District pays toward employee health care costs, and an increase in the retirement contribution rate.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

Prudent fiscal responsibility and cost containment remain critical to the School District's ability to effectively operate in this volatile and difficult economic climate. Opportunities to enhance revenue and control costs will be monitored on an ongoing basis. Over the past six years, the School District has made a series of budget adjustments to protect the financial future of its schools. Warren Woods Public Schools has had great support from employee groups to restructure employees' costs to address the changes in the funding commitment from the State of Michigan for K-12 education. To balance the budget, an estimated \$2.08 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 Position June 30, 2013

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 8,106,666
Receivables:	
Accounts receivable	206,794
Due from other governmental units	6,021,550
Inventories	21,890
Prepaid costs and other assets	88,776
Restricted assets (Note 1)	441,717
Capital assets - Net (Note 5)	50,955,013
Total assets	<u>65,842,406</u>
Liabilities	
Accounts payable	378,565
Accrued payroll-related liabilities	3,886,571
Other accrued liabilities	579,485
Due to other governmental units	421,643
Unearned revenue (Note 4)	416,812
Noncurrent liabilities (Note 7):	
Due within one year:	
Compensated absences less than one year	30,599
Long-term debt less than one year	2,660,000
Due in more than one year:	
Compensated absences greater than one year	275,388
Long-term debt greater than one year	38,965,000
Total liabilities	<u>47,614,063</u>
Net Position	
Invested in capital assets - Net of related debt	9,481,130
Restricted:	
Debt service	7,386
Capital projects	458
Food services	414,904
Unrestricted	8,324,465
Total net position	<u>\$ 18,228,343</u>

Warren Woods Public Schools

Statement of Activities Year Ended June 30, 2013

Functions/Programs	Program Revenue			Governmental Activities - Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary government - Governmental activities:				
Instruction	\$ 20,554,716	\$ 51,535	\$ 9,776,502	\$ (10,726,679)
Support services	14,451,054	-	-	(14,451,054)
Bookstores	16,200	21,546	-	5,346
Athletics	543,576	44,323	-	(499,253)
Food services	1,455,829	490,666	943,090	(22,073)
Child care	670,197	737,008	-	66,811
Interest	1,932,273	-	46,473	(1,885,800)
Depreciation expense (unallocated)	2,972,853	-	-	(2,972,853)
Total primary government	\$ 42,596,698	\$ 1,345,078	\$ 10,766,065	(30,485,555)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				2,697,102
Property taxes, levied for debt service				3,755,445
State aid not restricted to specific purposes				23,199,355
Interest and investment earnings				7,799
Gain on the sale of capital assets				5,538
Other				226,382
Total general revenues				29,891,621
Change in Net Position				(593,934)
Net Position - Beginning of year				18,822,277
Net Position - End of year				\$ 18,228,343

Warren Woods Public Schools

Governmental Funds Balance Sheet June 30, 2013

	General Fund	Special Education Center Program Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (Note 3)	\$ 681,140	\$ -	\$ 947,619	\$ 1,628,759
Investments (Note 3)	5,976,883	-	501,024	6,477,907
Receivables:				
Accounts receivable	-	-	197,615	197,615
Due from other governmental units	6,021,550	-	-	6,021,550
Due from other funds (Note 6)	203,712	60,883	215,388	479,983
Inventories	-	-	21,890	21,890
Prepaid costs and other assets	88,776	-	-	88,776
Restricted assets (Note 1)	-	-	441,717	441,717
	<u>\$ 12,972,061</u>	<u>\$ 60,883</u>	<u>\$ 2,325,253</u>	<u>\$ 15,358,197</u>
Total assets				
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 225,011	\$ -	\$ 153,554	\$ 378,565
Accrued payroll-related liabilities:				
Salaries payable	2,950,738	-	-	2,950,738
Payroll-related liabilities	935,833	-	-	935,833
Other accrued liabilities	296,670	-	59	296,729
Due to other governmental units	421,643	-	-	421,643
Due to other funds (Note 6)	255,721	15,883	199,200	470,804
Unearned revenue (Note 4)	364,651	45,000	7,161	416,812
	<u>5,450,267</u>	<u>60,883</u>	<u>359,974</u>	<u>5,871,124</u>
Total liabilities				
Deferred Inflows of Resources - Unavailable revenue (Note 4)	<u>6,390</u>	<u>-</u>	<u>-</u>	<u>6,390</u>
Total liabilities and deferred inflows of resources	<u>5,456,657</u>	<u>60,883</u>	<u>359,974</u>	<u>5,877,514</u>
Fund Balances				
Nonspendable:				
Inventories	-	-	21,890	21,890
Prepaid costs	88,776	-	-	88,776
Restricted:				
Capital projects	-	-	151,575	151,575
Debt service	-	-	290,142	290,142
Food service	-	-	404,969	404,969
Committed:				
Tax tribunals	100,000	-	-	100,000
Compensated absences	305,987	-	-	305,987
Child care	-	-	341,126	341,126
Assigned:				
Working capital	2,690,109	-	-	2,690,109
Subsequent year budget shortfall	2,078,092	-	-	2,078,092
Capital replacements	-	-	762,180	762,180
Unassigned	2,252,440	-	(6,603)	2,245,837
	<u>7,515,404</u>	<u>-</u>	<u>1,965,279</u>	<u>9,480,683</u>
Total fund balances				
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,972,061</u>	<u>\$ 60,883</u>	<u>\$ 2,325,253</u>	<u>\$ 15,358,197</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 Position June 30, 2013

Fund Balance Reported in Governmental Funds	\$	9,480,683
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of capital assets	\$	87,587,981
Accumulated depreciation	<u>(36,632,968)</u>	50,955,013
Grants and other receivables collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds		6,390
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:		
Bonds payable	(41,625,000)	
Compensated absences	<u>(305,987)</u>	\$ (41,930,987)
Accrued interest payable is not included as a liability in governmental funds		<u>(282,756)</u>
Net Position of Governmental Activities	\$	<u>18,228,343</u>

Warren Woods Public Schools

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2013

	General Fund	Special Education Center Program Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 2,976,924	\$ -	\$ 5,050,204	\$ 8,027,128
State sources	25,473,880	1,329,377	46,660	26,849,917
Federal sources	1,577,220	-	1,007,165	2,584,385
Interdistrict and other sources	1,181,345	3,323,000	50,580	4,554,925
Total revenue	31,209,369	4,652,377	6,154,609	42,016,355
Expenditures				
Current:				
Instruction	18,435,427	2,300,190	-	20,735,617
Support services:				
Pupil	2,705,077	1,445,866	-	4,150,943
Instructional staff	1,376,613	250,749	-	1,627,362
General administration	499,050	-	-	499,050
School administration	1,968,885	-	-	1,968,885
Business	659,151	-	27,806	686,957
Operations and maintenance	3,354,924	-	1,984	3,356,908
Pupil transportation services	664,529	3,817	-	668,346
Central	765,139	-	-	765,139
Other	408,438	-	-	408,438
Bookstores	-	-	16,200	16,200
Athletics	543,576	-	-	543,576
Food services	-	-	1,455,829	1,455,829
Child care	-	-	664,202	664,202
Debt service	-	-	4,306,647	4,306,647
Capital outlay	129,231	22,425	2,581,243	2,732,899
Total expenditures	31,510,040	4,023,047	9,053,911	44,586,998
Excess of Revenue (Under) Over Expenditures	(300,671)	629,330	(2,899,302)	(2,570,643)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	5,666	-	6,245	11,911
Transfers in (Note 6)	729,330	-	508,487	1,237,817
Transfers out (Note 6)	(485,225)	(629,330)	(123,262)	(1,237,817)
Face value of debt issued	-	-	2,000,000	2,000,000
Premium on debt issued	-	-	4,678	4,678
Total other financing sources (uses)	249,771	(629,330)	2,396,148	2,016,589
Net Change in Fund Balances	(50,900)	-	(503,154)	(554,054)
Fund Balances - Beginning of year	7,566,304	-	2,468,433	10,034,737
Fund Balances - End of year	<u>\$ 7,515,404</u>	<u>\$ -</u>	<u>\$ 1,965,279</u>	<u>\$ 9,480,683</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, 2013

Net Change in Fund Balances - Total Governmental Funds \$ (554,054)

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	\$ (2,972,853)	
Capitalized capital outlay	<u>2,549,287</u>	(423,566)

Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, these are recorded net of carrying value of the disposed assets (6,373)

Revenue is reported in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end (23,807)

Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of activities (2,000,000)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 2,350,000

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 24,374

Liabilities for compensated absences are recorded when earned in the statement of activities. In the current year, more was paid out than was earned 39,492

Change in Net Position of Governmental Activities \$ (593,934)

Warren Woods Public Schools

Fiduciary Funds - Agency Fund (Student Activities) Statement of Fiduciary Assets and Liabilities June 30, 2013

Assets - Cash and investments (Note 3)	<u>\$ 443,808</u>
Liabilities	
Due to student activities	\$ 434,629
Due to other funds (Note 6)	<u>9,179</u>
Total liabilities	<u>\$ 443,808</u>

Warren Woods Public Schools

Notes to Financial Statements June 30, 2013

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of Warren Woods Public Schools 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 (GASB) 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 position 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 revenues, 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 revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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.

Note I - Nature of Business and Significant Accounting Policies (Continued)

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.

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 position 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. Revenue not meeting this definition is classified as a deferred inflow of resources. 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 School District.

Warren Woods Public Schools

Notes to Financial Statements June 30, 2013

Note I - Nature of Business and Significant Accounting Policies (Continued)

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 intermediate school district.

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 includes 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 Funds - 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, 2012 Capital Projects Fund, 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 Position 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.

Warren Woods Public Schools

Notes to Financial Statements June 30, 2013

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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.

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 2012 Capital Projects Fund require amounts 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.

Warren Woods Public Schools

Notes to Financial Statements June 30, 2013

Note I - Nature of Business and Significant Accounting Policies (Continued)

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.

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

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 for 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

Warren Woods Public Schools

Notes to Financial Statements June 30, 2013

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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.

Accounting Changes - Effective July 1, 2012, the School District implemented the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. This statement did not have a significant impact on the School District's financial statements.

Effective July 1, 2012, the School District implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This 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. This statement impacted the format and reporting of the balance sheet at the government-wide level and at the fund level.

Effective July 1, 2012, the School District implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

Warren Woods Public Schools

Notes to Financial Statements June 30, 2013

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with GAAP 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 and Special Education Center Fund budgets to reflect changes in funding from state and federal sources.

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, 2012 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 \$127,114 by June 30, 2014, and has demonstrated that it has committed the use of the funds by providing documentation of the funds scheduled to be spent during the summer of 2013.

Capital Projects Fund Compliance - The 2012 Capital Projects Fund was funded with bonds issued after May 1, 1994. For this capital project, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

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.

Warren Woods Public Schools

Notes to Financial Statements June 30, 2013

Note 3 - Deposits and Investments (Continued)

The School District's cash and investments are subject to several types of risk, which are discussed 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 \$3,061,128 included \$2,311,128 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.

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, 2013, the maturities of investments and the credit quality ratings of debt securities (other than U.S. government securities) 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>\$ 6,418,599</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, 2013

Note 4 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned 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 unearned and unavailable revenue are as follows:

	<u>Governmental Funds</u>	
	<u>Deferred Inflows - Unavailable</u>	<u>Liability - Unearned Revenue</u>
Grant receivables unavailable for use in the current period	\$ 6,390	\$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	416,812
Total	<u>\$ 6,390</u>	<u>\$ 416,812</u>

Note 5 - Capital Assets

Capital asset activity of the School District was as follows:

	Balance July 1, 2012	Additions	Transfers	Disposals and Adjustments	Balance June 30, 2013
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 4,000	\$ -	\$ -	\$ -	\$ 4,000
Construction in progress	3,579	188,408	(3,579)	-	188,408
Subtotal	7,579	188,408	(3,579)	-	192,408
Capital assets being depreciated:					
Land improvements	4,709,975	141,977	-	-	4,851,952
Buildings and improvements	66,566,056	1,842,724	-	(8,906)	68,399,874
Furniture and equipment	13,016,234	257,776	3,579	(423,117)	12,854,472
Buses and other vehicles	1,245,312	118,402	-	(74,439)	1,289,275
Subtotal	85,537,577	2,360,879	3,579	(506,462)	87,395,573
Accumulated depreciation:					
Land improvements	1,597,850	201,444	-	-	1,799,294
Buildings and improvements	21,580,547	1,937,543	-	(4,041)	23,514,049
Furniture and equipment	10,137,737	752,983	-	(421,609)	10,469,111
Buses and other vehicles	844,070	80,883	-	(74,439)	850,514
Subtotal	34,160,204	2,972,853	-	(500,089)	36,632,968
Net capital assets being depreciated	51,377,373	(611,974)	3,579	(6,373)	50,762,605
Net capital assets	<u>\$ 51,384,952</u>	<u>\$ (423,566)</u>	<u>\$ -</u>	<u>\$ (6,373)</u>	<u>\$ 50,955,013</u>

Warren Woods Public Schools

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets (Continued)

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 2012 Capital Projects bond and the server infrastructure project being funded out of the Building and Site Fund. At June 30, 2013, the School District's commitments with contractors were as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
2012 Capital Projects Fund	\$ 1,853,561	\$ 66,526
Server infrastructure project	<u>138,200</u>	<u>42,730</u>
Total	<u>\$ 1,991,761</u>	<u>\$ 109,256</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Fund Due From</u>	<u>Fund Due To</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Education Center Program Fund</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$ 60,883	\$ 194,838	\$ 255,721
Special Education Center Program Fund	-	-	15,883	15,883
Nonmajor governmental funds	197,736	-	1,464	199,200
Agency Fund	<u>5,976</u>	<u>-</u>	<u>3,203</u>	<u>9,179</u>
Total	<u>\$ 203,712</u>	<u>\$ 60,883</u>	<u>\$ 215,388</u>	<u>\$ 479,983</u>

Warren Woods Public Schools

Notes to Financial Statements June 30, 2013

Note 6 - 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	\$ -	\$ 629,330	\$ 100,000	\$ 729,330
Nonmajor governmental funds	485,225	-	23,262	508,487
Total	\$ 485,225	\$ 629,330	\$ 123,262	\$ 1,237,817

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 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:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental Activities					
Bonds	\$ 41,975,000	\$ 2,000,000	\$ 2,350,000	\$ 41,625,000	\$ 2,660,000
Other obligations - Compensated absences	345,479	-	39,492	305,987	30,599
Total governmental activities	\$ 42,320,479	\$ 2,000,000	\$ 2,389,492	\$ 41,930,987	\$ 2,690,599

Warren Woods Public Schools

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

Years Ending June 30	Governmental Activities				
	Principal	Interest	Interest Subsidy	Net Interest	Total - Net
2014	\$ 2,660,000	\$ 1,868,780	\$ (60,618)	\$ 1,808,162	\$ 4,468,162
2015	2,790,000	1,751,530	(56,568)	1,694,962	4,484,962
2016	2,920,000	1,642,630	(52,068)	1,590,562	4,510,562
2017	3,035,000	1,504,129	(46,667)	1,457,462	4,492,462
2018	3,175,000	1,360,030	(41,268)	1,318,762	4,493,762
2019-2023	17,700,000	4,552,100	(123,500)	4,428,600	22,128,600
2024-2026	9,345,000	815,410	(6,660)	808,750	10,153,750
Total	<u>\$ 41,625,000</u>	<u>\$ 13,494,609</u>	<u>\$ (387,349)</u>	<u>\$ 13,107,260</u>	<u>\$ 54,732,260</u>

Governmental Activities

General obligation bonds consist of the following at June 30, 2013:

\$17,775,000 2005 general obligation unlimited tax and refunding bonds due in annual installments of \$600,000 to \$835,000 through May 1, 2025; interest at 3.75 percent to 5.00 percent	\$ 8,685,000
\$34,365,000 2006 general obligation unlimited tax and refunding bonds due in annual installments of \$1,550,000 to \$2,600,000 through May 1, 2026; interest at 3.75 percent to 5.00 percent	26,650,000
\$5,500,000 2007 general obligation limited tax bonds due in annual installments of \$330,000 to \$515,000 through May 1, 2023; interest at 4.00 percent	4,290,000
\$2,000,000 2012 general obligation limited tax bonds due in annual installments of \$180,000 to \$185,000 through May 1, 2024; fully subsidized interest at 2.25 percent to 3.60 percent	<u>2,000,000</u>
Total bonded debt	<u>\$ 41,625,000</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.

Warren Woods Public Schools

Notes to Financial Statements June 30, 2013

Note 8 - Risk Management (Continued)

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 Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), 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 health care benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care 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 15.96 percent of covered payroll for the period from July 1, 2012 through September 30, 2012. The employer contribution rate for pension plus plan members was 14.73 percent for the period from July 1, 2012 through September 30, 2012. Beginning October 1, 2012 through January 31, 2013, employees were given the following plan options with the corresponding employer contribution rates:

	First Worked Before July 1, 2010*	First Worked on or After July 1, 2010, through September 3, 2012**	First Worked on or After September 4, 2012 and Remain Pension Plus	First Worked on or After September 4, 2012 and Elect DC
Pension contributions	16.25 %	15.02 %	15.02 %	12.78 %
Health contributions	9.11 %	9.11 %	8.18 %	8.18 %

* Basic, MIP Fixed, MIP Graded, MIP Plus

** Pension Plus

Warren Woods Public Schools

Notes to Financial Statements June 30, 2013

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

For the period from February 1, 2013 through June 30, 2013, employees could transition to a defined contribution plan (DC) and could also elect out of the healthcare premium subsidy and into the Personal Healthcare Fund (PHF), depending upon their date of hire and retirement plan election. Employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF*	Pension Plus to DC with PHF*	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	15.21 %	15.02 %	15.02 %	12.78 %	12.78 %	12.78 %	15.21 %
Health contributions	9.11 %	9.11 %	8.18 %	8.18 %	9.11 %	8.18 %	8.18 %
Defined contribution plan employer contributions:							
DC employer contributions	0.00 %	1.00 %	1.00 %	3.00 %	4.00 %	4.00 %	0.00 %
Personal healthcare fund	0.00 %	0.00 %	2.00 %	2.00 %	0.00 %	2.00 %	2.00 %

* First worked September 4, 2012 or later

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the years ended June 30, 2013, 2012, and 2011 were approximately \$4,977,000, \$4,365,000, and \$3,733,000, respectively.

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

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 this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. 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. The employer contribution rate was 8.5 percent of covered payroll for the period from July 1, 2012 through September 30, 2012. For the period from October 1, 2012 through June 30, 2013, the employer contribution rate ranged from 8.18 percent to 9.11 percent dependent upon the employee's date of hire and plan election as noted above. Effective February 1, 2013, members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their Section 457 account as of their transition date and create a 2 percent employer match into the employee's 401(k) account.

The School District's required and actual contributions to the plan for retiree health care benefits for the years ended June 30, 2013, 2012, and 2011 were \$499,000, \$614,000, and \$324,000, respectively.

Note 10 - Upcoming Accounting Pronouncement

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 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 supplemental 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 will be effective for the School District's financial statements for the year ending June 30, 2015.

Required Supplemental Information

Warren Woods Public Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

	Original Budget	Final Amended Budget	Actual
Revenue			
Local sources	\$ 3,043,020	\$ 2,959,091	\$ 2,976,924
State sources	24,766,421	25,488,199	25,473,880
Federal sources	1,585,130	1,572,106	1,577,220
Interdistrict and other sources	935,033	1,156,237	1,181,345
Total revenue	30,329,604	31,175,633	31,209,369
Expenditures - Current			
Instruction:			
Basic program	15,839,497	15,246,307	15,042,243
Added needs	3,532,072	3,294,611	3,240,402
Adult and continuing education	232,137	231,105	222,062
Support services:			
Pupil	2,738,460	2,723,867	2,705,077
Instructional staff	1,492,485	1,435,220	1,376,613
General administration	494,555	524,625	502,020
School administration	2,070,598	2,019,950	1,968,885
Business services	622,421	676,199	659,151
Operations and maintenance	3,719,253	3,540,563	3,398,510
Transportation	799,184	705,749	664,529
Central support services	786,831	789,029	765,139
Other support services	389,070	414,668	408,438
Athletics	587,347	573,367	556,971
Total expenditures	33,303,910	32,175,260	31,510,040
Excess of Expenditures Over Revenue	(2,974,306)	(999,627)	(300,671)
Other Financing Sources - Transfers in and other - Net	300,172	244,775	249,771
Net Change in Fund Balance	(2,674,134)	(754,852)	(50,900)
Fund Balance - Beginning of year	7,566,304	7,566,304	7,566,304
Fund Balance - End of year	<u>\$ 4,892,170</u>	<u>\$ 6,811,452</u>	<u>\$ 7,515,404</u>

Warren Woods Public Schools

Required Supplemental Information Budgetary Comparison Schedule - Special Education Center Fund Year Ended June 30, 2013

	Original Budget	Final Amended Budget	Actual
Revenue			
State sources	\$ 1,437,827	\$ 1,329,375	\$ 1,329,377
Interdistrict and other sources	3,588,000	3,337,000	3,323,000
Total revenue	5,025,827	4,666,375	4,652,377
Expenditures - Current			
Instruction - Added needs	2,529,298	2,304,898	2,300,190
Support services:			
Pupil	1,547,793	1,454,847	1,445,866
Instructional staff	253,639	250,804	250,749
Operations and maintenance	-	27,000	22,425
Pupil transportation services	11,000	4,200	3,817
Total expenditures	4,341,730	4,041,749	4,023,047
Excess of Revenue Over Expenditures	684,097	624,626	629,330
Other Financing Uses- Transfers out - Net	(684,097)	(624,626)	(629,330)
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning of year	-	-	-
Fund Balance - End of year	\$ -	\$ -	\$ -

Other Supplemental Information

Warren Woods Public Schools

	Special Revenue Funds			Debt Service Funds		
	Bookstore Activities	Food Services	Child Care Program	2005 Issue	2006 Issue	2007 Issue
Assets						
Cash and cash equivalents	\$ -	\$ 532,909	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Receivables	-	49,647	147,968	-	-	-
Due from other funds	-	20,766	194,622	-	-	-
Inventories	11,955	9,935	-	-	-	-
Restricted assets	-	-	-	78,856	211,285	1
Total assets	\$ 11,955	\$ 613,257	\$ 342,590	\$ 78,856	\$ 211,285	\$ 1
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other accrued liabilities	-	59	-	-	-	-
Due to other funds	6,603	191,133	1,464	-	-	-
Unearned revenue	-	7,161	-	-	-	-
Total liabilities	6,603	198,353	1,464	-	-	-
Fund Balances						
Nonspendable - Inventory	11,955	9,935	-	-	-	-
Restricted:						
Capital projects	-	-	-	-	-	-
Debt service	-	-	-	78,856	211,285	1
Food service	-	404,969	-	-	-	-
Committed - Child care	-	-	341,126	-	-	-
Assigned - Capital replacements	-	-	-	-	-	-
Unassigned	(6,603)	-	-	-	-	-
Total fund balances	5,352	414,904	341,126	78,856	211,285	1
Total liabilities and fund balances	\$ 11,955	\$ 613,257	\$ 342,590	\$ 78,856	\$ 211,285	\$ 1

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

<u>Capital Projects Funds</u>		Total
<u>Building and Site</u>	<u>2012 Capital Projects</u>	<u>Nonmajor Governmental Funds</u>
\$ 414,710	\$ -	\$ 947,619
501,024	-	501,024
-	-	197,615
-	-	215,388
-	-	21,890
-	151,575	441,717
<u>\$ 915,734</u>	<u>\$ 151,575</u>	<u>\$ 2,325,253</u>

\$ 153,554	\$ -	\$ 153,554
-	-	59
-	-	199,200
-	-	7,161
153,554	-	359,974
-	-	21,890
-	151,575	151,575
-	-	290,142
-	-	404,969
-	-	341,126
762,180	-	762,180
-	-	(6,603)
762,180	151,575	1,965,279
<u>\$ 915,734</u>	<u>\$ 151,575</u>	<u>\$ 2,325,253</u>

Warren Woods Public Schools

	Special Revenue Funds		
	Bookstore Activities	Food Services	Child Care Program
Revenue			
Local sources	\$ 21,552	\$ 500,583	\$ 737,008
State sources	-	46,660	-
Federal sources	-	960,692	-
Governmental - Intergovernmental	-	50,580	-
Total revenue	21,552	1,558,515	737,008
Expenditures			
Current:			
Support services	-	-	1,984
Bookstore activities	16,200	-	-
Food services	-	1,455,829	-
Child care	-	-	664,202
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	143,780	5,462
Total expenditures	16,200	1,599,609	671,648
Excess of Revenue Over (Under) Expenditures	5,352	(41,094)	65,360
Other Financing (Uses) Sources			
Proceeds from sale of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	-	(75,000)	(48,262)
Face value of debt issued	-	-	-
Premium on debt issued	-	-	-
Total other financing (uses) sources	-	(75,000)	(48,262)
Net Change in Fund Balances	5,352	(116,094)	17,098
Fund Balances - Beginning of year	-	530,998	324,028
Fund Balances - End of year	\$ 5,352	\$ 414,904	\$ 341,126

**Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013**

Debt Service Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
2005 Issue	2006 Issue	2007 Issue	2012 Issue	Building and Site	2006 Capital Projects - Series II	2012 Capital Projects	
\$ 1,018,614	\$ 2,737,842	\$ -	\$ -	\$ 34,138	\$ 9	\$ 458	\$ 5,050,204
-	-	-	-	-	-	-	46,660
-	-	-	46,473	-	-	-	1,007,165
-	-	-	-	-	-	-	50,580
<u>1,018,614</u>	<u>2,737,842</u>	<u>-</u>	<u>46,473</u>	<u>34,138</u>	<u>9</u>	<u>458</u>	<u>6,154,609</u>
7,367	20,439	-	-	-	-	-	29,790
-	-	-	-	-	-	-	16,200
-	-	-	-	-	-	-	1,455,829
-	-	-	-	-	-	-	664,202
575,000	1,475,000	300,000	-	-	-	-	2,350,000
442,287	1,282,662	183,925	47,773	-	-	-	1,956,647
-	-	-	-	510,153	68,287	1,853,561	2,581,243
<u>1,024,654</u>	<u>2,778,101</u>	<u>483,925</u>	<u>47,773</u>	<u>510,153</u>	<u>68,287</u>	<u>1,853,561</u>	<u>9,053,911</u>
(6,040)	(40,259)	(483,925)	(1,300)	(476,015)	(68,278)	(1,853,103)	(2,899,302)
-	-	-	-	6,245	-	-	6,245
-	-	483,925	1,300	23,262	-	-	508,487
-	-	-	-	-	-	-	(123,262)
-	-	-	-	-	-	2,000,000	2,000,000
-	-	-	-	-	-	4,678	4,678
-	-	483,925	1,300	29,507	-	2,004,678	2,396,148
(6,040)	(40,259)	-	-	(446,508)	(68,278)	151,575	(503,154)
84,896	251,544	1	-	1,208,688	68,278	-	2,468,433
<u>\$ 78,856</u>	<u>\$ 211,285</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 762,180</u>	<u>\$ -</u>	<u>\$ 151,575</u>	<u>\$ 1,965,279</u>

Warren Woods Public Schools

Other Supplemental Information Schedule of Bonded Indebtedness June 30, 2013

Year Ending June 30	2005 Issue Principal	2006 Issue Principal	2007 Issue Principal	2012 Issue Principal
2014	\$ 600,000	\$ 1,550,000	\$ 330,000	\$ 180,000
2015	625,000	1,625,000	360,000	180,000
2016	650,000	1,700,000	390,000	180,000
2017	675,000	1,775,000	405,000	180,000
2018	700,000	1,875,000	420,000	180,000
2019	725,000	1,950,000	440,000	180,000
2020	725,000	2,050,000	460,000	180,000
2021	750,000	2,125,000	475,000	185,000
2022	775,000	2,200,000	495,000	185,000
2023	800,000	2,300,000	515,000	185,000
2024	825,000	2,400,000	-	185,000
2025	835,000	2,500,000	-	-
2026	-	2,600,000	-	-
Total	\$ 8,685,000	\$ 26,650,000	\$ 4,290,000	\$ 2,000,000
Principal payments due	May 1	May 1	May 1	May 1
Interest payments due	May 1 and Nov 1			
Interest rate	3.75% to 5.00%	3.75% to 5.00%	4.00%	2.25% to 3.60%
Original issue	\$ 17,775,000	\$ 34,365,000	\$ 5,500,000	\$ 2,000,000