

**Williamston Community Schools  
Williamston, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2014**

Williamston Community Schools

TABLE OF CONTENTS

June 30, 2014

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
ADMINISTRATION'S DISCUSSION AND ANALYSIS	iii-x
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Fiduciary Funds	
Statement of Fiduciary Net Position	7
Statement of Changes in Fiduciary Net Position	8
Notes to Financial Statements	9-24
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule	25
Note to Required Supplementary Information	26
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	27-28
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	29-30
Private Purpose Trust Funds	
Combining Statement of Fiduciary Net Position	31
Combining Statement of Changes in Fiduciary Net Position	32
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	33-34

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Williamston Community Schools  
Williamston, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Williamston Community Schools (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***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.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Williamston Community Schools as of June 30, 2014, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements 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 October 9, 2014 on our consideration of Williamston Community 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 the District's internal control over financial reporting and compliance.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

October 9, 2014

This section of Williamston Community Schools' annual report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2014. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Williamston Community Schools, a K-12 school district located in Ingham County, Michigan, and presents its financial statements under the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Williamston Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2014 with comparative information for June 30, 2013 in certain instances.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Williamston Community Schools financially as a whole. The *District-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 longer-term view of the finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant fund - the General Fund individually, and the Special Revenue Funds, Capital Projects, and Debt Service Funds collectively as nonmajor governmental funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

**District-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 result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the basic financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues 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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not generate profits as commercial entities do. One must consider many other non-financial 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 Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, child care, recreation, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The district-wide financial statements are full accrual basis statements. They report all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Service Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the district-wide financial statements.

**Fund Financial Statements**

The fund level financial statements are reported on the modified accrual basis. Only those assets that are "measurable" and "available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Service Funds and the Special Revenue (School Service) Funds which are comprised of: Food Service, and Community Service.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

**Summary of Net Position:**

The following summarizes the net position as of June 30, 2014 and 2013:

Condensed Statement of Net Position  
As of June 30, 2014 and 2013

	Governmental Activities 2014	Governmental Activities 2013
<b>Assets</b>		
Current Assets	\$ 4,803,307	\$ 4,677,426
Capital Assets	<u>41,267,152</u>	<u>42,289,333</u>
<b>Total Assets</b>	<b>46,070,459</b>	<b>46,966,759</b>
<b>Liabilities</b>		
Current Liabilities	6,869,267	6,368,423
Noncurrent Liabilities	<u>49,911,359</u>	<u>50,458,604</u>
<b>Total Liabilities</b>	<b>56,780,626</b>	<b>56,827,027</b>
<b>Net Position</b>		
Net investment in capital assets	(10,703,078)	(10,250,428)
Restricted for food and nutrition	12,068	97,103
Restricted for community services	858	857
Restricted for capital projects	143,651	-
Unrestricted	<u>(163,666)</u>	<u>292,200</u>
<b>Total Net Position</b>	<b><u>\$(10,710,167)</u></b>	<b><u>\$(9,860,268)</u></b>

**Analysis of Financial Position:**

As detailed above, the District shows a negative total net position value of (\$10,710,167) for the fiscal year ended June 30, 2014. Negative total net position valuation is not unexpected for a district with Williamston's characteristics, and can be explained by several factors:

- Over the past 10 years, significant enrollment growth has pressured facilities to their capacity limits.
- Major construction projects became necessary to expand facilities to meet the needs of the increased number of students. A new facility and major modifications to other facilities began in 2005 and continues through last fiscal year.
- Significant debt, (\$27.5 million) was incurred by the District in 1996 to pay for the facility modification projects.
- Significant debt, (\$23.735 million) was incurred by the District in 2005 to pay for the facility modification projects.

Should property tax valuations in the District maintain their historical growth rates, and the District repays its existing debt obligations, negative asset valuations are expected to reach positive valuations.

**Results of Operations:**

For the fiscal year ended June 30, 2014 and 2013, the district-wide results of operations were:

Condensed Statement of Activities  
Year Ended June 30, 2014 and 2013

	Governmental Activities 2014	Governmental Activities 2013
<b>Revenues:</b>		
Program Revenues		
Charges for Service	\$ 980,428	\$ 977,922
Operating and Capital Grants	2,188,805	1,900,204
General Revenues		
Property Taxes	4,737,388	4,374,961
State School Aid-unrestricted	11,719,274	11,787,756
Other	890,574	1,075,190
<b>Total Revenues</b>	<b>20,516,469</b>	<b>20,116,033</b>
<b>Functions/Program Expenses:</b>		
Instruction	11,083,912	10,636,173
Supporting Services	5,589,036	5,747,050
Community Services	731,854	1,282,699
Food service	472,306	518,348
Interest on long-term debt	2,211,062	2,309,971
Unallocated depreciation	1,278,198	1,325,955
<b>Total Expenses</b>	<b>21,366,368</b>	<b>21,820,196</b>
<b>(Decrease) in Net Position</b>	<b>\$ (849,899)</b>	<b>\$ (1,704,163)</b>

**Analysis of Results of Operations:**

During fiscal year ended June 30, 2014, the District's net position decreased by \$849,899. Several factors which caused the reduction are discussed in the following sections.

**A. Governmental Fund Operating Results**

The District's expenditures from governmental fund operations exceeded revenues and other adjustments by \$422,268 for the fiscal year ended June 30, 2014. Further discussion of the District's operating results is available in the section entitled "Results of 2013-2014 Operations" located on the following page.

**B. Long-Term Debt Activities**

The District reduced its bonded long-term debt obligation during 2013-2014 by making principal payments and other adjustments amounting to \$2,154,546. In addition, debt in the form of principal of \$817,531 and interest accrued costs \$767,484 on outstanding debt was incurred by the District during the fiscal year through the State of Michigan School Bond Loan Fund. Also, compensated absences decreased by a net amount of \$13,571. As a result of these activities, net district long-term debt liabilities decreased by \$583,102.

**Results of 2013-2014 Operations**

During fiscal year ended June 30, 2014, the District's total fund balances decreased by \$422,268. A few additional significant factors affecting fund balance during the year are discussed below:

**A. General Fund Operations**

The General Fund is the main fund for the District and includes all the cost related to educating the students of the Williamston Community Schools such as: Salaries and benefits for Teachers, Classroom Aides, Administrators, Secretaries, Custodians, Maintenance staff, Noon Aides, Librarians, Counselors, Bus Drivers and other miscellaneous positions; teaching supplies, employee training, utilities, building maintenance supplies and other.

The District's expenses exceeded revenues from General Fund operations by \$504,305 for the fiscal year ended June 30, 2014. The General Fund as of June 30, 2014, had a total fund balance of \$194,723 or 1.1% of expenditures and other financing uses for 2013-2014 fiscal year. The School District made budget reductions in certain areas for the 2013-2014 fiscal year and most likely will have to continue these reductions for 2014-15 unless funding from the State of Michigan improves.

**B. Debt Service Fund Operations**

The Debt Service Funds consist of three (3) separate debt funds as follows: 1996 Debt, 2005 Debt, and 2011 Refunding Bonds. The Debt Service Funds are set up to collect taxes and pay annual debt payments. At June 30, 2014, the Debt Service Funds had \$231,237 in fund equity available for future bond payments.

The School District levies taxes to make debt payment obligations. If taxes levied are not sufficient the School District will borrow funds from the Michigan School Bond Loan Fund. Any funds borrowed from the Michigan School Bond Loan Fund will be paid back toward the end of the bond obligations. In the fiscal year ended June 30, 2014, the School District borrowed \$1,585,015 (principal plus accrued interest) from the Michigan School Bond Loan Fund and the School District has a total obligation of \$23,007,032 to pay back to the Michigan School Bond Loan Fund including interest.



## Williamston Community Schools

### Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2014

The District made principal payments on bonded, long-term debt obligations that reduced the amount of the District's long-term liabilities as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
1996 Building and Site Bonds	\$ 11,350,000	\$ -	\$ -	\$ 11,350,000
2005 Building and State Bonds	17,000,000	-	(1,000,000)	16,000,000
2011 Refunding Bonds	2,215,000	-	(1,120,000)	1,095,000
Michigan School Bond Loans Principal and interest	21,422,017	1,585,015	-	23,007,032
	<u>\$ 51,987,017</u>	<u>\$ 1,585,015</u>	<u>\$ (2,120,000)</u>	<u>\$ 51,452,032</u>

The District also had \$353,374 outstanding in compensated absences and \$518,198 in capitalized bond premium at June 30, 2014. See Note D for significant details related to long-term debt.

#### C. School Service Funds

The Williamston Community Schools also has school service funds that include the following: Food Service Fund and the Community Service Fund.

The Food Service Fund is a fund that reports the food service program. In 2013-2014, the Food Service Fund had revenues of \$491,417 and expenditures and other financing uses of \$576,452 and fund balance of \$12,068. The Food Service Fund's expenditures and other financing uses exceeded revenues by \$85,035.

The Community Service Fund includes enrichment programs, senior center, and the community pool. In 2013-2014, the Community Service Fund had revenues and other financing sources of \$438,953 and expenditures and other financing uses of \$438,952. In previous years the District passed a Recreation Millage that is accounted for in the Community Service Fund.

#### D. Net Investment in Capital Assets

The District's net investment in capital assets decreased by \$1,022,181 during the fiscal year. This can be summarized as follows:

	Balance June 30, 2013	Net Change	Balance June 30, 2014
Capital assets	\$ 65,631,437	\$ 122,118	\$ 65,753,555
Less: accumulated depreciation	<u>(23,342,104)</u>	<u>(1,144,299)</u>	<u>(24,486,403)</u>
Net investment in capital outlay	<u>\$ 42,289,333</u>	<u>\$ (1,022,181)</u>	<u>\$ 41,267,152</u>

In 2005, Williamston Community Schools' voters approved a \$23,735,000 general obligation bond. The proceeds were used for the purpose of constructing, furnishing, and equipping additions to the high school and to Explorer Elementary School; remodeling existing school district buildings and equipping, furnishing, re-equipping and re-furnishing existing school district buildings; acquiring and installing technology equipment in and connecting schools district buildings; constructing additional parking for the existing transportation facility and purchasing school buses; acquiring land for new sites and improving and developing new and existing sites for school facilities; and improving and equipping existing outdoor athletic facilities and fields, structures and playgrounds, constructing additional parking and constructing and equipping new facilities for locker rooms, rest rooms and storage. This project was substantially complete in 2007-08.

In 1996, Williamston Community Schools' voters approved a \$27,535,000 general obligation bond issue. The proceeds from that bond issue were used for constructing new facilities and additions and partial remodeling of existing school facilities, and equipping and re-equipping facilities. This capital project was completed in the fiscal year ended June 30, 2001. Prior to 1996, the District's most recent bond issue had been in 1988. For additional information on Capital Assets see Note C: Capital Assets.

**State of Michigan Unrestricted Aid (Net State Foundation Grant)**

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 90 percent of prior year's fall count and 10 percent of prior year's winter count

**Per Student, Foundation Allowance:**

Annually, the State of Michigan establishes the per student foundation allowance. The Williamston Community Schools foundation allowance was \$7,026 per student for the 2013-2014 school year. The foundation per student was increased by \$60 (.86%) from the previous year's allowance of \$6,966 per student.

**Property Taxes levied for General Operations (General Fund Non-Homestead Taxes)**

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or five (5) percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value. The District's non-homestead property tax revenue for 2013-2014 fiscal year was \$1,234,355. The non-homestead tax revenue decreased by 3.02% over the prior year.

The following summarizes the District's non-homestead revenue for the past five years:

<u>Fiscal Year</u>	<u>Non-Homestead Tax Revenue</u>	<u>% Change From Prior Year</u>
2013-2014	\$ 1,234,355	-3.02%
2012-2013	1,272,786	2.14%
2011-2012	1,246,174	-5.25%
2010-2011	1,315,255	-3.93%
2009-2010	1,369,129	0.24%
Average Decrease Last Five Years:		-1.97%

**Debt Fund Property Taxes**

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2013-2014, the District's debt millage levy was 7.3 mills that generated revenue of \$2,807,714.

**Effect of the City of Williamston's Tax Increment Financing Authority**

The City of Williamston Tax Increment Financing Authority (TIFA) captures taxes due to the Williamston Community Schools to fund various city projects. The amount of taxes captured by the TIFA is reimbursed to the schools from State of Michigan through the funding formula.

**GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES**

Listed below is an analysis of the original budgets and final budgets to the final actuals.

**General Fund Expenditures and Other Uses Budget vs. Actual 5-Year History**

Fiscal Year	Original Budget	Final Budget	Actual	Variances	
				Actual & Original Budget	Actual & Final Budget
2009-2010	\$ 16,431,711	\$ 16,857,274	\$ 16,372,706	0.36 %	2.87 %
2010-2011	16,032,170	16,639,509	16,253,297	(1.38) %	2.32 %
2011-2012	16,222,682	15,989,597	15,943,580	1.72 %	0.29 %
2012-2013	16,160,659	16,603,730	16,811,723	(4.03) %	(1.25) %
2013-2014	16,759,939	16,917,190	17,041,873	(1.68) %	(0.74) %
Five Year Average Over (Under) Budget				(1.00) %	0.70 %

**General Fund Revenues and Other Sources, Budget vs. Actual 5-Year History**

Fiscal Year	Original Budget	Final Budget	Actual	Variances	
				Actual & Original Budget	Actual & Final Budget
2009-2010	\$ 16,436,240	\$ 16,353,737	\$ 16,304,485	(0.80) %	(0.30) %
2010-2011	15,983,332	16,481,939	16,517,948	3.34 %	0.22 %
2011-2012	15,326,981	15,892,439	16,269,307	6.15 %	2.37 %
2012-2013	16,160,659	16,348,800	16,339,540	1.11 %	(0.06) %
2013-2014	16,759,939	16,424,437	16,537,568	(1.33) %	0.69 %
Five Year Average Over (Under) Budget				1.69 %	0.58 %

**Original vs. Final Budget:**

The Uniform Budget Act of the State of Michigan requires that the Board of Education approve the original budget for the upcoming year prior to July 1, the start of the fiscal year.

As a matter of practice, Williamston Community Schools amends its budget periodically during the school year. The June 2014 budget amendment was the final budget for the fiscal year.

## Williamston Community Schools

### Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2014

#### Revenue and Other Financing Sources Change from Original to Final Budget:

		<u>Percent</u>
Total Revenues and Other Financing Sources Original Budget	\$ 16,759,939	100.00
Total Revenues and Other Financing Sources Final Budget	<u>16,424,437</u>	<u>98.00</u>
Decrease in Budgeted Revenues and Other Financing Sources	<u>\$ (335,502)</u>	<u>-2.00</u>

The District's final actual general fund revenues and other financing sources differed from the final budget by \$113,131, a positive variance of 0.69% from the final budget.

#### Expenditures and Other Financing Uses Change from Original to Final Budget:

		<u>Percent</u>
Total Expenditures Original Budget and Other Financing Uses	\$ 16,759,939	100.00
Total Expenditures Final Budget and Other Financing Uses	<u>16,917,190</u>	<u>100.94</u>
Increase in Budgeted Expenditures and Other Financing Uses	<u>\$ 157,251</u>	<u>0.94</u>

The District's actual general fund expenditures and other financing uses were more than final budget by \$124,683; a negative variance of 0.70% from the final budget.

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

Our elected officials and administration considered many factors when setting the School District's 2014-15 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2014-15 fiscal year is 10 and 90 percent of the February 2015 and September 2014 student counts, respectively. The 2014-15 fiscal year budget was adopted in June 2014, based on enrollment projections from prior year retention ratios and historical trends. Approximately 80 percent to 85 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2014-15 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2014-15 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State Funding and the status of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts.

#### Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Williamston Community Schools, 418 Highland Street, Williamston, Michigan 48895.

## **BASIC FINANCIAL STATEMENTS**

Williamston Community Schools

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 466,026
Cash on hand with paying agent	1,204,734
Receivables	
Accounts	153,653
Due from other governmental units	2,552,902
Inventories	57,563
Prepays	<u>368,429</u>
Total current assets	4,803,307
Noncurrent assets	
Capital assets not being depreciated	1,341,655
Capital assets, net of accumulated depreciation	<u>39,925,497</u>
Total noncurrent assets	<u>41,267,152</u>
TOTAL ASSETS	46,070,459
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	329,104
Accrued salaries	941,087
Other accrued liabilities	418,699
Short-term notes payable	2,516,821
Unearned revenue	15,059
Accrued interest payable	236,252
Current portion of long-term debt	2,129,546
Current portion of accrued vacation pay	12,221
Current portion of accrued sick pay	<u>270,478</u>
Total current liabilities	6,869,267
Noncurrent liabilities	
Noncurrent portion of accrued vacation pay	3,055
Noncurrent portion of accrued sick pay	67,620
Noncurrent portion of long-term debt	<u>49,840,684</u>
Total noncurrent liabilities	<u>49,911,359</u>
TOTAL LIABILITIES	<u>56,780,626</u>
<b>NET POSITION</b>	
Net investment in capital assets	(10,703,078)
Restricted for food and nutrition	12,068
Restricted for community services	858
Restricted for capital projects	143,651
Unrestricted	<u>(163,666)</u>
TOTAL NET POSITION	<u><u>\$(10,710,167)</u></u>

See accompanying notes to financial statements.

Williamston Community Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction	\$ 11,083,912	\$ -	\$ 1,214,106	\$ (9,869,806)
Supporting services	5,589,036	212,413	767,529	(4,609,094)
Community services	731,854	488,664	19	(243,171)
Food service	472,306	279,351	207,151	14,196
Interest on long-term debt	2,211,062	-	-	(2,211,062)
Unallocated depreciation	1,278,198	-	-	(1,278,198)
<b>TOTAL</b>	<b>\$ 21,366,368</b>	<b>\$ 980,428</b>	<b>\$ 2,188,805</b>	<b>(18,197,135)</b>
		General revenues		
		Property taxes		4,737,388
		State school aid - unrestricted		11,719,274
		Investment earnings		3,837
		County special education allocation		720,809
		Miscellaneous		165,928
		<b>TOTAL GENERAL REVENUES</b>		<b>17,347,236</b>
		<b>CHANGE IN NET POSITION</b>		<b>(849,899)</b>
		Net position, beginning of year		<u>(9,860,268)</u>
		Net position, end of year		<u>\$ (10,710,167)</u>

See accompanying notes to financial statements.

Williamston Community Schools

Governmental Funds

BALANCE SHEET

June 30, 2014

	General	Nonmajor Governmental Funds	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,676	\$ 463,350	\$ 466,026
Cash on hand with paying agent	1,204,734	-	1,204,734
Receivables			
Accounts	151,628	2,025	153,653
Due from other governmental units	2,549,171	3,731	2,552,902
Due from other funds	54,051	92,870	146,921
Inventories	41,678	15,885	57,563
Prepays	368,429	-	368,429
	<u>4,372,367</u>	<u>577,861</u>	<u>4,950,228</u>
<b>TOTAL ASSETS</b>	<b>\$ 4,372,367</b>	<b>\$ 577,861</b>	<b>\$ 4,950,228</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 300,130	\$ 28,974	\$ 329,104
Short-term notes payable	2,516,821	-	2,516,821
Accrued salaries	940,011	1,076	941,087
Other accrued liabilities	418,386	313	418,699
Due to other funds	-	146,921	146,921
Unearned revenue	2,296	12,763	15,059
	<u>4,177,644</u>	<u>190,047</u>	<u>4,367,691</u>
<b>TOTAL LIABILITIES</b>	<b>4,177,644</b>	<b>190,047</b>	<b>4,367,691</b>
<b>FUND BALANCES</b>			
<b>Nonspendable</b>			
Inventories	41,678	-	41,678
Prepays	368,429	-	368,429
<b>Restricted</b>			
Debt service	-	231,237	231,237
Food and nutrition	-	12,068	12,068
Community services	-	858	858
Capital projects	-	143,651	143,651
Unassigned	(215,384)	-	(215,384)
	<u>194,723</u>	<u>387,814</u>	<u>582,537</u>
<b>TOTAL FUND BALANCES</b>	<b>194,723</b>	<b>387,814</b>	<b>582,537</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,372,367</b>	<b>\$ 577,861</b>	<b>\$ 4,950,228</b>

See accompanying notes to financial statements.



Williamston Community Schools

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE STATEMENT OF NET POSITION

June 30, 2014

**Total fund balances - governmental funds** \$ 582,537

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 65,753,555	
Accumulated depreciation is	<u>(24,486,403)</u>	
		41,267,152

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Long-term debt payable	(51,970,230)	
Accrued interest payable	(236,252)	
Accrued vacation pay	(15,276)	
Accrued sick pay	<u>(338,098)</u>	
		<u>(52,559,856)</u>

**Net position of governmental activities** \$(10,710,167)

Williamston Community Schools

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended June 30, 2014

	General	Nonmajor Governmental Funds	Total
<b>REVENUES</b>			
Local sources	\$ 2,019,854	\$ 3,922,755	\$ 5,942,609
State sources	13,346,611	20,184	13,366,795
Federal sources	299,290	186,966	486,256
<b>TOTAL REVENUES</b>	<b>15,665,755</b>	<b>4,129,905</b>	<b>19,795,660</b>
<b>EXPENDITURES</b>			
Current			
Instruction	11,113,077	-	11,113,077
Supporting services	5,589,036	-	5,589,036
Community services	339,760	392,094	731,854
Food service	-	472,306	472,306
Capital outlay	-	240,423	240,423
Debt service			
Principal retirement	-	2,120,000	2,120,000
Interest, fiscal, and other charges	-	1,489,572	1,489,572
<b>TOTAL EXPENDITURES</b>	<b>17,041,873</b>	<b>4,714,395</b>	<b>21,756,268</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(1,376,118)</b>	<b>(584,490)</b>	<b>(1,960,608)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Debt proceeds	-	817,531	817,531
County special education allocation	720,809	-	720,809
Transfers from other funds	151,004	-	151,004
Transfers to other funds	-	(151,004)	(151,004)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>871,813</b>	<b>666,527</b>	<b>1,538,340</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(504,305)</b>	<b>82,037</b>	<b>(422,268)</b>
Fund balances, beginning of year	699,028	305,777	1,004,805
Fund balances, end of year	<u>\$ 194,723</u>	<u>\$ 387,814</u>	<u>\$ 582,537</u>

See accompanying notes to financial statements.

Williamston Community Schools

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

**Net change in fund balances - total governmental funds** \$ (422,268)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 256,017	
Depreciation expense	<u>(1,278,198)</u>	
Excess of depreciation expense over capital outlay		(1,022,181)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Debt principal retirement	2,120,000	
Bond and loan proceeds	(817,531)	
Amortization of bond premium	34,546	
Bond proceeds (accrued SBLF interest)	<u>(767,484)</u>	
Excess of principal retirement over bond proceeds		569,531

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued vacation pay	(3,425)	
Decrease in accrued sick pay	16,996	
Decrease in accrued interest payable	<u>11,448</u>	
		<u>25,019</u>

**Change in net position of governmental activities** \$ (849,899)

Williamston Community Schools

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 7,713	\$ 152,327
LIABILITIES		
Due to students		
High School	-	108,357
Middle School	-	43,739
Due to individuals and agencies	-	231
	<u>-0-</u>	<u>\$ 152,327</u>
TOTAL LIABILITIES		
NET POSITION		
Held in trust for private purposes	<u>\$ 7,713</u>	

See accompanying notes to financial statements.

Williamston Community Schools

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2014

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Other	
Contributions	\$ 190
DEDUCTIONS	
Other supporting services	<u>190</u>
CHANGE IN NET POSITION	-0-
Net position - beginning of year	<u>7,713</u>
Net position - end of year	<u><u>\$ 7,713</u></u>

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Williamston Community Schools (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of Williamston Community Schools. The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements of the District contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the district-wide financial statements) present information for the district as a whole. All non-fiduciary activities of the District are included (i.e., fiduciary fund activities are not included in the district-wide financial statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments, and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The District utilizes governmental and fiduciary funds.

The governmental fund financial statements present the District's individual major fund and aggregated nonmajor funds. A separate column is shown for the major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column. The fiduciary funds are reported by type.

The District presents the following major governmental fund:

- a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Measurement Focus

The district-wide and fiduciary private purpose trust fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet, when applicable. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary private purpose trust fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenses.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The District reports unearned revenue in its financial statements, when applicable. Unearned revenues arise when the District receives resources before it has a legal claim to them.

If/when both restricted and unrestricted resources are available for use; it is the District's policy to use restricted resources first, then unrestricted resources if they are needed.

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types.

The District does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year end.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Budgets and Budgetary Accounting - continued

The District follows these procedures in establishing the budgetary data reflected in the required supplementary information of the financial statements:

- a. The Assistant Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred in excess of the amount appropriated unless authorized in the budget.
- d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes.
- e. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, and Debt Service Funds.
- f. The budget, as presented, has been amended in a legally permissible manner. Supplemental appropriations were made during the year, with the last one approved June 16, 2014.

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, money market accounts, and pooled investment funds. Cash equivalents are recorded at market (fair) value.

7. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the governmental funds balance sheet.

8. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan's funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2014, to be paid in July and August 2014. The total amount of \$2,552,902 due from other governmental units consists of \$2,410,697 and \$142,205 for State Aid and grant and local programs, respectively.

9. Inventories

Inventories are stated at cost on a first in/first out basis. The General Fund inventory consists of paper, custodial, and other miscellaneous supplies. The Food Services Fund inventory mainly consists of food and miscellaneous paper goods. Inventory amounts for consumable inventory are equally offset by a fund balance "nonspendable" designation which indicates that they do not constitute "available spendable resources" even though they are a component of fund balance. Inventory that will be sold, rather than used in providing services (i.e. food in the Food Service Fund), and for which the proceeds from the sales are restricted for food service activities are not classified as "nonspendable" but instead are reflected as a component of restricted fund balance in accordance with the implementation guide.



Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

10. Capital Assets

Capital assets include land, buildings and building improvements, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost of \$5,000 or more with estimated useful lives of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and building improvements	50 years
Equipment	5 - 20 years
Vehicles	8 years

11. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences and reported them as accrued sick pay and accrued vacation pay within the financial statements. Accumulated vested sick and vacation leave amounts and nonvested sick and vacation leave amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a liability in the district-wide financial statements.

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Currently, the District does not report any deferred inflows of resources or deferred outflows of resources.

13. Unearned Revenues

The unexpended balance of various federal and/or state categorical and local grants is carried forward as unearned revenue until the period in which eligible expenditures are incurred. Other monies collected in advance, such as summer school, community education programs, summer school lunch, and recreational programs are also reflected as unearned if they meet this criteria.

14. Short-Term Note Obligations

Short-term debt is recognized as a liability of a governmental fund and is included on the balance sheet of the applicable fund. During the current year, the District paid off the 2013 State-aid borrowing and then borrowed additional funds to meet short-term cash flow borrowing needs for 2014. The final payment is due and payable in August 2014, and anticipated State Aid is expected to be sufficient to cover this commitment.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

15. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide statements. Accrued interest payable is due within one year and is reported as a current liability.

16. Long-Term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

17. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year-end).

The District levies taxes of \$18.00 per \$1,000 of taxable valuation on most nonprimary residence exempt property (Taxable value was \$61,018,963 for 2013) and \$6 per \$1,000 of taxable value on commercial personal property (Taxable value was \$4,893,180 for 2013) for general governmental services; \$0.75 per \$1,000, \$7.30 per \$1,000 and \$1.00 per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service, recreation, and sinking fund activities, respectively. Original Taxable Value for 2013 was \$375,386,181 for debt service and recreation calculations.

18. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995 the State utilized a district power equalizing approach. The foundation is funded from State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2014, the foundation allowance was based on the average of pupil membership counts taken in September 2013 and February 2014. The average calculation was weighted 90% for the September 2013 count and 10% for the February 2014 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the year and two (2) payments made in July and August subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

19. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as unearned revenue in the respective statements.

20. County Special Education Revenue Allocation

The millage was collected by Ingham Intermediate School District (IISD) and the payments to the District were based on the most recent IISD budget at the time of allocation of excess revenues, after all IISD costs had been reimbursed. The allocation is paid pro rata based upon the K-12 pupil enrollment, including Special Education students enrolled at IISD, of the District compared to the total County wide enrollment. The K-12 enrollment for the District is defined as the blended official count for the State foundation grant.

21. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Transfers of resources to other funds are recorded as operating transfers on the governmental fund financial statements. Transfers are netted as part of the reconciliation to the district-wide financial statements.

22. Federal Programs

Federal programs are accounted for in the General Fund and specific Special Revenue Funds.

23. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificates of deposit issued by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this state.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or federal agency obligation repurchase agreements.

Williamston Community Schools  
 NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks in the State of Michigan in the name of the School District.

Deposits

There is custodial credit risk as it related to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it.

As of June 30, 2014, the carrying amount of the District's deposits was \$624,282 and the bank balance was \$805,282 of which \$500,000 was covered by Federal depository insurance. The balance of \$305,282 was uninsured and uncollateralized. The District had \$806 of cash on hand. The District also had \$1,204,734 on deposit with the State of Michigan at the Michigan Finance Authority in relation to the set aside payments to repay the State Aid Anticipation Note, Series 2013B-1 that is due and payable August 20, 2014.

Investments

As of June 30, 2014, the carrying amounts and market values for each type of investment as reported in the cash and cash equivalents caption on the combined balance sheet are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Uncategorized pooled investment funds			
MILAF - Cash Management & MAX Class Funds	\$ 961	\$ 961	1
Michigan CLASS	17	17	51
	<u>\$ 978</u>	<u>\$ 978</u>	

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2014, the Michigan CLASS investment is rated AAAM by Standard and Poor's. As of June 30, 2014, the investment in MILAF was rated AAAM by Standard and Poor's.

Interest rate risk

The District has adopted a policy that indicates how the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Concentration of credit risk

The District has adopted a policy that indicates how the District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The District has adopted a policy that indicates how the District will minimize custodial credit risk. Custodial credit risk is the risk of loss due to the failure of the security issuer or backer. The Board policy limits investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with the Board approved policy.

The following summarizes the cash, cash equivalents, and investments as of June 30, 2014:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 466,026	\$ 160,040	\$ 626,066
Cash on hand with paying agent	1,204,734	-	1,204,734
	\$ 1,670,760	\$ 160,040	\$ 1,830,800

Due to significantly higher cash flow at certain periods during the year, the amount the District held as cash, cash equivalents, and investments increased significantly. As a result, the amount of uninsured and uncollateralized cash, cash equivalents, and investments were substantially higher at these peak periods than at year-end.

**NOTE C: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated				
Land	\$ 1,341,655	\$ -	\$ -	\$ 1,341,655
Capital assets being depreciated				
Buildings and building improvements	58,816,116	59,911	-	58,876,027
Vehicles and equipment	5,473,666	196,106	(133,899)	5,535,873
Subtotal of capital assets being depreciated	64,289,782	256,017	(133,899)	64,411,900

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE C: CAPITAL ASSETS - CONTINUED**

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Less accumulated depreciation for:				
Buildings and building improvements	\$(18,538,865)	\$ (1,101,036)	\$ -	\$ (19,639,901)
Vehicles and equipment	(4,803,239)	(169,563)	126,300	(4,846,502)
Total accumulated depreciation	(23,342,104)	(1,270,599)	126,300	(24,486,403)
Net capital assets being depreciated	40,947,678	(1,014,582)	(7,599)	39,925,497
Capital assets, net	<u>\$ 42,289,333</u>	<u>\$ (1,014,582)</u>	<u>\$ (7,599)</u>	<u>\$ 41,267,152</u>

The current period depreciation expense of \$1,270,599 has been adjusted by \$7,599 for the loss of disposal of capital assets during the period, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

**NOTE D: LONG-TERM DEBT**

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Amounts Due Within One Year
1996 Building and Site Bonds	\$ 11,350,000	\$ -	\$ -	\$ 11,350,000	\$ -
2005 Building and Site Bonds	17,000,000	-	(1,000,000)	16,000,000	1,000,000
2011 Refunding Bonds	2,215,000	-	(1,120,000)	1,095,000	1,095,000
Michigan School Bond Loans					
Principal and interest	21,422,017	1,585,015	-	23,007,032	-
Capitalized bond premium	552,744	-	(34,546)	518,198	34,546
Vacation pay	11,851	31,883	(28,458)	15,276	12,221
Sick pay	355,094	676,573	(693,569)	338,098	270,478
	<u>\$ 52,906,706</u>	<u>\$ 2,293,471</u>	<u>\$ (2,876,573)</u>	<u>\$ 52,323,604</u>	<u>\$ 2,412,245</u>

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation Bonds - The District has issued bonds to finance the acquisition, new construction, and remodeling of existing school facilities. The following summarizes significant details of the bonds payable outstanding at June 30, 2014:

\$27,535,000 School Building and Site Bonds dated January 1, 1996, due in annual installments ranging from \$1,100,000 to \$1,150,000 from May 1, 2016 through May 1, 2025 with interest of 5.50 percent, payable semi-annually.	\$ 11,350,000
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Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE D: LONG-TERM DEBT - CONTINUED**

General Obligation Bonds - continued

\$23,735,000 School Building and Site Bonds dated February 2, 2005, due in annual installments of \$1,000,000 through May 1, 2030 with interest ranging from 3.50 to 5.00 percent, payable semi-annually.	\$ 16,000,000
\$3,375,000 Refunding Bonds dated September 13, 2011, due in an annual installment of \$1,095,000 through May 1, 2015 with interest of 3.00 percent, payable semi-annually.	<u>1,095,000</u>
	<u>\$ 28,445,000</u>

Michigan School Bond Loans

The School District borrows on various occasions from the Michigan School Bond Qualification and Loan Program. Repayment is due when the School District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. During the year the interest rate ranged from 3.52269 to 3.53465 percent.

The School District borrowed \$817,531 during this fiscal year and had an additional \$767,484 of accrued interest added to the loan on the outstanding balance during the year. The balances at June 30, 2014, are as follows:

Loan balance	\$ 15,453,617
Interest balance	<u>7,553,415</u>
	<u><u>\$ 23,007,032</u></u>

Advance Refunding - Prior

On September 13, 2011, the District defeased a portion of the 2001 Refunding Bonds, which were due and payable May 1, 2013 through May 1, 2015. This was accomplished by establishing an irrevocable trust with an escrow agent composed U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued 2011 Refunding Bonds in the amount of \$3,375,000 to provide resources to fund the escrow amounts and pay the cost of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2014, bonds due and payable May 1, 2015 for the 2001 Refunding Bonds in the amount of \$1,095,000 are considered defeased.

On October 1, 2001 the District defeased the portion of the 1996 School Building and Site Bonds, which were due and payable May 1, 2010 through May 1, 2015. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2001 Refunding Bonds in the amount of \$6,950,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2014 bonds due and payable May 1, 2015 for the 1996 School Building and Site Bonds in the amount of \$1,100,000 are considered defeased.

Williamston Community Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE D: LONG-TERM DEBT - CONTINUED**

Sick Pay - In recognition of services to the District, a severance payment is made to eligible employees with at least ten (10) years of service according to their respective employment contracts as follows:

Under GASB Statement No. 16 requirements, the District has elected to implement the “vesting” method of calculating the sick pay liability. The amounts accumulated for all employees currently vested is calculated along with an amount for other employees who currently are not vested but are probable to vest in future years. The amounts for employees who currently are not vested are calculated taking total unused sick pay amounts at June 30, 2014 for all nonvested employees and multiplying it by a historical termination percentage. This percentage is based on an estimate of the percentage of employees who have terminated employment fully vested in the past five (5) years.

A summary of the calculated amounts of accrued sick pay and related payroll taxes as of June 30, 2014, which has been recorded in the District-wide financial statements, is as follows:

	<u>Vested Employees</u>	<u>Nonvested Employees</u>	<u>Total</u>
Sick pay	\$ 302,372	\$ 11,700	\$ 314,072
Payroll taxes	23,131	895	24,026
	<u>\$ 325,503</u>	<u>\$ 12,595</u>	<u>\$ 338,098</u>

Vacation Pay - In recognition of services to the District, an accumulated unused vacation days payment will be made upon termination to eligible employees according to past District practice. This payment will be paid on all unused vacation days at the employee’s rate of pay at time of termination.

The vacation pay liability, including the related payroll taxes which have been recorded in the district-wide financial statements, is \$15,276.

The annual requirements to pay the debt principal and interest outstanding are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 2,095,000	\$ 1,417,510
2016	2,100,000	1,349,250
2017	2,100,000	1,238,750
2018	2,100,000	1,128,250
2019	2,150,000	1,017,750
2020-2024	10,750,000	3,440,000
2025-2029	6,150,000	993,250
2030	1,000,000	45,000
	<u>\$ 28,445,000</u>	<u>\$ 10,629,760</u>

It is not possible to project a payment schedule for the Michigan School Bond Loans due to varying interest rates and timing of repayments. As a result, it is not included in the schedule above.



Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE E: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at June 30, 2014, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 54,051</u>
Due to nonmajor governmental funds from:	
Nonmajor governmental funds	<u>\$ 92,870</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**NOTE F: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to General Fund:	
From nonmajor governmental funds	<u>\$ 151,004</u>

The transfers from the nonmajor governmental funds to the General Fund were to offset a portion of costs of the District that were recognized in the General Fund.

**NOTE G: EMPLOYEE RETIREMENT SYSTEM**

Plan Description

All of the District's employees, except students, are eligible to participate in the State wide Michigan Public School Employees' Retirement System (MPSERS), a multiple-employer, cost-sharing, State wide public employee retirement system. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the pension retirement plans. The report for the fiscal year-end September 30, 2013, the last year available, may be obtained by contacting the State of Michigan, Department of Technology, Management and Budget.

Funding Policy

Employer contributions to the pension system result from implementing effects of the School Finance Reform Act. Member contribution rates vary based on date of hire and certain voluntary elections. Employees who selected MIP on or before December 31, 1989, contributed 4% from January 1, 1987 to December 31, 1989 and 3.9% thereafter. Employees first hired on or after January 1, 1990 through June 30, 2008 are required to contribute based on a graduated rate: 3% of the first \$5,000 (up to \$150); \$150 plus 3.6% of \$5,001 through \$15,000 (up to \$510 total); \$510 plus 4.3% of all wages over \$15,000. Employees first hired on or after July 1, 2008 are required to contribute based on a graduated rate: 3% of the first \$5,000 (up to \$150); \$150 plus 3.6% of \$5,001 through \$15,000 (up to \$510 total); \$510 plus 6.4% of all wages over \$15,000. In addition, employees first hired on or after July 1, 2010 are required to enroll in the Pension Plus Plan, which includes a defined contribution component of 1% - 3% of all wages to retire health care fund and 0% - 2% to a hybrid defined contribution plan.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

Pension Benefits

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

Other 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.

Contribution rates for the year ended June 30, 2014, are as follows:

	Pension Contribution Rates		Health Contribution Rates	
	Basic/MIP	Pension Plus	Basic/MIP	Pension Plus
July 1, 2013 - September 30, 2013	12.78 - 15.21%	12.78 - 15.02%	9.11%	8.18 - 9.11%
October 1, 2014 - June 30, 2014	15.44 - 18.34%	15.44 - 18.11%	5.52 - 6.45%	5.52 - 6.45%

The District's required and actual contributions to the various plans for the last three fiscal years are as follows:

Fiscal year ended June 30,	Defined Benefit Plan		Defined Contribution Plan	
	Employer Retirement Contributions	Employer Health Contributions	Employer Contributions	Employee Contributions
2014	\$ 1,471,737	\$ 783,798	\$ 41,116	\$ 33,722
2013	1,489,355	793,182	19,611	18,580
2012	1,379,507	734,680	Not available	Not available

**NOTE H: RISK MANAGEMENT**

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for data breach, property, fleet, liability, in-land marine, crime, employee dishonesty, boiler and machinery, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE I: FLEXIBLE BENEFITS PLAN**

In February 1992, the District implemented a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The plan, available to all employees, permits them to reduce their salary and put these amounts into a flexible benefits account up to certain limits.

The plan allows the employee to reduce their salary and apply it to medical reimbursement, dependent care reimbursements, co-pay for health insurance premiums, or post-employment group term life insurance.

A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The Plan is administered by Williamston Community Schools.

**NOTE J: SHORT-TERM NOTES**

On August 20, 2012, the District issued a short-term State School Aid Anticipation Note in the amount of \$1,917,000 for the purpose of funding operating expenditures until the 2013 State Aid payments began. This short-term note, which had a net outstanding balance of \$1,928,386 (principal and accrued interest payable) at June 30, 2013, was reported in the General Fund and in the government-wide financial statements under the caption short-term notes payable. There was \$1,004,000 of cash on deposit with the paying agent at June 30, 2013 to pay for a portion of the notes outstanding. The remaining funds to make the balance of the payment due came from State Aid and other funds on hand when the payment was due. The outstanding balance was paid in August 2013.

On August 20, 2013, the District issued a short-term State School Aid Anticipation Note in the amount of \$2,500,000 for the purpose of funding operating expenditures until the 2014 State Aid payments began. This short-term note, which has a net outstanding balance of \$2,516,821 (principal and accrued interest payable) at June 30, 2014, is reported in the General Fund and in the government-wide financial statements under the caption short-term notes payable. There was \$1,204,734 of cash on deposit with the paying agent at June 30, 2014 to pay for a portion of the notes outstanding. The remaining funds to make the balance of the payment due will come from State Aid and other funds on hand when the payment is due. The outstanding balance was paid in August 2014.

**NOTE K: SUBSEQUENT EVENT**

After the year ended June 30, 2014, the following subsequent event occurred:

On August 20, 2014, the District issued State School Aid Anticipation Notes totaling \$2,500,000 for the purpose of funding operating expenditures until the fiscal year 2015 State Aid payments begin. These short-term notes will be paid off when the District accumulates sufficient State Aid revenues. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

**NOTE L: SINKING FUND**

The Capital Projects Sinking Fund of the District includes the capital project activities which are funded by the local millage for a sinking fund. For the expenditures recorded within the Capital Projects Sinking Fund the District has complied with the applicable provisions of Section 1212 (1) of the Revised School in the current year.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE M: DETAILS OF FUND BALANCE CLASSIFICATIONS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

*Nonspendable* - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

*Restricted* - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

*Committed* - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

*Assigned* - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

*Unassigned* - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

**Fund Balance Classification Policies and Procedures**

For committed fund balance, Williamston Community Schools' highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is through a formal action and approval by the Board of Education and committed fund balances do not lapse at year end.

For assigned fund balance, the Board of Education is authorized to assign amounts to a specific purpose. The authorization is delegated by the Board of Education to the District's Superintendent.

For the classification of fund balances, Williamston Community Schools considers restricted amounts to have been spent first when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, Williamston Community Schools considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**NOTE N: UPCOMING ACCOUNTING PRONOUNCEMENT**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement 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. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The 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 District's 2014-2015 fiscal year.

Williamston Community Schools  
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE O: CONTRACTUAL COMMITMENTS**

The District is obligated for construction contracts relating to projects where sinking fund dollars will be utilized in the amount of \$264,595 as of June 30, 2014. These commitments are not susceptible to accrual as the contracts are in place but the expenditures have yet to be incurred. Accordingly, no liability has been recorded in the basic financial statements. The District's tax revenue from the sinking fund millage along with accumulated fund balance is expected to be sufficient to cover this commitment in the future.

**REQUIRED SUPPLEMENTARY INFORMATION**

Williamston Community Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 1,955,233	\$ 1,938,926	\$ 2,019,854	\$ 80,928
State sources	13,328,829	13,156,252	13,346,611	190,359
Federal sources	399,043	309,259	299,290	(9,969)
<b>TOTAL REVENUES</b>	<b>15,683,105</b>	<b>15,404,437</b>	<b>15,665,755</b>	<b>261,318</b>
<b>EXPENDITURES</b>				
Instruction				
Basic programs	8,883,585	9,222,348	9,073,725	148,623
Added needs	1,954,603	1,859,735	2,039,352	(179,617)
<b>TOTAL INSTRUCTION</b>	<b>10,838,188</b>	<b>11,082,083</b>	<b>11,113,077</b>	<b>(30,994)</b>
Supporting services				
Pupil services	599,480	610,041	648,758	(38,717)
Instructional staff	760,484	736,048	783,675	(47,627)
General administration	203,828	203,828	231,908	(28,080)
School administration	889,332	885,807	942,299	(56,492)
Athletics	316,913	316,913	331,964	(15,051)
Business and other supporting services	2,823,441	2,754,197	2,650,432	103,765
<b>TOTAL SUPPORTING SERVICES</b>	<b>5,593,478</b>	<b>5,506,834</b>	<b>5,589,036</b>	<b>(82,202)</b>
Community services	291,348	291,348	339,760	(48,412)
<b>TOTAL EXPENDITURES</b>	<b>16,723,014</b>	<b>16,880,265</b>	<b>17,041,873</b>	<b>(161,608)</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(1,039,909)</b>	<b>(1,475,828)</b>	<b>(1,376,118)</b>	<b>99,710</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
County special education allocation	941,834	885,000	720,809	(164,191)
Payments to other districts	(36,925)	(36,925)	-	36,925
Transfers from other funds	135,000	135,000	151,004	16,004
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,039,909</b>	<b>983,075</b>	<b>871,813</b>	<b>(111,262)</b>
<b>NET CHANGES IN FUND BALANCE</b>	<b>-0-</b>	<b>(492,753)</b>	<b>(504,305)</b>	<b>(11,552)</b>
Fund balance, beginning of year	699,028	699,028	699,028	-0-
Fund balance, end of year	\$ 699,028	\$ 206,275	\$ 194,723	\$ (11,552)

Williamston Community Schools

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2014

**NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2014, the District incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Instruction			
Added needs	\$ 1,859,735	\$ 2,039,352	\$ 179,617
Supporting services			
Pupil services	610,041	648,758	38,717
Instructional staff	736,048	783,675	47,627
General administration	203,828	231,908	28,080
School administration	885,807	942,299	56,492
Athletics	316,913	331,964	15,051
Community services	291,348	339,760	48,412



## **OTHER SUPPLEMENTARY INFORMATION**

Williamston Community Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2014

	Special Revenue Funds		Capital Project Fund
	Food Service	Community Services	Sinking Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 406	\$ -	\$ 231,707
Receivables			
Accounts	2,025	-	-
Due from other governmental units	3,731	-	-
Due from other funds	16,381	16,225	-
Inventories	15,885	-	-
TOTAL ASSETS	\$ 38,428	\$ 16,225	\$ 231,707
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 13,458	\$ 14,117	\$ 1,399
Due to other funds	-	-	86,657
Accrued salaries	132	944	-
Other accrued liabilities	7	306	-
Unearned revenue	12,763	-	-
TOTAL LIABILITIES	26,360	15,367	88,056
<b>FUND BALANCES</b>			
Restricted			
Debt service	-	-	-
Community services	-	858	-
Capital projects	-	-	143,651
Food and nutrition	12,068	-	-
TOTAL FUND BALANCES	12,068	858	143,651
TOTAL LIABILITIES AND FUND BALANCES	\$ 38,428	\$ 16,225	\$ 231,707

Debt Service Funds

1996 Debt	2005 Debt	2011 Refunding Bonds	Total
\$ 126,165	\$ 60,264	\$ 44,808	\$ 463,350
-	-	-	2,025
-	-	-	3,731
60,264	-	-	92,870
-	-	-	15,885
<u>\$ 186,429</u>	<u>\$ 60,264</u>	<u>\$ 44,808</u>	<u>\$ 577,861</u>
\$ -	\$ -	\$ -	\$ 28,974
-	60,264	-	146,921
-	-	-	1,076
-	-	-	313
-	-	-	12,763
-0-	60,264	-0-	190,047
186,429	-	44,808	231,237
-	-	-	858
-	-	-	143,651
-	-	-	12,068
<u>186,429</u>	<u>-0-</u>	<u>44,808</u>	<u>387,814</u>
<u>\$ 186,429</u>	<u>\$ 60,264</u>	<u>\$ 44,808</u>	<u>\$ 577,861</u>

Williamston Community Schools

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES

Year Ended June 30, 2014

	Special Revenue Funds		Capital Project Fund
	Food Service	Community Services	Sinking Fund
REVENUES			
Local sources	\$ 284,267	\$ 438,953	\$ 384,074
State sources	20,184	-	-
Federal sources	186,966	-	-
TOTAL REVENUES	491,417	438,953	384,074
EXPENDITURES			
Current			
Food service	472,306	-	-
Community services	-	392,094	-
Capital outlay	-	-	240,423
Debt service			
Principal retirement	-	-	-
Interest, fiscal, and other charges	-	-	-
TOTAL EXPENDITURES	472,306	392,094	240,423
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	19,111	46,859	143,651
OTHER FINANCING SOURCES (USES)			
Debt proceeds	-	-	-
Transfers to other funds	(104,146)	(46,858)	-
TOTAL OTHER FINANCING SOURCES (USES)	(104,146)	(46,858)	-0-
NET CHANGE IN FUND BALANCES	(85,035)	1	143,651
Fund balances, beginning of year	97,103	857	-
Fund balances, end of year	\$ 12,068	\$ 858	\$ 143,651

Debt Service Funds

1996 Debt	2005 Debt	2011 Refunding Bonds	Total
\$ 616,986	\$ 1,098,753	\$ 1,099,722	\$ 3,922,755
-	-	-	20,184
-	-	-	186,966
616,986	1,098,753	1,099,722	4,129,905
-	-	-	472,306
-	-	-	392,094
-	-	-	240,423
-	1,000,000	1,120,000	2,120,000
625,078	796,612	67,882	1,489,572
625,078	1,796,612	1,187,882	4,714,395
(8,092)	(697,859)	(88,160)	(584,490)
153,139	664,392	-	817,531
-	-	-	(151,004)
153,139	664,392	-0-	666,527
145,047	(33,467)	(88,160)	82,037
41,382	33,467	132,968	305,777
\$ 186,429	\$ -0-	\$ 44,808	\$ 387,814

Williamston Community Schools

Private Purpose Trust Funds

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

	<u>Suzie Lorenz</u>	<u>Steve Smith</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 6,967</u>	<u>\$ 746</u>	<u>\$ 7,713</u>
NET POSITION			
Held in trust for private purposes	<u>\$ 6,967</u>	<u>\$ 746</u>	<u>\$ 7,713</u>

Williamston Community Schools

Private Purpose Trust Funds

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2014

	<u>Suzie Lorenz</u>	<u>Steve Smith</u>	<u>Total</u>
ADDITIONS			
Contributions			
Private contributions	\$ 190	\$ -	\$ 190
DEDUCTIONS			
Other supporting services	<u>190</u>	<u>-</u>	<u>190</u>
CHANGE IN NET POSITION	-0-	-0-	-0-
Net position - beginning of year	<u>6,967</u>	<u>746</u>	<u>7,713</u>
Net position - end of year	<u><u>\$ 6,967</u></u>	<u><u>\$ 746</u></u>	<u><u>\$ 7,713</u></u>

## Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education  
Williamston Community Schools  
Williamston, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Williamston Community Schools (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Williamston Community Schools' basic financial statements, and have issued our report thereon dated October 9, 2014.

#### **Internal Control Over Financial Reporting**

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

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

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Governmental Auditing Standards* which is described as noted below:



## 2014-1 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the District's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various activities in the General Fund.

Criteria: The Uniform Budgeting and Accounting Act requires the District to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Cause: The District did not amend the budget sufficiently when it became apparent spending was going to exceed the amounts appropriated in the over budget areas.

Effect: The District has not maintained adequate control over budgetary compliance in accordance with State law in the certain areas where the overages occurred.

Recommendation: We recommend the District continue to monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

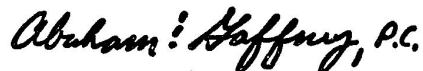
Corrective Action Response: Management of the District is continually reviewing procedures related to budgetary compliance in accordance with State law and will continue to monitor and amend our budget when the need arises.

### **Williamston Community Schools' Response to Finding**

The District's response to the finding identified in our audit is described above. The District's response was not subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **Purpose of this Report**

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



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

October 9, 2014