

**Williamston Community Schools
Williamston, Michigan**

FINANCIAL STATEMENTS

June 30, 2011

Williamston Community Schools

TABLE OF CONTENTS

June 30, 2011

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
ADMINISTRATION'S DISCUSSION AND ANALYSIS	iii-xi
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet - Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Fiduciary Net Assets	7
Statement of Changes in Fiduciary Net Assets	8
Notes to Financial Statements	9-24
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule - NON-GAAP Budgetary Basis	25
Notes to Required Supplementary Information	26
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	27-28
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	29-30
Combining Statement of Fiduciary Net Assets - Private Purpose Trust Funds	31
Combining Statement of Changes in Fiduciary Net Assets - Private Purpose Trust Funds	32

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



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Williamston Community Schools, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Williamston Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Williamston Community Schools as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2011, 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* and should be considered in assessing the results of our audit.

The administration's discussion and analysis and budgetary comparison information, as identified in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Williamston Community Schools' basic financial statements. The accompanying other supplementary information, as identified in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

As discussed in Note M, during the year the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result of implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the new classifications under GASB Statement No. 54, as applicable.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 28, 2011

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, 2011. 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, 2011 with comparative information for June 30, 2010 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 assets, 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 Assets 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 and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the Statement of Activities - are indicators of whether its financial health is improving or deteriorating. The relationship between 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 Assets 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 and liabilities, 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 Assets 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: Capital Projects and Debt Service Funds and the Special Revenue (School Service) Funds which are comprised of: Food Service, Athletics, Community Service, and Red Cedar Recreation Association (RCRA).

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 Assets:

The following summarizes the net assets as of June 30, 2011 and 2010:

Condensed Statement of Net Assets
As of June 30, 2011 and 2010

	Governmental Activities 2011	Governmental Activities 2010
Assets		
Current Assets	\$ 7,982,749	\$ 6,070,921
Capital Assets	45,414,517	46,886,193
Total Assets	53,397,266	52,957,114
Liabilities		
Current Liabilities	9,209,426	7,750,676
Noncurrent Liabilities	51,841,772	52,093,748
Total Liabilities	61,051,198	59,844,424
Net Assets		
Invested in capital assets, net of related debt	(8,232,575)	(6,998,033)
Unrestricted	578,643	110,723
Total Net Assets	\$ (7,653,932)	\$ (6,887,310)

Analysis of Financial Position:

As detailed above, the District shows a negative total net asset value of (\$7,653,932) for the fiscal year ended June 30, 2011. Negative total net asset 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 the 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, 2011 and 2010, the district-wide results of operations were:

Condensed Statement of Activities
Year Ended June 30, 2011 and 2010

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
Revenues:		
Program Revenues		
Charges for Service	\$ 1,182,368	\$ 1,302,051
Operating and Capital Grants	1,541,073	758,399
General Revenues		
Property Taxes	4,553,149	4,800,455
State School Aid-unrestricted	11,851,262	12,331,477
Other	1,912,318	1,874,472
Extraordinary Item - Insurance Proceeds	-	37,560
	<u>21,040,170</u>	<u>21,104,414</u>
Functions/Program Expenses:		
Instruction	10,686,178	10,484,191
Supporting Services	5,745,065	6,031,640
Community Services	785,169	894,627
Food service	555,674	529,130
Payments to other districts	15,160	3,712
Interest on long-term debt	2,515,365	2,624,827
Unallocated depreciation	1,504,181	1,588,506
	<u>21,806,792</u>	<u>22,156,633</u>
(Decrease) in Net Assets	<u>\$ (766,622)</u>	<u>\$ (1,052,219)</u>

Analysis of Results of Operations:

During fiscal year ended June 30, 2011, the District's net assets decreased by \$766,622. Several factors which caused the reduction are discussed in the following sections.

A. Governmental Fund Operating Results

The District's revenues and other adjustments from governmental fund operations exceeded expenditures by \$472,996 for the fiscal year ended June 30, 2011. Further discussion of the District's operating results is available in the section entitled "Results of 2010-2011 Operations" located on the following page.

B. Long-Term Debt Activities

The District reduced its bonded long-term debt obligation during 2010-2011 by making principal payments and other adjustments amounting to \$2,083,302. Additional debt in the form of principal of \$1,058,576 and interest accrued costs \$787,592 on outstanding debt was incurred by the District during the fiscal year through the State of Michigan School Bond Loan Fund. Also, compensated absences increased by a net amount of \$18,169. As a result of these activities, net district long-term debt liabilities decreased by \$218,965.

Results of 2010-2011 Operations

During fiscal year ended June 30, 2011, the District net assets decreased by \$766,622. A few additional significant factors affecting net assets 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 revenues from General Fund operations exceeded expenses by \$264,651 for the fiscal year ended June 30, 2011. The General Fund as of June 30, 2011, has a fund balance of \$845,484 or 5.1% of expenditures and other financing uses for 2010-2011 fiscal year. The School District made budget reductions in certain areas for the 2010-2011 fiscal year and most likely will have to continue these reductions for 2011-12 unless funding from the State of Michigan improves.

B. Debt Service Fund Operations

The Debt Service Funds consist of four (4) separate debt funds as follows: Durant Debt, 1996 Debt, 2001 Debt, and 2005 Debt. The Debt Service Funds are set up to collect taxes and pay annual debt payments. At June 30, 2011, the Debt Service Funds had \$230,223 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, 2011, the School District borrowed \$1,058,576 from the Michigan School Bond Loan Fund and the School District has a total obligation of \$18,220,699 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, 2011

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, 2010	Additions	Deletions	Balance June 30, 2011
1996 Building and Site Bonds	\$ 11,350,000	\$ -	\$ -	\$ 11,350,000
2001 Refunding Bonds	5,435,000	-	1,040,000	4,395,000
2005 Building and State Bonds	20,000,000	-	1,000,000	19,000,000
Michigan School Bond Loans Principal and interest	16,374,531	1,846,168	-	18,220,699
	<u>\$ 53,159,531</u>	<u>\$ 1,846,168</u>	<u>\$ 2,040,000</u>	<u>\$ 52,965,699</u>

The District also had \$59,557 outstanding on the Durant resolution bonds and \$344,371 outstanding in compensated absences and \$621,836 in unamortized bond items at June 30, 2011. 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, Community Service Fund, and the Red Cedar Recreation Association Fund.

The Food Service Fund is a fund that reports the food service program. In 2010-2011, the Food Service Fund had revenues of \$574,153 and expenditures of \$555,674 and fund balance of \$143,979. The Food Service Fund has improved in matching revenues and expenditures each year.

The Community Service Fund includes childcare, pre-school, infant care, summer childcare programs, enrichment programs, senior center, and the community pool. In 2010-2011, the Community Service Fund had revenues and other financing sources of \$798,441 and expenditures and other financing uses of \$797,644. In previous years the District passed a Recreation Millage that is accounted for in the Community Service Fund. The Community Service Fund transferred \$23,908 to the General Fund to cover recreation costs reflected in the General Fund.

The Red Cedar Recreation Association Fund (RCRA) includes all recreation activities such as baseball, softball, soccer, volleyball, football, gymnastics, and others. RCRA is intended to be a self-supporting program but had to be subsidized by \$12,633 by the District. In 2010-2011 RCRA had expenditures of \$11,433 and fund balance of \$1,200.

D. Net Investment in Capital Assets

The District's net investment in capital assets decreased by \$1,471,676 during the fiscal year. This can be summarized as follows:

	Balance June 30, 2010	Net Change	Balance June 30, 2011
Capital assets	\$ 66,833,203	\$ 27,866	\$ 66,861,069
Less: accumulated depreciation	<u>(19,947,010)</u>	<u>(1,499,542)</u>	<u>(21,446,552)</u>
Net investment in capital outlay	<u>\$ 46,886,193</u>	<u>\$ (1,471,676)</u>	<u>\$ 45,414,517</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 75 percent of prior year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead

Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Williamston Community Schools foundation allowance was \$7,358 per student for the 2010-2011 school year. The foundation per student was increased by \$154 (2.14%) from the previous year's allowance of \$7,204 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 2010-2011 fiscal year was \$1,315,255. The non-homestead tax revenue decreased by 3.93% 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 Levy</u>	<u>% Change From Prior Year</u>
2010-2011	\$ 1,315,255	(3.93%)
2009-2010	1,369,129	0.24%
2008-2009	1,365,877	(10.18%)
2007-2008	1,520,669	2.48%
2006-2007	1,483,891	6.35%
Average Decrease Last Five Years:		(1.01%)

Williamston Community Schools

Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2011

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 2010-2011, the District's debt millage levy was 7.3 mills that generated revenue of \$2,938,457.

Affect 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
2006-2007	\$ 16,837,137	\$ 16,932,733	\$ 16,610,973	1.34 %	1.90 %
2007-2008	16,953,319	17,580,470	17,506,557	(3.26) %	0.42 %
2008-2009	16,512,717	16,758,536	16,521,904	(0.06) %	1.41 %
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 %
Five Year Average Over (Under) Budget				(0.60) %	1.78 %

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
2006-2007	\$ 16,148,148	\$ 16,448,970	\$ 16,433,656	1.77 %	(0.09) %
2007-2008	16,237,847	16,871,419	16,886,113	3.99 %	0.09 %
2008-2009	16,192,873	16,441,553	16,416,044	1.38 %	(0.16) %
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 %
Five Year Average Over (Under) Budget				1.94 %	(0.05) %

Williamston Community Schools

Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2011

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 2011 budget amendment was the final budget for the fiscal year.

Revenue Change from Original to Final Budget:

		<u>Percent</u>
Total Revenues Original Budget	\$ 15,983,332	100.00
Total Revenues Final Budget	<u>16,481,939</u>	<u>103.12</u>
Increase in Budget Revenues	<u>\$ 498,607</u>	<u>3.12</u>

The District's final actual general fund revenues differed from the final budget by \$36,009, a positive variance of 0.22% from the final budget.

Expenditures Change from Original to Final Budget:

The District's budget for expenditures changed as follows during the year:

		<u>Percent</u>
Total Expenditures Original Budget	\$ 16,032,170	100.00
Total Expenditures Final Budget	<u>16,639,509</u>	<u>103.79</u>
Increase in Budget Expenditures	<u>\$ 607,339</u>	<u>3.79</u>

The District's actual expenditures were less than final budget by \$386,212; a positive variance of 2.32% 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 2011 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 2012 fiscal year is 25 and 75 percent of the February 2011 and September 2011 student counts, respectively. The 2012 fiscal year budget was adopted in June 2011, based on an estimate of students that will be enrolled in September 2011. 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 2011-2012 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2012 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 ASSETS

June 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 3,290,210
Cash on hand with paying agent	1,748,574
Accounts receivable	89,277
Due from other governmental units	2,737,063
Inventories	41,375
Prepays	<u>76,250</u>
Total current assets	7,982,749
Noncurrent assets	
Capital assets not being depreciated	1,341,655
Capital assets, net of accumulated depreciation	<u>44,072,862</u>
Total noncurrent assets	<u>45,414,517</u>
TOTAL ASSETS	53,397,266
LIABILITIES	
Current liabilities	
Accounts payable	372,655
Accrued salaries	1,227,630
Other accrued liabilities	379,099
Due to other governmental units	110,539
Unearned revenue	145,952
Accrued interest payable	281,871
Short-term notes payable	4,525,191
Current portion of long-term debt	2,118,719
Current portion of accrued vacation pay	15,238
Current portion of accrued sick pay	<u>32,532</u>
Total current liabilities	9,209,426
Noncurrent liabilities	
Noncurrent portion of accrued interest payable	16,798
Noncurrent portion of accrued vacation pay	3,809
Noncurrent portion of accrued sick pay	292,792
Noncurrent portion of long-term debt	<u>51,528,373</u>
Total noncurrent liabilities	<u>51,841,772</u>
TOTAL LIABILITIES	61,051,198
NET ASSETS	
Invested in capital assets, net of related debt	(8,232,575)
Unrestricted	<u>578,643</u>
TOTAL NET DEFICIT	\$ (7,653,932)

See accompanying notes to financial statements.

Williamston Community Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

	Expenses	Charges for Services	Program Revenues Operating Grants	Capital Grants	Net (Expense) Revenues and Changes in Net Assets Governmental Activities
Governmental Activities					
Instruction	\$ 10,686,178	\$ 2,375	\$ 589,447	\$ -	\$ (10,094,356)
Supporting services	5,745,065	326,184	701,456	16,778	(4,700,647)
Community services	785,169	503,449	-	-	(281,720)
Food service	555,674	350,360	223,325	-	18,011
Payments to other districts	15,160	-	-	-	(15,160)
Interest on long-term debt	2,515,365	-	-	10,067	(2,505,298)
Unallocated depreciation	1,504,181	-	-	-	(1,504,181)
TOTAL EXPENSES	\$ 21,806,792	\$ 1,182,368	\$ 1,514,228	\$ 26,845	(19,083,351)
General revenues					
Property taxes					4,553,149
State school aid - unrestricted					11,851,262
ARRA Stabilization funds					221,294
Education Jobs funds					420,296
Investment earnings					5,860
Special education county allocation					1,063,136
Miscellaneous					201,732
TOTAL GENERAL REVENUES					18,316,729
CHANGE IN NET ASSETS					(766,622)
Net deficit, beginning of year					(6,887,310)
Net deficit, end of year					<u>\$ (7,653,932)</u>

See accompanying notes to financial statements.

Williamston Community Schools

Governmental Funds

BALANCE SHEET

June 30, 2011

	General	Nonmajor Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 2,741,864	\$ 548,346	\$ 3,290,210
Cash on hand with paying agent	1,748,574	-	1,748,574
Accounts receivable	86,453	2,824	89,277
Due from other funds	135,700	105,015	240,715
Due from other governmental units	2,737,063	-	2,737,063
Inventories	31,315	10,060	41,375
Prepays	76,160	90	76,250
	<u>7,557,129</u>	<u>666,335</u>	<u>8,223,464</u>
TOTAL ASSETS	\$ 7,557,129	\$ 666,335	\$ 8,223,464
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 369,751	\$ 2,904	\$ 372,655
Due to other funds	-	240,715	240,715
Accrued salaries	1,203,809	23,821	1,227,630
Other accrued liabilities	372,355	6,744	379,099
Due to other governmental units	110,539	-	110,539
Deferred revenue	130,000	15,952	145,952
Short-term notes payable	4,525,191	-	4,525,191
	<u>6,711,645</u>	<u>290,136</u>	<u>7,001,781</u>
TOTAL LIABILITIES	6,711,645	290,136	7,001,781
FUND BALANCES			
Nonspendable			
Inventories	31,315	10,060	41,375
Prepays	76,160	90	76,250
Restricted for:			
Debt service	-	230,223	230,223
Assigned to:			
Food and nutrition	-	133,919	133,919
Community service	-	1,907	1,907
Subsequent year's expenditures	738,009	-	738,009
Unassigned	-	-	-0-
	<u>845,484</u>	<u>376,199</u>	<u>1,221,683</u>
TOTAL FUND BALANCES	845,484	376,199	1,221,683
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,557,129	\$ 666,335	\$ 8,223,464

See accompanying notes to financial statements.

Williamston Community Schools

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

June 30, 2011

Total fund balances - governmental funds \$ 1,221,683

Amounts reported for the governmental activities in the statement of net assets 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	\$ 66,861,069	
Accumulated depreciation is	<u>(21,446,552)</u>	
		45,414,517

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	(53,647,092)	
Accrued interest payable	(298,669)	
Accrued vacation pay	(19,047)	
Accrued sick pay	<u>(325,324)</u>	
		<u>(54,290,132)</u>

Net assets of governmental activities \$ (7,653,932)

Williamston Community Schools

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2011

	General	Nonmajor Governmental Funds	Total
REVENUES			
Local sources	\$ 1,879,390	\$ 4,092,664	\$ 5,972,054
State sources	12,541,731	40,890	12,582,621
Federal sources	1,229,857	192,502	1,422,359
TOTAL REVENUES	15,650,978	4,326,056	19,977,034
EXPENDITURES			
Current			
Instruction	10,700,514	-	10,700,514
Supporting services	5,745,065	-	5,745,065
Community service	-	785,169	785,169
Food service	-	555,674	555,674
Debt service			
Principal retirement	-	2,048,756	2,048,756
Interest, fiscal, and other charges	-	1,775,412	1,775,412
TOTAL EXPENDITURES	16,445,579	5,165,011	21,610,590
EXCESS OF REVENUES (UNDER) EXPENDITURES	(794,601)	(838,955)	(1,633,556)
OTHER FINANCING SOURCES (USES)			
Debt proceeds	-	1,058,576	1,058,576
County special education allocation	1,063,136	-	1,063,136
Payments to other districts	(15,160)	-	(15,160)
Transfers from other funds	23,908	12,633	36,541
Transfers to other funds	(12,633)	(23,908)	(36,541)
TOTAL OTHER FINANCING SOURCES (USES)	1,059,251	1,047,301	2,106,552
NET CHANGE IN FUND BALANCES	264,650	208,346	472,996
Fund balances, beginning of year	580,834	167,853	748,687
Fund balances, end of year	<u>\$ 845,484</u>	<u>\$ 376,199</u>	<u>\$ 1,221,683</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, 2011

Net change in fund balances - total governmental funds \$ 472,996

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	\$ 32,505	
Depreciation expense	<u>(1,504,181)</u>	
Excess of depreciation expense over capital outlay		(1,471,676)

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 assets. In the current year, these amounts consist of:

Debt principal retirement	2,048,756	
Bond and loan proceeds	(1,058,576)	
Amortization of bond premium	34,546	
Bond proceeds (accrued SBLF interest)	<u>(787,592)</u>	
Excess of principal retirement over bond proceeds		237,134

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:

Decrease in accrued vacation pay	6,034	
(Increase) in accrued sick pay	(24,203)	
Decrease in accrued interest payable	<u>13,093</u>	
		<u>(5,076)</u>

Change in net assets of governmental activities \$ (766,622)

Williamston Community Schools
Fiduciary Funds
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2011

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 9,907	\$ 120,678
Investments	4,214	-
TOTAL ASSETS	14,121	\$ 120,678
LIABILITIES		
Due to students		
High School	-	\$ 71,779
Middle School	-	48,899
TOTAL LIABILITIES	-0-	\$ 120,678
NET ASSETS		
Held in trust for private purposes	\$ 14,121	

Williamston Community Schools

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2011

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Investment earnings	
Interest	\$ 160
DEDUCTIONS	
Other supporting services	<u>275</u>
CHANGE IN NET ASSETS	(115)
Net assets - beginning of year	<u>14,236</u>
Net assets - end of year	<u><u>\$ 14,121</u></u>

See accompanying notes to financial statements.

Williamston Community Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 4*, these financial statements present the financial activities of Williamston Community Schools (primary government). 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 assets and the statement of activities (the district-wide 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 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, 2011

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 and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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 expenditures.

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 deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Deferred revenues also arise when the District receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

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.

Williamston Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

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

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 20, 2011.

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.

Investments consist of certificates of deposit with original maturities of greater than 90 days. Investments 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, 2011, to be paid in July and August 2011. The total amount of \$2,737,063 due from other governmental units consists of \$2,286,334 and \$450,729 State Aid and grant and local programs, respectively.

Williamston Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Inventories

Inventories are stated at cost on a first in/first out basis. Inventories consist of food and paper goods. Reported inventories are equally offset by nonspendable fund balance in the fund financial statements which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

10. Capital Assets

Capital assets include land, buildings and additions, equipment and furniture, 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 additions	50 years
Equipment and furniture	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/Unearned Revenues

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

13. 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 borrowed funds to meet short-term cash flow borrowing needs. The final payment is due and payable in August 2011, and anticipated State Aid is expected to be sufficient to cover this commitment.

14. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide statements in two components: the portion of accrued interest payable that is due within one year is reported as a current liability, the remaining amount that is not due within one year has been reported as a noncurrent liability. The interest payable on the Durant Resolution bonds that were due May 15, 2003, 2004, 2005, 2007, and 2008, is shown as a noncurrent liability due to the State of Michigan deferring these payments until May 15, 2013.

Williamston Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. 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 long-term.

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.

16. 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 residency exempt property and \$6 per \$1,000 of taxable value on commercial personal property for general governmental services and \$7.30 per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service. Current property tax revenue generated from these levies for the general fund was \$1,315,255 and for debt service funds \$2,938,457.

17. 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, 2011, the foundation allowance was based on the average of pupil membership counts taken in September of 2010 and February of 2010. The average calculation was weighted 75% for the September 2010 count and 25% for the February 2010 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.

18. 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 deferred/unearned revenue in the respective statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

19. 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.

20. 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.

21. Federal Programs

Federal programs are accounted for in the General Fund and specific Special Revenue Funds. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

22. 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.
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.

Williamston Community Schools
 NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

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, 2011, the carrying amount of the District's deposits was \$2,306,167 and the bank balance was \$2,467,278 of which \$2,162,756 was covered by Federal depository insurance. The balance of \$304,522 was uninsured and uncollateralized. The District had \$1,500 of cash on hand. The District also had \$1,748,574 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 2010D-1 that is due and payable August 19, 2011.

Investments

As of June 30, 2011, 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	\$ 759,886	\$ 759,886	N/A
MBIA - Michigan Class	309,877	309,877	N/A
DWS Money Market Prime Series	<u>47,579</u>	<u>47,579</u>	N/A
	<u>\$ 1,117,342</u>	<u>\$ 1,117,342</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, 2011, the MBIA - Michigan Class investment is rated AAAM by Standard and Poor's. As of June 30, 2011, the investment in MILAF was rated AAAM by Standard and Poor's. The DWS Money Market Prime Series was not rated.

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.

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.

Williamston Community Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

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, 2011:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,290,210	\$ 130,585	\$ 3,420,795
Cash on hand with paying agent	1,748,574	-	1,748,574
Investments	-	4,214	4,214
	<u>\$ 5,038,784</u>	<u>\$ 134,799</u>	<u>\$ 5,173,583</u>

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, 2011 was as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Capital assets not being depreciated				
Land	\$ 1,341,655	\$ -	\$ -	\$ 1,341,655
Capital assets being depreciated				
Buildings and building improvements	60,021,809	-	-	60,021,809
Vehicles and equipment	5,469,739	32,505	(4,639)	5,497,605
Subtotal of capital assets being depreciated	65,491,548	32,505	(4,639)	65,519,414
Less accumulated depreciation for:				
Buildings and building improvements	(15,969,059)	(1,110,436)	-	(17,079,495)
Vehicles and equipment	(3,977,951)	(393,745)	4,639	(4,367,057)
Total accumulated depreciation	(19,947,010)	(1,504,181)	4,639	(21,446,552)
Net capital assets being depreciated	45,544,538	(1,471,676)	-0-	44,072,862
Capital assets, net	<u>\$ 46,886,193</u>	<u>\$ (1,471,676)</u>	<u>\$ -0-</u>	<u>\$ 45,414,517</u>

Total depreciation expense of \$1,504,181 was not allocated to governmental functions. The expense appears on the statement of activities as "unallocated".

Williamston Community Schools
 NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Amounts Due Within One Year
1996 Building and Site Bonds	\$ 11,350,000	\$ -	\$ -	\$ 11,350,000	\$ -
2001 Refunding Bonds	5,435,000	-	1,040,000	4,395,000	1,075,000
2005 Building and Site Bonds	20,000,000	-	1,000,000	19,000,000	1,000,000
Michigan School Bond Loans					
Principal and interest	16,374,531	1,846,168	-	18,220,699	-
1998 Durant Resolution Bonds	68,313	-	8,756	59,557	9,173
Unamortized bond items	656,382	-	34,546	621,836	34,546
Vacation pay	25,081	40,985	47,019	19,047	15,238
Sick pay	301,121	648,473	624,270	325,324	32,532
	<u>\$ 54,210,428</u>	<u>\$ 2,535,626</u>	<u>\$ 2,754,591</u>	<u>\$ 53,991,463</u>	<u>\$ 2,166,489</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, 2011:

\$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 through May 1, 2025 with interest of 5.500 percent, payable semi-annually.	\$ 11,350,000
\$6,950,000 Refunding Bonds dated October 1, 2001, due in annual installments ranging from \$1,075,000 to \$1,120,000 through May 1, 2015 with interest ranging from 4.25 to 4.55 percent, payable semi-annually.	4,395,000
\$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.	19,000,000

Resolution Bonds

\$143,362 1998 Durant Resolution Bonds dated November 15, 1998, due in annual installments from \$9,173 to \$50,385, with interest of 4.761353 percent, payable annually. The annual debt service payments related to these bonds is paid through an annual appropriation from the State of Michigan.	<u>59,557</u>
	<u>\$ 34,804,557</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 3.00 to 5.375 percent.

Williamston Community Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE D: LONG-TERM DEBT - CONTINUED

The School District borrowed \$1,058,576 during this fiscal year and had an additional \$787,592 of accrued interest added to the loan on the outstanding balance during the year. The balances at June 30, 2011, are as follows:

Loan balance	\$ 12,990,576
Interest balance	<u>5,230,123</u>
	<u>\$ 18,220,699</u>

Advance Refunding - Prior

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, 2011 bonds due and payable May 1, 2012 through May 1, 2015 for the 1996 School Building and Site Bonds in the amount of \$4,345,000 are considered defeased.

On November 10, 1992 the District defeased the portion of the 1988 School Building and Site Bonds which are due and payable May 1, 2006 through May 1, 2014. 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 1992 Refunding Bonds in the amount of \$5,720,000 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, 2011 bonds due and payable May 1, 2012 through May 1, 2014 for the 1988 School Building and Site Bonds in the amount of \$1,050,000 are considered defeased.

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, 2011 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, 2011, 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	\$ 52,950	\$ 249,255	\$ 302,205
Payroll taxes	<u>4,051</u>	<u>19,068</u>	<u>23,119</u>
	<u>\$ 57,001</u>	<u>\$ 268,323</u>	<u>\$ 325,324</u>

Williamston Community Schools
 NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE D: LONG-TERM DEBT - CONTINUED

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 \$19,047.

The annual requirements to pay the debt principal and interest outstanding for the Long-Term Debt are as follows:

Year Ending June 30,	<u>Durant Resolution Bonds</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 9,173	\$ 894	\$ 2,075,000	\$ 1,690,653
2013	50,384	17,256	2,120,000	1,609,965
2014	-	-	2,105,000	1,518,745
2015	-	-	2,095,000	1,434,573
2016	-	-	2,100,000	1,349,250
2017-2021	-	-	10,650,000	5,100,500
2022-2026	-	-	9,600,000	2,307,500
2027-2030	-	-	4,000,000	454,999
	<u>\$ 59,557</u>	<u>\$ 18,150</u>	<u>\$ 34,745,000</u>	<u>\$ 15,466,185</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.

The Durant Resolution Bonds referred to above are bonds whose future debt service payments by the District are contingent on an annual State of Michigan appropriation. This is the only revenue source for making the annual debt service payments on these bonds. If the legislature of the State of Michigan fails to appropriate the funds, in any particular year, the District is under no obligation for payment of that year's debt obligation.

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2011, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	\$ 135,700
Due to nonmajor governmental funds from:	
Nonmajor governmental funds	<u>105,015</u>
	<u>\$ 240,715</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.

Williamston Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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.

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. The transfers from the General Fund to the nonmajor governmental funds were to cover operational costs related to the District's various programs reported in those nonmajor governmental funds.

Transfers to General Fund:	
From nonmajor governmental funds	<u>\$ 23,908</u>
Transfers to nonmajor governmental funds:	
From General Fund	<u>\$ 12,633</u>

NOTE G: EMPLOYEE RETIREMENT SYSTEM

Pension Plan Description and Funding Policy

All of the District's employees, except students, are eligible to participate in the State wide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing, State wide public employee retirement system. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report for the fiscal year-end September 30, 2010, the last year available, may be obtained by contacting the State of Michigan, Department of Management and Budget.

The payroll for employees covered by the MPERS for the year ended June 30, 2011 was \$9,251,307 of which \$8,302,731 was for members who have elected the MIP option; the District's total payroll was \$9,605,436.

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. For a limited period ended January 1, 1993, an active Basic Plan member may have enrolled in MIP by repaying the contributions and interest that would have been made had MIP enrollment occurred initially prior to January 1, 1990. Employees first hired on or after January 1, 1990, will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of credited service, or at age sixty while still working with a minimum total of five years of credited service, with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the member's final average compensation multiplied by the total number of years of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working with at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPERS also provides death and disability benefits and health and medical, dental, vision and hearing insurance coverage. Benefits are established by state statute.

Williamston Community Schools
 NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Pension Plan Description and Funding Policy - continued

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, 2009 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, 2009 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.

For the period of July 1, 2010 to September 30, 2010, the District was required by State statute to contribute 16.94% for employees who first worked before July 1, 2010 and, if the employee first worked on or after July 1, 2010, the contribution rate was 15.44% of covered compensation for all wages to the Plan. For the period of October 1, 2010 to October 31, 2010, the District was required by State statute to contribute 19.41% for employees who first worked before July 1, 2010 and, if the employee first worked on or after July 1, 2010, the contribution was 17.91% of covered compensation for all wages to the Plan. For the period of November 1, 2010 to June 30, 2011, the District was required by State statute to contribute 20.66% for employees who first worked before July 1, 2010, and if the employee first worked on or after July 1, 2010, the contribution was 19.16% of covered compensation for all wages to the Plan. All employees are required to contribute 3% of gross pay towards retirement health care costs which is included in the MIP contributions below. The total amount contributed to the Plan for the year ended June 30, 2011, and the preceding two years, is as follows:

<u>June 30,</u>	<u>MIP Contributions</u>	<u>District Contributions</u>	<u>Total Contributions</u>
2011	\$ 565,416	\$ 1,877,144	\$ 2,442,560
2010	325,187	1,595,141	1,920,328
2009	338,456	1,638,459	1,976,915

The following represents contributions as a percentage of the applicable covered payroll for the current and preceding two (2) years:

<u>June 30,</u>	<u>MIP Contributions</u>	<u>District Contributions</u>
2011	6.8%	20.3%
2010	4.0%	16.8%
2009	4.0%	16.5%

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. A component of the employer contribution rate for the pension plan factors into amounts for other postemployment benefits and this amount is paid by the District. The employer contribution rate was 6.81 percent of covered payroll for the period from July 1, 2010 through September 30, 2010, 7.25 percent of covered payroll for the period from October 1, 2010 through October 31, 2010, and 8.5 percent for the period from November 1, 2010 through June 30, 2011. The District's required and actual contributions to the plan for retiree healthcare benefits are included in the contributions shown for pension benefits above.

Williamston Community Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE H: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for boiler, property, fleet, liability, in-land marine, crime, employee dishonesty, 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.

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: SPECIAL EDUCATION UNDERFUNDING SETTLEMENT

Prior to the current year the Durant vs. State of Michigan case was settled and the State was required to reimburse each plaintiff and nonplaintiff District an agreed upon amount for past underfunding of special education. Williamston Community Schools, a nonplaintiff District, was awarded \$286,724 in the settlement. The funds are being paid as follows:

- a. One half was paid over the next ten (10) years which began November 15, 1998. The restrictions on use of these funds are detailed within State School Aid Act, Section 11F(6). These funds were recorded within the General Fund as categorical State Aid. The year ended June 30, 2008 was the last year of payments of these funds.
- b. One-half is being paid over the next fifteen years which began May 15, 1999. The District borrowed this portion of the settlement amount through the Michigan Municipal Bond Authority on November 15, 1998. These funds were recorded as bond proceeds in the Capital Projects Fund. The bond proceeds may be used for any purpose specified in Section 1352 (a) of the Revised School Code. The debt service payments for these bonds are to be made through an annual legislative appropriation. If the State of Michigan legislature fails to make the annual appropriation the District is under no obligation for the debt payments for that year. The District has pledged the annual State payments to the Michigan Municipal Bond Authority for payment of debt service.

Williamston Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE K: SHORT-TERM NOTES

On August 20, 2010, the District issued a short-term State School Aid Anticipation Note in the amount of \$4,500,000 for the purpose of funding operating expenditures until the 2011 State Aid payments resumed. This short-term note, which has a net outstanding balance of \$4,525,191 (principal and accrued interest payable) at June 30, 2011, is reported in the General Fund and in the government-wide financial statements under the caption short-term notes payable. There was \$1,748,574 of cash on deposit with the paying agent at June 30, 2011 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 received in August 2011. The outstanding balance was paid in August 2011.

NOTE L: SUBSEQUENT EVENTS

After the year ended June 30, 2011, the following subsequent events occurred:

On August 22, 2011, the District issued State School Aid Anticipation Notes totaling \$2,000,000 for the purpose of funding operating expenditures until the fiscal year 2012 State Aid payments resume. 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.

On September 13, 2011, the District issued Refunding Bonds in the amount of \$3,375,000 to refund the 2001 Refunding Bonds. Future debt tax revenue and other sources are expected to be sufficient to cover this commitment.

NOTE M: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes 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. Under this standard, the fund balance classifications of reserved, designated and unreserved have been replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

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.

Williamston Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE M: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS - CONTINUED

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 purposes of usage of fund balance classifications, expenditures are to be spent from restricted fund balance first, followed by committed, assigned, and lastly unassigned.

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.

REQUIRED SUPPLEMENTARY INFORMATION

Williamston Community Schools

General Fund

BUDGETARY COMPARISON SCHEDULE - (NON-GAAP BUDGETARY BASIS)

Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 1,553,130	\$ 1,540,044	\$ 1,659,316	\$ 119,272
State sources	12,652,843	12,475,336	12,541,731	66,395
Federal sources	629,762	1,318,962	1,229,857	(89,105)
TOTAL REVENUES	14,835,735	15,334,342	15,430,904	96,562
EXPENDITURES				
Instruction				
Basic programs	8,624,203	8,895,611	8,876,529	19,082
Added needs	1,795,606	1,846,393	1,823,985	22,408
TOTAL INSTRUCTION	10,419,809	10,742,004	10,700,514	41,490
Supporting services				
Pupil services	613,888	588,772	584,433	4,339
Instructional staff	1,113,295	1,297,662	933,989	363,673
General administration	273,094	202,110	184,569	17,541
School administration	911,622	906,556	894,713	11,843
Business and other supporting services	2,648,023	2,732,937	2,762,809	(29,872)
TOTAL SUPPORTING SERVICES	5,559,922	5,728,037	5,360,513	367,524
TOTAL EXPENDITURES	15,979,731	16,470,041	16,061,027	409,014
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,143,996)	(1,135,699)	(630,123)	505,576
OTHER FINANCING SOURCES (USES)				
County special education allocation	1,050,000	1,050,000	1,063,136	13,136
Transfers from other funds	97,597	97,597	23,908	(73,689)
Transfers to other funds	(52,439)	(149,468)	(177,110)	(27,642)
Payments to other districts	-	(20,000)	(15,160)	4,840
TOTAL OTHER FINANCING SOURCES (USES)	1,095,158	978,129	894,774	(83,355)
Net changes in fund balance (Budgetary basis)	\$ (48,838)	\$ (157,570)	264,651	\$ 422,221
Budgetary perspective difference			(1)	
Net change in fund balance (GAAP basis)			\$ 264,650	

Williamston Community Schools

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

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, 2011, 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			
Business and other supporting services	\$ 2,732,937	\$ 2,762,809	\$ 29,872
Transfers to other funds	149,468	177,110	27,642

NOTE B: BUDGETARY/GAAP RECONCILIATION

Williamston Community Schools budgets the activities of the Athletic Fund separately from the General Fund. For financial reporting purposes and the GAAP-basis basic financial statements, however, the Athletic Fund is combined with the General Fund as required by GASB statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The budgetary perspective difference shown on the Budgetary Comparison Schedule (Non-GAAP budgetary basis) reconciles the change in fund balance to the GAAP-basis basic financial statements and the details related to these amounts are as follows:

Net actual change in fund balance (budgetary basis)	\$ 264,651
To adjust local revenue for revenues generated related to athletic activities	220,074
To adjust supporting services expenditures for expenditures related to athletic activities	(384,552)
To remove the transfer out from the budgetary basis related to athletics	<u>164,477</u>
Net actual change in fund balance (GAAP Basis)	<u><u>\$ 264,650</u></u>

OTHER SUPPLEMENTARY INFORMATION

Williamston Community Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2011

	Special Revenue Funds		
	Food Service	Community Services	Red Cedar Recreation Association
ASSETS			
Cash and cash equivalents	\$ 306,839	\$ 5,001	\$ 1,200
Accounts receivable	2,824	-	-
Due from other funds	-	44,980	-
Inventories	10,060	-	-
Prepays	-	90	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 319,723</u>	<u>\$ 50,071</u>	<u>\$ 1,200</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 147	\$ 2,757	\$ -
Due to other funds	175,597	-	-
Accrued salaries	-	23,821	-
Other accrued liabilities	-	6,744	-
Deferred revenue	-	15,952	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	175,744	49,274	-0-
FUND BALANCES			
Nonspendable			
Inventories	10,060	-	-
Prepays	-	90	-
Restricted for:			
Debt service	-	-	-
Assigned to:			
Food and nutrition	133,919	-	-
Community services	-	707	1,200
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>143,979</u>	<u>797</u>	<u>1,200</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 319,723</u>	<u>\$ 50,071</u>	<u>\$ 1,200</u>

Debt Service Funds

1996 Debt	2001 Debt	2005 Debt	Durant	Total
\$ 89,894	\$ 56,810	\$ 88,602	\$ -	\$ 548,346
-	-	-	-	2,824
-	1,904	58,131	-	105,015
-	-	-	-	10,060
-	-	-	-	90
<u>\$ 89,894</u>	<u>\$ 58,714</u>	<u>\$ 146,733</u>	<u>\$ -0-</u>	<u>\$ 666,335</u>
-	-	-	-	2,904
65,118	-	-	-	240,715
-	-	-	-	23,821
-	-	-	-	6,744
-	-	-	-	15,952
65,118	-0-	-0-	-0-	290,136
-	-	-	-	10,060
-	-	-	-	90
24,776	58,714	146,733	-	230,223
-	-	-	-	133,919
-	-	-	-	1,907
<u>24,776</u>	<u>58,714</u>	<u>146,733</u>	<u>-0-</u>	<u>376,199</u>
<u>\$ 89,894</u>	<u>\$ 58,714</u>	<u>\$ 146,733</u>	<u>\$ -0-</u>	<u>\$ 666,335</u>

Williamston Community Schools

Nonmajor Governmental Funds

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

Year Ended June 30, 2011

	Special Revenue Funds		
	Food Service	Community Services	Red Cedar Recreation Association
REVENUES			
Local sources	\$ 350,828	\$ 798,441	\$ -
State sources	30,823	-	-
Federal sources	192,502	-	-
TOTAL REVENUES	574,153	798,441	-0-
EXPENDITURES			
Current			
Food service	555,674	-	-
Community services	-	773,736	11,433
Debt service			
Principal retirement	-	-	-
Interest, fiscal, and other charges	-	-	-
TOTAL EXPENDITURES	555,674	773,736	11,433
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,479	24,705	(11,433)
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Transfers from other funds	-	-	12,633
Transfers to other funds	-	(23,908)	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(23,908)	12,633
NET CHANGE IN FUND BALANCES	18,479	797	1,200
Fund balances, beginning of year	125,500	-	-
Fund balances, end of year	<u>\$ 143,979</u>	<u>\$ 797</u>	<u>\$ 1,200</u>

Debt Service Funds

1996 Debt	2001 Debt	2005 Debt	Durant	Total
\$ 479,880	\$ 986,415	\$ 1,477,100	\$ -	\$ 4,092,664
-	-	-	10,067	40,890
-	-	-	-	192,502
479,880	986,415	1,477,100	10,067	4,326,056
-	-	-	-	555,674
-	-	-	-	785,169
-	1,040,000	1,000,000	8,756	2,048,756
626,528	237,182	910,391	1,311	1,775,412
626,528	1,277,182	1,910,391	10,067	5,165,011
(146,648)	(290,767)	(433,291)	-0-	(838,955)
156,783	335,890	565,903	-	1,058,576
-	-	-	-	12,633
-	-	-	-	(23,908)
156,783	335,890	565,903	-0-	1,047,301
10,135	45,123	132,612	-0-	208,346
14,641	13,591	14,121	-	167,853
\$ 24,776	\$ 58,714	\$ 146,733	\$ -0-	\$ 376,199

Williamston Community Schools

Private Purpose Trust Funds

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2011

	<u>Suzie Lorenz</u>	<u>Scott Hughes</u>	<u>Steve Smith</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 2,986	\$ 6,175	\$ 746	\$ 9,907
Investments	<u>4,214</u>	<u>-</u>	<u>-</u>	<u>4,214</u>
TOTAL ASSETS	<u>\$ 7,200</u>	<u>\$ 6,175</u>	<u>\$ 746</u>	<u>\$ 14,121</u>
NET ASSETS				
Held in trust for private purposes	<u>\$ 7,200</u>	<u>\$ 6,175</u>	<u>\$ 746</u>	<u>\$ 14,121</u>

Williamston Community Schools

Private Purpose Trust Funds

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2011

	<u>Suzie Lorenz</u>	<u>Scott Hughes</u>	<u>Steve Smith</u>	<u>Total</u>
ADDITIONS				
Investment earnings				
Interest	\$ 93	\$ 67	\$ -	\$ 160
DEDUCTIONS				
Other supporting services	<u>275</u>	<u>-</u>	<u>-</u>	<u>275</u>
CHANGE IN NET ASSETS	(182)	67	-0-	(115)
Net assets - beginning of year	<u>7,382</u>	<u>6,108</u>	<u>746</u>	<u>14,236</u>
Net assets - end of year	<u><u>\$ 7,200</u></u>	<u><u>\$ 6,175</u></u>	<u><u>\$ 746</u></u>	<u><u>\$ 14,121</u></u>