

**Williamston Community Schools
Williamston, Michigan**

FINANCIAL STATEMENTS

June 30, 2009

Williamston Community Schools

Williamston, Michigan

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June 30, 2009

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Williamston Community Schools

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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, 2009, 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, 2009, 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 September 11, 2009, 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 management'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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 11, 2009

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, 2009. 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, 2009 with comparative information for June 30, 2008 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, 2009 and 2008

Condensed Statement of Net Assets
as of June 30, 2009 and 2008

	Governmental Activities 2009	Governmental Activities 2008
	<u>2009</u>	<u>2008</u>
Assets		
Current and Other Assets	\$ 7,227,528	\$ 7,033,754
Capital Assets	<u>48,115,046</u>	<u>49,321,825</u>
Total Assets	55,342,574	56,355,579
Liabilities		
Current Liabilities	8,557,618	7,897,667
Noncurrent Liabilities	<u>52,620,047</u>	<u>53,179,493</u>
Total Liabilities	61,177,665	61,077,160
Net Assets		
Invested in capital assets, net of related debt	(5,930,503)	(4,836,109)
Restricted	350,967	756,845
Unrestricted	<u>(255,555)</u>	<u>(642,317)</u>
Total Net Assets	<u>\$(5,835,091)</u>	<u>\$(4,721,581)</u>

Analysis of Financial Position:

As detailed above, the District shows a negative total net asset value of (\$5,835,091) for the fiscal year ended June 30, 2009. 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 current 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, 2009 and 2008, the district-wide results of operations were:

Condensed Statement of Activities
Year Ended June 30, 2009 and 2008

	Governmental Activities 2009	Governmental Activities 2008
	<u>2009</u>	<u>2008</u>
Revenues:		
Program Revenues		
Charges for Service	\$ 1,276,522	\$ 1,272,194
Operating Grants and Contributions	556,302	627,717
General Revenues		
Property Taxes	4,458,207	4,595,860
State School Aid-unrestricted	12,605,735	12,903,247
Other	1,235,848	1,549,018
Extraordinary Item - Insurance Proceeds	<u>70,763</u>	<u>538,987</u>
Total Revenues and Extraordinary Item	20,920,840	21,487,023
Functions/Program Expenses:		
Instruction	10,004,713	9,930,631
Supporting services	6,082,116	7,058,554
Community services	881,199	932,585
Food service	521,021	464,055
Athletics	382,085	373,758
Payments to other districts	2,699	3,122
Interest on long-term debt	2,538,059	2,533,571
Unallocated depreciation	<u>1,622,458</u>	<u>1,504,392</u>
Total Expenses	<u>22,034,350</u>	<u>22,800,668</u>
(Decrease) in Net Assets	<u>\$(1,113,510)</u>	<u>\$(1,313,645)</u>

Analysis of Results of Operations:

During fiscal year ended June 30, 2009, the District's net assets decreased by \$1,113,510. Several factors which caused the reduction are discussed in the following sections.

A. Governmental Fund Operating Results

The District's expenditures and other adjustments from governmental fund operations exceeded revenues by \$451,200 for the fiscal year ended June 30, 2009. Further discussion of the District's operating results is available in the section entitled "Results of 2008-2009 Operations" located on the following page.

B. Long-Term Debt Activities

The District reduced its bonded long-term debt obligation during 2008-2009 by making principal payments and other adjustments amounting to \$2,067,525. Additional debt in the form of principal of \$900,000 and interest accrued costs \$649,262 on outstanding debt was incurred by the District during the fiscal year through the State of Michigan School Bond Loan Fund. Also, compensated absences decreased by a net amount of \$10,543. As a result of these activities, net district long-term debt liabilities decreased by \$528,806.

Results of 2008-2009 Operations

During fiscal year ended June 30, 2009, the District net assets decreased by \$1,113,510. 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 expenses from General Fund operations exceeded revenues by \$105,861 for the fiscal year ended June 30, 2009. The General Fund as of June 30, 2009, has a fund balance of \$649,055 or 3.9% of expenditure and other financing uses for 2008-2009 fiscal year. The School District made budget reductions in certain areas for the 2008-2009 fiscal year and most likely will have to continue these reductions for 2009-10 unless funding from the State of Michigan improves.

B. Debt Service Fund Operations

The Debt Service Funds consist of three (3) separate debt funds as follows: 1996 Debt, 2001 Debt, and 2005 Debt. The Debt Service Funds are set up to collect taxes and pay annual debt payments. At June 30, 2009, the Debt Service Funds had \$58,656 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, 2009, the School District borrowed \$1,549,262 principal and interest from the Michigan School Bond Loan Fund and the School District has a total obligation of \$14,793,917 to pay back to the Michigan School Bond Loan Fund including interest.

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

	Principal Balance <u>June 30, 2008</u>	Principal Payments	Principal Balance <u>June 30, 2009</u>
1996 bonds	\$ 12,350,000	\$ 1,000,000	\$ 11,350,000
2001 refinancing bonds	6,535,000	50,000	6,485,000
2005 bonds	<u>21,975,000</u>	<u>975,000</u>	<u>21,000,000</u>
Total long-term bond obligations	<u>\$ 40,860,000</u>	<u>\$ 2,025,000</u>	<u>\$ 38,835,000</u>

Williamston Community Schools

Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2009

The District also had \$79,671 outstanding on the Durant resolution bonds and \$367,988 outstanding in compensated absences and \$690,928 in unamortized bond items at June 30, 2009. 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, Athletic 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 2008-2009, the Food Service Fund had revenues of \$548,495 and expenditures of \$521,021 and fund balance of \$77,932. The Food Service Fund has improved in matching revenues and expenditures each year.

The Athletics Fund includes all costs for High School and Middle School athletic programs including the cost for coaches, officials, supplies, tournaments, and miscellaneous. Transportation cost is accounted for in the General Fund. In 2008-2009, the Athletics Fund had revenues and other financing sources of \$382,085 and expenditures of \$382,085. The Athletics Fund must be a balanced budget and the District contributed \$190,080 from the General Fund to balance the fund. The Athletics Fund generated \$192,005 in revenue from gate receipts, passes, fees, donations, and other miscellaneous items. The Athletics Fund had a fund balance of \$1,656.

The Community Service Fund includes childcare, pre-school, infant care, summer childcare programs, enrichment programs, senior center, and the community pool. In 2008-2009, the Community Service Fund had revenues and other financing sources and expenditures of \$768,292. The Community Service Fund must be a balanced budget and the District contributed \$218,009 (Community Service \$15,256 and Community Pool \$202,753) from the General Fund to balance the fund.

The Red Cedar Recreation Association Fund (RCRA) includes all recreation activities such as baseball, softball, soccer, volleyball, football, gymnastics, and others. RCRA is a self-supporting program but had to be subsidized by \$8,511 by the District. In 2008-2009 RCRA had revenues of \$104,396 and expenditures of \$112,907 and fund balance of \$0.

D. Net Investment in Capital Assets

The District's net investment in capital assets decreased by \$1,206,779 during the fiscal year. This can be summarized as follows:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Net Change</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital assets	\$ 66,072,871	\$ 415,679	\$ 66,488,550
Less: accumulated depreciation	<u>(16,751,046)</u>	<u>(1,622,458)</u>	<u>(18,373,504)</u>
Net investment in capital outlay	<u>\$ 49,321,825</u>	<u>\$ (1,206,779)</u>	<u>\$ 48,115,046</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 2008-2009 school year. The foundation per student was increased by \$111 (1.53%) from the previous year's allowance of \$7,247 per student.

Student Enrollment:

The District's student enrollment for the fall count of 2008-2009 was 1,931 students. The District's enrollment decreased from the prior school year's student count. The following summarizes fall student enrollments in the past five years:

	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2008-2009	1,925	(6)
2007-2008	1,931	(66)
2006-2007	1,997	8
2005-2006	1,989	(45)
2004-2005	2,034	(51)

Subsequent to year end June 30, 2009, preliminary student enrollments for 2009-2010 indicate that enrollments may decrease by about 31 students from 2008-2009.

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 2008-2009 fiscal year was \$1,365,877. The non-homestead tax levy decreased by 10.18% over the prior year.

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

<u>Fiscal Year</u>	<u>Non-Homestead Tax Levy</u>	<u>% Change From Prior Year</u>
2008-2009	\$ 1,365,877	(10.18 %)
2007-2008	1,520,669	2.48 %
2006-2007	1,483,891	6.35 %
2005-2006	1,395,243	7.81 %
2004-2005	1,294,172	11.01 %

Average Increase Last Five Years: 2.95%

Williamston Community Schools

Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2009

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 2008-2009, the District's debt millage levy was 7.3 mills that generated revenue of \$3,090,112.

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

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variances</u>	
				<u>Actual & Original Budget</u>	<u>Actual & Final Budget</u>
2004-2005	15,937,183	16,219,499	15,680,667	1.61%	3.32%
2005-2006	16,313,974	16,579,343	16,181,939	.81%	2.40%
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%)	.42%
2008-2009	16,512,717	16,758,536	16,521,904	(.06%)	1.41%
Five Year Average Under Budget				.09%	1.89%

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

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variances</u>	
				<u>Actual & Original Budget</u>	<u>Actual & Final Budget</u>
2004-2005	15,691,067	16,222,388	16,277,380	3.74%	0.34%
2005-2006	15,487,143	15,947,629	15,885,820	2.57%	(0.39%)
2006-2007	16,148,148	16,448,970	16,433,656	1.77%	0.00%
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%)
Five Year Average Over (Under) Budget				2.69%	(0.02%)

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.

Williamston Community Schools

Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2009

As a matter of practice, Williamston Community Schools amends its budget periodically during the school year. The June 2009 budget amendment was the final budget for the fiscal year.

Revenue Change from Original to Final Budget:

		<u>Percent</u>
Total Revenues Original Budget	\$ 16,192,873	100.00
Total Revenues Final Budget	<u>16,441,553</u>	<u>101.53</u>
Increase in Budget Revenues	<u>\$ 248,680</u>	<u>1.53</u>

The District's final actual general fund revenues differed from the final budget by \$25,509, a negative variance of 0.16% from the final budget.

General Fund Expenditures:

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

		<u>Percent</u>
Total Expenditures Original Budget	\$ 16,512,717	100.00
Total Expenditures Final Budget	<u>16,758,536</u>	<u>101.49</u>
Increase in Budget Expenditures	<u>\$ 245,819</u>	<u>1.49</u>

The District's actual expenditures were less than final budget by \$236,631; a positive variance of 1.41% from the final budget.

Some of the significant changes in expenditure budgets for the year include:

- Building budget under spent by approximately \$100,000.
- Utilities decreased by approximately \$51,000 due to conservation measures.
- Maintenance expense decreased approximately by \$45,000.
- Transportation expense decreased by approximately \$20,000.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the School District's 2009 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 2010 fiscal year is 25 and 75 percent of the February 2009 and September 2009 student counts, respectively. The 2010 fiscal year budget was adopted in June 2009, based on an estimate of students that will be enrolled in September 2009. 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 2009-2010 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2010 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, 2009

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 4,617,869
Accounts receivable	1,464
Due from other governmental units	2,518,633
Inventories	47,052
Prepays	<u>42,510</u>
Total current assets	7,227,528
Noncurrent assets	
Capital assets not being depreciated	1,341,655
Capital assets, net of accumulated depreciation	<u>46,773,391</u>
Total noncurrent assets	<u>48,115,046</u>
TOTAL ASSETS	55,342,574
LIABILITIES	
Current liabilities	
Accounts payable	130,636
Accrued salaries	1,014,737
Other accrued liabilities	532,316
Due to other governmental units	104,194
Unearned revenue	249,012
Accrued interest payable	307,101
Short-term notes payable	4,058,367
Current portion of long-term debt	2,092,904
Current portion of accrued vacation pay	36,060
Current portion of accrued sick pay	<u>32,291</u>
Total current liabilities	8,557,618
Noncurrent liabilities	
Noncurrent portion of accrued interest payable	16,798
Noncurrent portion of accrued vacation pay	9,015
Noncurrent portion of accrued sick pay	290,622
Noncurrent portion of long-term debt	<u>52,303,612</u>
Total noncurrent liabilities	<u>52,620,047</u>
TOTAL LIABILITIES	61,177,665
NET ASSETS	
Invested in capital assets, net of related debt	(5,930,503)
Restricted for bond projects	350,967
Unrestricted	<u>(255,555)</u>
TOTAL NET DEFICIT	\$ (5,835,091)

See accompanying notes to financial statements.

Williamston Community Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Governmental Activities
Governmental Activities				
Instruction	\$ 10,004,713	\$ -	\$ 182,252	\$ (9,822,461)
Supporting services	6,082,116	109,981	175,179	(5,796,956)
Community services	881,199	624,749	29,930	(226,520)
Food service	521,021	356,285	168,941	4,205
Athletics	382,085	185,507	-	(196,578)
Payments to other districts	2,699	-	-	(2,699)
Interest on long-term debt	2,538,059	-	-	(2,538,059)
Unallocated depreciation	1,622,458	-	-	(1,622,458)
	\$ 22,034,350	\$ 1,276,522	\$ 556,302	(20,201,526)
General revenues				
Property taxes				4,458,207
State school aid - unrestricted				12,605,735
ARRA Stabilization funds				717,463
Investment earnings				43,738
Special education county allocation				1,005,633
Miscellaneous				186,477
				19,017,253
Extraordinary Item - Insurance proceeds				70,763
				19,088,016
CHANGE IN NET ASSETS				(1,113,510)
Net deficit, beginning of year				(4,721,581)
Net deficit, end of year				\$ (5,835,091)

See accompanying notes to financial statements.

Williamston Community Schools

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2009

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,041,431	\$ 576,438	\$ 4,617,869
Accounts receivable	26	1,438	1,464
Due from other funds	77,253	44,162	121,415
Due from other governmental units	2,518,633	-	2,518,633
Inventories	36,137	10,915	47,052
Prepays	42,510	-	42,510
TOTAL ASSETS	\$ 6,715,990	\$ 632,953	\$ 7,348,943
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 118,591	\$ 12,045	\$ 130,636
Due to other funds	44,162	77,253	121,415
Accrued salaries	982,898	31,839	1,014,737
Other accrued liabilities	524,768	7,548	532,316
Due to other governmental units	104,194	-	104,194
Deferred revenue	233,955	15,057	249,012
Short-term notes payable	4,058,367	-	4,058,367
TOTAL LIABILITIES	6,066,935	143,742	6,210,677
FUND BALANCES			
Reserved for:			
Inventories	36,137	10,915	47,052
Prepays	42,510	-	42,510
Debt service	-	58,656	58,656
Unreserved			
Undesignated, reported in:			
General fund	570,408	-	570,408
Special revenue funds	-	68,673	68,673
Capital project funds	-	350,967	350,967
TOTAL FUND BALANCES	649,055	489,211	1,138,266
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,715,990	\$ 632,953	\$ 7,348,943

See accompanying notes to financial statements.

Williamston Community Schools

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

June 30, 2009

Total fund balance - governmental funds \$ 1,138,266

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	\$ 66,488,550	
Accumulated depreciation is	<u>(18,373,504)</u>	
		48,115,046

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	(54,396,516)	
Accrued interest payable	(323,899)	
Accrued vacation pay	(45,075)	
Accrued sick pay	<u>(322,913)</u>	
		<u>(55,088,403)</u>

Net assets of governmental activities \$ (5,835,091)

See accompanying notes to financial statements.

Williamston Community Schools

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Year Ended June 30, 2009

	General	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES			
Local sources	\$ 1,650,760	\$ 4,325,786	\$ 5,976,546
State sources	12,595,667	27,348	12,623,015
Federal sources	1,058,339	151,661	1,210,000
TOTAL REVENUES	15,304,766	4,504,795	19,809,561
EXPENDITURES			
Current			
Instruction	10,020,491	-	10,020,491
Supporting services	6,082,116	-	6,082,116
Community service	-	881,199	881,199
Food service	-	521,021	521,021
Athletics	-	382,085	382,085
Capital outlay	-	410,444	410,444
Debt service			
Principal retirement	-	2,032,979	2,032,979
Interest, fiscal, and other charges	-	1,939,006	1,939,006
TOTAL EXPENDITURES	16,102,607	6,166,734	22,269,341
EXCESS OF REVENUES (UNDER) EXPENDITURES	(797,841)	(1,661,939)	(2,459,780)
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	900,000	900,000
Transfers from other funds	-	416,600	416,600
County special education allocation	1,005,633	-	1,005,633
Payments from other governments	34,882	-	34,882
Transfers to other funds	(416,600)	-	(416,600)
Payments to other districts	(2,698)	-	(2,698)
EXTRAORDINARY ITEM			
Insurance proceeds	70,763	-	70,763
TOTAL OTHER FINANCING SOURCES (USES) AND EXTRAORDINARY ITEM	691,980	1,316,600	2,008,580
NET CHANGE IN FUND BALANCES	(105,861)	(345,339)	(451,200)
Fund balances, beginning of year	754,916	834,550	1,589,466
Fund balances, end of year	<u>\$ 649,055</u>	<u>\$ 489,211</u>	<u>\$ 1,138,266</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, 2009

Net change in fund balances - total governmental funds \$ (451,200)

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	\$ 415,679	
Depreciation expense	<u>(1,622,458)</u>	
Excess of capital outlay over depreciation expense		(1,206,779)

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	2,032,979	
Bond and loan proceeds	(900,000)	
Amortization of bond premium	34,546	
Bond proceeds (accrued SBLF interest)	<u>(649,262)</u>	
Excess of principal retirement over bond proceeds		518,263

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

(Increase) in accrued vacation pay	(8,654)	
Decrease in accrued sick pay	19,197	
Decrease in accrued interest payable	<u>15,663</u>	
		<u>26,206</u>

Change in net assets of governmental activities \$ (1,113,510)

See accompanying notes to financial statements.

Williamston Community Schools

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2009

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 746	\$ 65,451
Investments	13,573	-
	<u>\$ 14,319</u>	<u>\$ 65,451</u>
TOTAL ASSETS		
LIABILITIES		
Due to students		
High School	\$ -	\$ 19,167
Middle School	-	46,284
	<u>-0-</u>	<u>\$ 65,451</u>
TOTAL LIABILITIES		
NET ASSETS		
Held in trust for private purposes	<u>\$ 14,319</u>	

See accompanying notes to financial statements.

Williamston Community Schools

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year ended June 30, 2009

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Investment earnings	
Interest	\$ 416
DEDUCTIONS	
Other supporting services	<u>295</u>
CHANGE IN NET ASSETS	121
Net assets - beginning of year	<u>14,198</u>
Net assets - end of year	<u><u>\$ 14,319</u></u>

See accompanying notes to financial statements.

Williamston Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Williamston Community Schools 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. 5*, 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 governmental fund financial statements present the District's individual major funds 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 major fund of the District is:

- a. General Fund - The General Fund is used to account for the general operations of the District pertaining to education and those operations not accounted for in other funds.

3. Measurement Focus

The district-wide and fiduciary 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus - continued

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 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. 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.

5. Budgets and Budgetary Accounting

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

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

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.

Williamston Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

- 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 26, 2009.

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, 2009, to be paid in July and August 2009. The total amount of \$2,518,633 due from other governmental units consists of \$1,753,551 and \$765,082 State Aid and grant and local programs, respectively.

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 a fund balance reserve in the fund financial statements which indicates that they do not constitute "available spendable resources" even though they are a component of Fund Balance.

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.

Williamston Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Capital Assets - continued

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. 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 2009, 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 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 through May 15, 2005; May 15, 2007; and May 15, 2008 is shown as a noncurrent liability due to the State of Michigan deferring the payments during this time period until May 15, 2013.

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.

Williamston Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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, 2009, the foundation allowance was based on the average of pupil membership counts taken in September of 2008 and February of 2008. The average calculation was weighted 75% for the September 2008 count and 25% for the February 2008 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.

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.

Williamston Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

The United States Congress has temporarily increased Federal Deposit Insurance Corporation (FDIC) deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2013. FDIC regulations provide that deposits of governmental units are to be separately insured for the amount of \$250,000 for deposits in an insured bank for interest-bearing savings deposits and \$250,000 for interest-bearing demand deposits. FDIC insurance coverage through its Transaction Account Insurance Program provides unlimited insurance on non-interest bearing transaction accounts and low-interest bearing (i.e., no higher than 0.50 percent) NOW accounts, this program is scheduled to end December 31, 2009. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$250,000. For the purpose of these rules, the term "savings deposits" includes NOW accounts, money market deposit accounts, and other interest-bearing checking accounts.

Williamston Community Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

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, 2009, the carrying amount of the District's deposits was \$3,265,775 and the bank balance was \$3,470,513 of which \$3,464,411 was covered by Federal depository insurance. The balance of \$6,102 was uninsured and uncollateralized. The District had \$1,750 of cash on hand.

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.

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.

Investments

As of June 30, 2009, 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	\$ 940,867	\$ 940,867	N/A
MBIA - Michigan Class	308,766	308,766	N/A
Bank of America - Fimm Funds			
Government portfolio	132,927	132,927	N/A
DWS Scudder Money Market	<u>47,554</u>	<u>47,554</u>	N/A
	<u>\$ 1,430,114</u>	<u>\$ 1,430,114</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, 2009, the MBIA - Michigan Class investment is rated AAA/V1 by Fitch Ratings. As of June 30, 2009, the District's other investments in other uncategorized pooled investments were rated AAA by Standard and Poor's, except for DWS Scudder Money Market which was not rated.

Williamston Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

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.

The following summarizes the cash, cash equivalents, and investments as of June 30, 2009:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 4,617,869	\$ 66,197	\$ 4,684,066
Investments	<u>-</u>	<u>13,573</u>	<u>13,573</u>
	<u>\$ 4,617,869</u>	<u>\$ 79,770</u>	<u>\$ 4,697,639</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, 2009 was as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Capital assets not being depreciated				
Land	\$ 1,341,655	\$ -	\$ -	\$ 1,341,655
Capital assets being depreciated				
Buildings and building improvements	59,605,763	231,102	-	59,836,865
Vehicles and equipment	<u>5,125,453</u>	<u>184,577</u>	<u>-</u>	<u>5,310,030</u>
Subtotal of capital assets being depreciated	64,731,216	415,679	-0-	65,146,895
Less accumulated depreciation for:				
Buildings and building improvements	(13,706,335)	(1,134,137)	-	(14,840,472)
Vehicles and equipment	<u>(3,044,711)</u>	<u>(488,321)</u>	<u>-</u>	<u>(3,533,032)</u>
Total accumulated depreciation	<u>(16,751,046)</u>	<u>(1,622,458)</u>	<u>-0-</u>	<u>(18,373,504)</u>
Net capital assets being depreciated	<u>47,980,170</u>	<u>(1,206,779)</u>	<u>-0-</u>	<u>46,773,391</u>
Capital assets, net	<u>\$ 49,321,825</u>	<u>\$ (1,206,779)</u>	<u>\$ -0-</u>	<u>\$ 48,115,046</u>

Total depreciation expense of \$1,622,458 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, 2009

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, 2009.

	Balance <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2009</u>	Amounts Due Within <u>One Year</u>
1996 Building and Site Bonds	\$ 12,350,000	\$ -	\$ 1,000,000	\$ 11,350,000	\$ -
2001 Refunding Bonds	6,535,000	-	50,000	6,485,000	1,050,000
2005 Building and Site Bonds	21,975,000	-	975,000	21,000,000	1,000,000
Michigan School Bond Loans					
Principal and interest	13,244,655	1,549,262	-	14,793,917	-
1998 Durant Resolution Bonds	84,650	-	7,979	76,671	8,358
Unamortized bond items	725,474	-	34,546	690,928	34,546
Vacation pay	36,421	63,836	55,182	45,075	36,060
Sick pay	<u>342,110</u>	<u>633,168</u>	<u>652,365</u>	<u>322,913</u>	<u>32,291</u>
	<u>\$ 55,293,310</u>	<u>\$ 2,246,266</u>	<u>\$ 2,775,072</u>	<u>\$ 54,764,504</u>	<u>\$ 2,161,255</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, 2009:

\$6,950,000 Refunding Bonds dated October 1, 2001, due in annual installments ranging from \$1,050,000 to \$1,120,000 through May 1, 2015 with interest ranging from 4.05 to 4.55 percent, payable semi-annually.	\$ 6,485,000
\$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 ranging from 5.375 to 6.250 percent, payable semi-annually.	11,350,000
\$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 3.00 to 5.00 percent, payable semi-annually.	21,000,000

Resolution Bonds

\$143,362 1998 Durant Resolution Bonds dated November 15, 1998, due in annual installments from \$8,358 to \$9,609, 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>76,671</u>
	<u>\$ 38,911,671</u>

Michigan School Bond Loans

The School District borrows on various occasions from the Michigan School Bond Loan Fund. 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 4.125 to 6.125 percent.

Williamston Community Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE D: LONG-TERM DEBT - CONTINUED

The School District has borrowed \$900,000 in principal during this fiscal year and had an additional \$649,262 accrue in interest payable. The balances at June 30, 2009, are as follows:

Loan balance	\$ 11,179,000
Interest balance	<u>3,614,917</u>
	<u>\$ 14,793,917</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, 2009 bonds due and payable May 1, 2010 through May 1, 2015 for the 1996 School Building and Site Bonds in the amount of \$6,345,000 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, 2009 bonds due and payable May 1, 2010 through May 1, 2014 for the 1988 School Building and Site Bonds in the amount of \$1,750,000 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, 2009 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, 2009, 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	\$ 75,537	\$ 224,428	\$ 299,965
Payroll taxes	<u>5,779</u>	<u>17,169</u>	<u>22,948</u>
	<u>\$ 81,316</u>	<u>\$ 241,597</u>	<u>\$ 322,913</u>

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

The vacation pay liability, including the related payroll taxes which have been recorded in the district-wide financial statements, is \$45,075.

Williamston Community Schools
 NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE D: LONG-TERM DEBT - CONTINUED

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>
2010	\$ 8,358	\$ 1,709	\$ 2,050,000	\$ 1,841,338
2011	8,756	1,311	2,040,000	1,768,813
2012	9,173	894	2,075,000	1,690,653
2013	9,609	458	2,120,000	1,609,965
2014	40,775	16,798	2,105,000	1,518,745
2015-2019	-	-	10,545,000	6,168,571
2020-2024	-	-	10,750,000	3,440,000
2025-2029	-	-	6,150,000	993,250
2030	-	-	1,000,000	45,000
	<u>\$ 76,671</u>	<u>\$ 21,170</u>	<u>\$38,835,000</u>	<u>\$19,076,335</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, 2009, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	\$ 77,253
Due to Nonmajor governmental funds from:	
General Fund	<u>44,162</u>
	<u>\$ 121,415</u>

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

NOTE F: INTERFUND TRANSFERS

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

Transfers to nonmajor governmental funds from:	
General Fund	<u>\$ 416,600</u>

The transfers noted above were to assist in the funding of operating activities of the applicable Special Revenue Funds.

Williamston Community Schools
 NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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, 2006, 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, 2009 was \$9,923,284 of which \$8,658,307 was for members who have elected the MIP option; the District's total payroll was \$10,125,919.

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.

Employees who selected MIP on or before December 31, 1989, contributed 4% from January 1, 1987 to December 31, 1989 and 3.9% thereafter. Employees first hired on or after January 1, 1990 through June 30, 2008 are required to contribute based on a graduated rate: 3% of the first \$5,000 (up to \$150); \$150 plus 3.6% of \$5,001 through \$15,000 (up to \$510 total); \$510 plus 4.3% of all wages over \$15,000. Employees first hired on or after July 1, 2008 are required to contribute based on a graduated rate: 3% of the first \$5,000 (up to \$150); \$150 plus 3.6% of \$5,001 through \$15,000 (up to \$510 total); \$510 plus 6.4% of all wages over \$15,000.

For the period of July 1, 2008 to September 30, 2008, the District was required by State statute to contribute 16.72% of covered compensation for all wages to the Plan. For the period of October 1, 2008 to June 30, 2009, the District is required by State statute to contribute 16.54% of covered compensation for all wages to the Plan. The total amount contributed to the Plan for the year ended June 30, 2009 and the previous two (2) years is as follows:

<u>June 30,</u>	<u>MIP</u> <u>Contributions</u>	<u>District</u> <u>Contributions</u>	<u>Total</u> <u>Contributions</u>
2009	\$ 338,456	\$ 1,638,459	\$ 1,976,915
2008	368,163	1,701,460	2,069,623
2007	324,453	1,740,487	2,064,940

Williamston Community Schools
 NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Pension Plan Description and Funding Policy - continued

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>
2009	4.0 %	16.5 %
2008	4.0	16.9
2007	4.0	17.7

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.

NOTE H: FUND BALANCE RESERVES

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the various fund balance reserves as of June 30, 2009:

General Fund	
Reserved for inventories	\$ 36,137
Reserved for prepaids	<u>42,510</u>
	78,647
Nonmajor Funds	
Reserved for debt service	58,656
Reserved for inventories	<u>10,915</u>
	<u>69,571</u>
	<u>\$ 148,218</u>

NOTE I: 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.

Williamston Community Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE I: RISK MANAGEMENT - CONTINUED

The District also participates in a pool, the SEG Self-Insured 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 J: 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-retirement 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 K: 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 is being 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.

NOTE L: SHORT-TERM NOTES

On August 20, 2008, the District issued a short-term State School Aid Anticipation Note in the amount of \$4,000,000 for the purpose of funding operating expenditures until the 2009 State Aid payments resumed. This short-term note, including accrued interest, which had a net outstanding balance of \$4,058,367 at June 30, 2009 is reported in the fund-level and district-wide financial statements under the caption short-term notes payable. The outstanding balance is scheduled to be paid off on August 20, 2009.

Williamston Community Schools
 NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE M: RESTRICTED NET ASSETS

Restrictions of net assets shown in the District-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following is the net asset restriction as of June 30, 2009:

Governmental activities		
Restricted for bond projects	\$	<u>350,967</u>

NOTE N: BONDED CONSTRUCTION FUNDS

The 2005 Bond Project Capital Project Fund of the District includes the capital projects activities funded in part by the 2005 School Building and Site General Obligation Bonds. The remaining funding for the activities recorded within the 2005 Bond Project Capital Project Fund is funded by other local dollars (i.e., interest, etc.) For these projects recorded within the 2005 Bond Project Capital Project Fund, the District has complied with the applicable provisions of Section 1351 (a) of the Revised School Code in the current year and all applicable prior years.

NOTE O: SUBSEQUENT EVENT

After the year ended June 30, 2009, the following subsequent event occurred:

On August 20, 2009, the District issued a State School Aid Anticipation Note in the amount of \$4,000,000 for the purpose of funding operating expenditures until the fiscal year 2010 State Aid payments resume. This short-term note will be paid off when the District accumulates sufficient State Aid revenues. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

NOTE P: EXTRAORDINARY ITEM

During the 2007/2008 fiscal year a tornado caused significant damage to various capital assets of the District. An insurance claim was submitted in 2007/2008 for the significant damage caused by the event. A majority of the repairs were done in 07/08 and \$538,987 was received in that year to cover the portion of the loss that was reconstructed in that fiscal year. Insurance proceeds in the amount of \$70,763 were received during the current fiscal year to cover the remaining insurable loss. This event was both unusual in nature and infrequent in occurrence in the Mid-Michigan area so therefore was reported in the audited financial statements as an extraordinary item in the prior and current year.

NOTE Q: EXPENDITURES OVER APPROPRIATIONS

The approved budgets of the District have been adopted at the functional level for the General Fund and the total expenditure level for the major Special Revenue Funds.

During the year ended June 30, 2009, 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			
Pupil services	\$ 774,764	\$ 775,341	\$ 577
General administration	320,400	324,563	4,163

REQUIRED SUPPLEMENTARY INFORMATION

Williamston Community Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 1,639,662	\$ 1,728,090	\$ 1,650,760	\$ (77,330)
State sources	13,096,381	12,518,949	12,595,667	76,718
Federal sources	229,494	1,063,339	1,058,339	(5,000)
TOTAL REVENUES	14,965,537	15,310,378	15,304,766	(5,612)
EXPENDITURES				
Instruction				
Basic programs				
Elementary	3,131,243	3,128,783	3,079,718	49,065
Middle school	2,238,952	2,400,874	2,380,520	20,354
High School	2,942,154	3,015,637	2,991,864	23,773
Total basic programs	8,312,349	8,545,294	8,452,102	93,192
Added needs				
Special education	1,290,957	1,292,852	1,282,239	10,613
Compensatory education	250,465	293,275	286,150	7,125
Total added needs	1,541,422	1,586,127	1,568,389	17,738
TOTAL INSTRUCTION	9,853,771	10,131,421	10,020,491	110,930
Supporting services				
Pupil services				
Guidance services	416,123	439,662	441,332	(1,670)
Psychological services	4,100	-	-	-0-
Speech services	172,944	202,750	201,949	801
Other pupil services	119,172	132,352	132,060	292
Total pupil services	712,339	774,764	775,341	(577)
Instructional staff				
Improvement of instruction	131,558	140,636	142,444	(1,808)
Library	147,032	143,131	137,658	5,473
Supervision and direction	222,872	347,894	347,787	107
Other instructional staff	164,527	176,907	147,278	29,629
Total instructional staff	665,989	808,568	775,167	33,401
General administration				
Board of education	68,176	73,126	83,484	(10,358)
Executive administration	242,826	247,274	241,079	6,195
Total general administration	311,002	320,400	324,563	(4,163)

Williamston Community Schools

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Supporting services - continued				
School administration	\$ 1,086,323	\$ 975,747	\$ 962,903	\$ 12,844
Business				
Fiscal services	260,632	249,518	247,839	1,679
Internal services	157,598	160,152	149,421	10,731
Other business services	173,831	150,818	150,818	-0-
Total business	592,061	560,488	548,078	12,410
Operations and maintenance	2,022,167	1,954,389	1,857,347	97,042
Pupil transportation services	556,584	594,269	573,838	20,431
Other supporting services				
Personnel services	74,819	28,504	27,651	853
Data processing services	357,604	247,604	237,228	10,376
Total other supporting services	432,423	276,108	264,879	11,229
TOTAL SUPPORTING SERVICES	6,378,888	6,264,733	6,082,116	182,617
TOTAL EXPENDITURES	16,232,659	16,396,154	16,102,607	293,547
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,267,122)	(1,085,776)	(797,841)	287,935
OTHER FINANCING SOURCES (USES)				
County special education allocation	1,000,000	992,609	1,005,633	13,024
Payments from other governments	143,330	33,162	34,882	1,720
Transfers to other funds	(373,959)	(456,710)	(416,600)	40,110
Payments to/from other districts	93,901	94,328	(2,698)	(97,026)
EXTRAORDINARY ITEM				
Insurance proceeds	84,006	105,404	70,763	(34,641)
TOTAL OTHER FINANCING SOURCES (USES) AND EXTRAORDINARY ITEM	947,278	768,793	691,980	(76,813)
NET CHANGE IN FUND BALANCE	(319,844)	(316,983)	(105,861)	211,122
Fund balance, beginning of year	754,916	754,916	754,916	-0-
Fund balance, end of year	<u>\$ 435,072</u>	<u>\$ 437,933</u>	<u>\$ 649,055</u>	<u>\$ 211,122</u>

OTHER SUPPLEMENTARY INFORMATION

Williamston Community Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2009

	Special Revenue Funds			
	Food Service	Athletics	Community Services	Red Cedar Recreation Association
ASSETS				
Cash and cash equivalents	\$ 102,699	\$ 49,756	\$ 6,367	\$ 6,993
Accounts receivable	140	1,298	-	-
Due from other funds	-	-	44,162	-
Inventories	10,915	-	-	-
TOTAL ASSETS	\$ 113,754	\$ 51,054	\$ 50,529	\$ 6,993
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 4,520	\$ 182	\$ 7,343	\$ -
Due to other funds	24,192	45,068	-	6,993
Accrued salaries	5,725	3,340	22,774	-
Other accrued liabilities	1,385	808	5,355	-
Deferred revenue	-	-	15,057	-
TOTAL LIABILITIES	35,822	49,398	50,529	6,993
FUND BALANCES				
Reserved for:				
Inventories	10,915	-	-	-
Debt Service	-	-	-	-
Unreserved				
Undesignated, reported in				
Special revenue funds	67,017	1,656	-	-
Capital project funds	-	-	-	-
TOTAL FUND BALANCES	77,932	1,656	-0-	-0-
TOTAL LIABILITIES AND FUND BALANCES	\$ 113,754	\$ 51,054	\$ 50,529	\$ 6,993

Capital Project Fund 2005 Bond Project	Debt Service Funds				
	1996 Debt	2001 Debt	2005 Debt	Durant	Total
\$ 350,967	\$ 26,568	\$ 7,671	\$ 25,417	\$ -	\$ 576,438
-	-	-	-	-	1,438
-	-	-	-	-	44,162
-	-	-	-	-	10,915
<u>\$ 350,967</u>	<u>\$ 26,568</u>	<u>\$ 7,671</u>	<u>\$ 25,417</u>	<u>\$ -0-</u>	<u>\$ 632,953</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,045
-	-	-	1,000	-	77,253
-	-	-	-	-	31,839
-	-	-	-	-	7,548
-	-	-	-	-	15,057
-0-	-0-	-0-	1,000	-0-	143,742
-	-	-	-	-	10,915
-	26,568	7,671	24,417	-	58,656
-	-	-	-	-	68,673
<u>350,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,967</u>
<u>350,967</u>	<u>26,568</u>	<u>7,671</u>	<u>24,417</u>	<u>-0-</u>	<u>489,211</u>
<u>\$ 350,967</u>	<u>\$ 26,568</u>	<u>\$ 7,671</u>	<u>\$ 25,417</u>	<u>\$ -0-</u>	<u>\$ 632,953</u>

Williamston Community Schools

Nonmajor Governmental Funds

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

Year Ended June 30, 2009

	Special Revenue Funds			
	Food Service	Athletics	Community Services	Red Cedar Recreation Association
REVENUES				
Local sources	\$ 379,554	\$ 192,005	\$ 550,283	\$ 104,396
State sources	17,280	-	-	-
Federal sources	151,661	-	-	-
TOTAL REVENUES	548,495	192,005	550,283	104,396
EXPENDITURES				
Current				
Food service	521,021	-	-	-
Athletics	-	382,085	-	-
Community services	-	-	768,292	112,907
Capital outlay	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest, fiscal, and other charges	-	-	-	-
TOTAL EXPENDITURES	521,021	382,085	768,292	112,907
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	27,474	(190,080)	(218,009)	(8,511)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Transfers from other funds	-	190,080	218,009	8,511
TOTAL OTHER FINANCING SOURCES (USES)	-0-	190,080	218,009	8,511
NET CHANGE IN FUND BALANCES	27,474	-0-	-0-	-0-
Fund balances, beginning of year	50,458	1,656	-	-
Fund balances, end of year	<u>\$ 77,932</u>	<u>\$ 1,656</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Capital Project Fund	Debt Service Funds				
	2005 Bond Project	1996 Debt	2001 Debt	2005 Debt	Durant
\$ 4,566	\$ 1,318,586	\$ 258,623	\$ 1,517,773	\$ -	\$ 4,325,786
-	-	-	-	10,068	27,348
-	-	-	-	-	151,661
4,566	1,318,586	258,623	1,517,773	10,068	4,504,795
-	-	-	-	-	521,021
-	-	-	-	-	382,085
-	-	-	-	-	881,199
410,444	-	-	-	-	410,444
-	1,000,000	50,000	975,000	7,979	2,032,979
-	687,192	282,211	967,514	2,089	1,939,006
410,444	1,687,192	332,211	1,942,514	10,068	6,166,734
(405,878)	(368,606)	(73,588)	(424,741)	-	(1,661,939)
-	388,375	75,000	436,625	-	900,000
-	-	-	-	-	416,600
-0-	388,375	75,000	436,625	-0-	1,316,600
(405,878)	19,769	1,412	11,884	-0-	(345,339)
756,845	6,799	6,259	12,533	-	834,550
\$ 350,967	\$ 26,568	\$ 7,671	\$ 24,417	\$ -0-	\$ 489,211

Williamston Community Schools

Private Purpose Trust Funds

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2009

	<u>Suzie Lorenz</u>	<u>Scott Hughes</u>	<u>Steve Smith</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 746	\$ 746
Investments	<u>7,532</u>	<u>6,041</u>	<u>-</u>	<u>13,573</u>
TOTAL ASSETS	<u>\$ 7,532</u>	<u>\$ 6,041</u>	<u>\$ 746</u>	<u>\$ 14,319</u>
NET ASSETS				
Held in trust for private purposes	<u>\$ 7,532</u>	<u>\$ 6,041</u>	<u>\$ 746</u>	<u>\$ 14,319</u>

Williamston Community Schools

Private Purpose Trust Funds

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2009

	<u>Suzie Lorenz</u>	<u>Scott Hughes</u>	<u>Steve Smith</u>	<u>Total</u>
ADDITIONS				
Investment earnings				
Interest	\$ 232	\$ 184	\$ -	\$ 416
DEDUCTIONS				
Other supporting services	<u>295</u>	<u>-</u>	<u>-</u>	<u>295</u>
CHANGE IN NET ASSETS	(63)	184	-0-	121
Net assets - beginning of year	<u>7,595</u>	<u>5,857</u>	<u>746</u>	<u>14,198</u>
Net assets - end of year	<u><u>\$ 7,532</u></u>	<u><u>\$ 6,041</u></u>	<u><u>\$ 746</u></u>	<u><u>\$ 14,319</u></u>