

**Woodhaven-Brownstown School District
Brownstown, Michigan**

FINANCIAL STATEMENTS

June 30, 2011

Woodhaven-Brownstown School District

Brownstown, Michigan

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June 30, 2011

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Woodhaven-Brownstown School District

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Woodhaven-Brownstown School District
Brownstown, Michigan

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2011 on our consideration of Woodhaven-Brownstown School District's internal control over financial reporting and 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 and financial reporting 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Woodhaven-Brownstown School District's 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

October 6, 2011

This section of Woodhaven-Brownstown School District's annual report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2011. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Woodhaven-Brownstown School District, a K-12 school district located in Wayne County, Michigan, is in its seventh year of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Woodhaven-Brownstown School District Management's discussion and analysis of the financial results for the fiscal year ended June 30, 2011.

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 Woodhaven-Brownstown School District 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 funds - the General Fund and Sinking Fund, and the remaining Special Revenue Funds, Capital Project Fund and Debt Service Funds collectively as other non-major governmental funds. The remaining statement, the Statement of Assets and Liabilities - Fiduciary Fund, 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, 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: Debt Service Funds and the Special Revenue (School Service) Funds, which are comprised of: Cafeteria, Funded Programs and Special Education.

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

Summary of Net Assets:

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

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

	Governmental Activities 2011	Governmental Activities 2010
Assets		
Current Assets	\$ 15,551,637	\$ 17,699,908
Capital Assets	94,986,753	99,674,729
Total Assets	110,538,390	117,374,637
Liabilities		
Current Liabilities	11,486,953	14,556,533
Noncurrent Liabilities	65,660,201	69,912,935
Total Liabilities	77,147,154	84,469,468
Net Assets		
Invested in capital assets, net of related debt	25,922,786	25,660,354
Restricted	5,147,444	6,088,775
Unrestricted	2,321,006	1,156,040
Total Net Assets	\$ 33,391,236	\$ 32,905,169

Woodhaven-Brownstown School District

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

Analysis of Financial Position:

The \$2,321,006 in unrestricted net assets of governmental activities represents district funds that have not been committed contractually or for debt obligations and are available for future use. As detailed above, the District shows a positive total net asset value of \$33,391,236 for the fiscal year ended June 30, 2011. This statement can be explained by the following factors:

- The passing of a 90 million dollar construction millage in 2002. Construction projects in order to upgrade facilities and technology continued through the 2009-2010 year. This represents a significant portion of the District's total capital assets of approximately 95 million dollars, which is net of accumulated depreciation.
- Significant debt, (\$90 million) was incurred by the District in 2002 to pay for the facility projects. There have been several refundings of the bonded debt. The District's current debt outstanding related to these projects is approximately 71 million dollars.
- The District currently has approximately 4.6 million dollars of Capital Project and Sinking funds and 1.0 thousand dollars of Debt Service funds on hand that are restricted to be used for those purposes.

Results of Operations:

For the fiscal years ended June 30, 2011 and 2010, the District-wide results of operations were:

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

	Governmental Activities 2011	Governmental Activities 2010
Revenues:		
Program Revenues		
Charges for Service	\$ 994,304	\$ 1,000,870
Operating Grants	10,075,458	11,471,716
Capital Grants	381,290	-
General Revenues		
Property Taxes	15,904,916	17,092,696
State School Aid-unrestricted	28,862,453	28,361,012
Other	682,161	464,062
Total Revenues	56,900,582	58,390,356
Functions/Program Expenses		
Instruction	30,758,095	32,284,379
Supporting services	20,443,910	19,484,782
Community services	10,558	14,599
Cafeteria	1,799,946	1,777,931
Athletics	-	672,671
Other	-	139,870
Interest on long-term debt	3,402,006	3,501,307
Total Expenses	56,414,515	57,875,539
Increase in Net Assets	\$ 486,067	\$ 514,817

Analysis of Results of Operations:

During fiscal year ended June 30, 2011, the District's net assets increased by \$486,067. Several factors which helped cause the increase are discussed in the following sections.

A. Governmental Fund Operating Results

The District's expenditures and other financing uses from governmental fund operations exceeded revenues and other financing sources by \$407,146 for the fiscal year ended June 30, 2011. Further discussion of the district's operating results is available in the section entitled "Results of 2010-2011 Operations" located on the following page.

B. Capital Outlay in Excess of Depreciation Expense

The cost of capital assets is allocated over the useful lives of the assets as depreciation expense. During 2010-2011, the District's investment in new or replacement assets was less than the current year depreciation and loss on disposal of assets, causing a decrease in net district assets. The District's overall net assets were decreased by \$4,687,976 calculated as the difference between new capital investments \$1,052,279 and depreciation allocated against the useful lives of district assets \$5,720,605.

C. Long-Term Debt Activities

The District decreased its long-term debt obligations during 2010-2011 by making principal payments amounting to \$4,520,000; reduction in accrued interest cost of \$29,838 on outstanding debt was incurred by the District during the fiscal year; amortization of premium/discount costs increased liability by \$121,145. Also, compensated absences, early retirement incentives and accrued vacation liabilities decreased by \$138,288. As a result of these activities, net district long-term debt liabilities decreased by \$4,658,289.

Results of 2010-2011 Operations

During fiscal year ended June 30, 2011, the District net assets increased by \$486,067. 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 costs related to educating and providing athletic activities for the students of the Woodhaven-Brownstown School District such as: Salaries and benefits for Teachers, Classroom Aides, Administrators, Secretaries, Custodians, Maintenance staff, Aides, Librarians, Counselors, Bus Drivers and other miscellaneous positions; teaching supplies, employee training, utilities, building maintenance supplies and other.

The District's General Fund revenues exceeded expenditures by \$825,397 for the fiscal year ended June 30, 2011. The General Fund as of June 30, 2011, has a fund balance of \$3,309,573, or 8.3% of expenditures for the 2010-2011 fiscal year. The School District continues to seek ways in which to become more efficient in order to continue to build fund equity and allow for increased expenditures to meet student needs and to meet the fluctuations that result from State of Michigan funding.

The District received an 8.3 acre parcel on the south side of the Bates Elementary site from Ford UAW during the 2010-2011 fiscal year.

B. Debt Service Fund Operations

The Debt Service Funds consist of seven (7) separate debt funds as follows: 2002 Debt, 2003 Debt, 2004 Debt, 2006 Debt, 2006B Debt, 2009 Debt and 2009B Debt. The Debt Service Funds are set up to collect taxes and pay annual debt payments. At June 30, 2011, the Debt Service Funds had \$987,403 in fund equity available for future bond payments.

Woodhaven-Brownstown School District

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

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. The District had no School Bond Loan Fund obligations in 2010-2011. The School District had compensated absences, accrued vacation and early retirement incentives outstanding at June 30, 2011, which totaled \$1,383,500.

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 June 30, 2010	Additions and New Debt	Principal Payments	Principal Balance June 30, 2011
2002 Bonds	\$ 3,000,000	\$ -	\$ 1,500,000	\$ 1,500,000
2003 Bonds	1,940,000	-	415,000	1,525,000
2004 Bonds	5,625,000	-	1,125,000	4,500,000
2006 Bonds	43,505,000	-	125,000	43,380,000
2006 B Bonds	14,270,000	-	-	14,270,000
2009 Bonds	5,275,000	-	1,110,000	4,165,000
2009 B Bonds	1,665,000	-	245,000	1,420,000
Total long-term bond obligations	<u>\$ 75,280,000</u>	<u>\$ -0-</u>	<u>\$ 4,520,000</u>	<u>\$ 70,760,000</u>

C. School Service Funds

The Woodhaven-Brownstown School District also has school service funds that include the following: Cafeteria Fund, Funded Projects Fund and the Special Education Fund.

The Cafeteria Fund is a fund that reports the food service program. In 2010-2011, the Cafeteria Fund had revenues of \$1,586,124 and expenditures of \$1,584,758. At June 30, 2011, the Cafeteria Fund had a fund balance of \$26,357.

The Funded Projects Fund is a fund that reports all activities related to the Federal and State grant programs. In 2010-2011, the Funded Projects Fund had revenues and expenditures of \$3,180,058. The Funded Projects Fund maintains a zero fund balance.

The Special Education TOTE Fund is a fund that reports all activities related to services provided to Special Education TOTE students. In 2010-2011, the Special Education TOTE Fund had revenues and expenditures of \$2,504,910. The Special Education TOTE Fund maintains a zero fund balance.

D. Net Investment in Capital Assets

The District's net investment in capital assets decreased by \$4,687,976 during the fiscal year. This can be summarized as follows:

	Balance June 30, 2010	Net Additions	Balance June 30, 2011
Capital assets	\$ 151,552,361	\$ 483,718	\$ 152,036,079
Less: accumulated depreciation	<u>(51,877,632)</u>	<u>(5,171,694)</u>	<u>\$ (57,049,326)</u>
Net investment in capital outlay	<u>\$ 99,674,729</u>	<u>\$ (4,687,976)</u>	<u>\$ 94,986,753</u>

IMPORTANT ECONOMIC FACTORS

1. 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 current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead property valuation

Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Woodhaven-Brownstown School District foundation allowance was \$7,722 per student for the 2010-2011 school year.

Student Enrollment:

The District's blended student enrollment for 2010-2011 was 4,973 students. The District's enrollment decreased by 153 students from the prior school year's student count. The following summarizes blended student enrollments in the past five years:

	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2010 - 2011	4,973	(153)
2009 - 2010	5,126	(178)
2008 - 2009	5,304	(20)
2007 - 2008	5,324	31
2006 - 2007	5,293	16

Subsequent to year end June 30, 2011, preliminary student enrollments for 2011-2012 indicate that enrollments may decrease by approximately 120 students from 2010-2011.

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

The District levies 17.6778 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 levy for 2010-2011 fiscal year was \$7,192,333. The non-homestead tax levy decreased by approximately 3% from the prior year.

3. Debt Fund Property Taxes

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

For 2010-2011, the District's debt millage levy was 7 mills that generated revenue of \$7,492,094.

Woodhaven-Brownstown School District

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

4. Sinking Fund Property Taxes

The voters of Woodhaven-Brownstown School District approved a Sinking Fund millage to fund capital improvements and related activities. The District's Sinking Fund levy, which is used to pay the capital related costs, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2010-2011, the District Sinking Fund millage levy was .9778 mills that generated revenue of \$1,046,390.

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

Listed below is an analysis of the original budget and final budget to the final actual.

General Fund Expenditures and Other Uses Budget vs. Actual

Fiscal Year	Original Budget	Final Budget	Actual	Variances	
				Actual & Original Budget	Actual & Final Budget
2010 - 2011	\$ 40,500,739	\$ 40,344,406	\$ 39,654,490	2.09%	1.71%

General Fund Revenues and Other Sources, Budget vs. Actual

Fiscal Year	Original Budget	Final Budget	Actual	Variances	
				Actual & Original Budget	Actual & Final Budget
2010 - 2011	\$ 40,033,563	\$ 40,464,988	\$ 40,479,887	1.11%	0.04%

Original vs. Final Budget:

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

As a matter of practice, Woodhaven-Brownstown School District amends its budget periodically during the school year. The June 2011 budget amendment was the final budget for the fiscal year.

Revenue Change from Original to Final Budget:

		Percent
Total Revenues Original Budget	\$ 40,033,563	100.00
Total Revenues Final Budget	<u>40,464,988</u>	<u>101.08</u>
Increase in Budget Revenues	<u>\$ 431,425</u>	<u>1.08</u>

The District's actual General Fund revenues were more than the final budget by \$14,899, a positive variance of 0.04% from the final budget.

Woodhaven-Brownstown School District

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

General Fund Expenditures:

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

		<u>Percent</u>
Total Expenditures Original Budget	\$ 40,500,739	100.00
Total Expenditures Final Budget	<u>40,344,406</u>	<u>99.61</u>
Decrease in Budget Expenditures	<u>\$ (156,333)</u>	<u>(0.39)</u>

The District's actual expenditures were less than the final budget by \$98,731; a positive variance of 0.25% from the final budget.

Additional Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the School District's 2012 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2012 fiscal year is 10 percent and 90 percent of the February 2011 and September 2011 student counts, respectively. The 2012 fiscal year budget was adopted in June 2011, based on an estimate of students that will be enrolled in September 2011. Approximately 80 percent to 85 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2011-2012 school year, we anticipated that the fall student count will be decreased by at least 120 students. This was the anticipated drop used in creating the 2012 fiscal year budget. Once the final student count and related per pupil funding is validated, appropriate budget amendments will be adopted.

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.

In fiscal year 2011, for those hired before July 1, 2010, the health and pension charge to employers in the District's retirement plan had been 20.66 percent of payroll, which was comprised of 8.50 percent for health and 12.16 percent for pension. The contribution rate for fiscal year 2012 is set at 24.46 percent of payroll, which is comprised of 8.50 percent for health and 15.96 percent for pension. In fiscal year 2011, for those hired on or after July 1, 2010, the health and pension charge to employers in the District's retirement plan had been 19.16 percent of payroll, which was comprised of 8.50 percent for health and 10.66 percent for pension. The contribution rate for fiscal year 2012 is set at 23.23 percent of payroll, which is comprised of 8.5 percent for health and 14.73 percent for pension.

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, it can be obtained by contacting the following person:

Mr. Thomas S. Wall
Executive Director of Business Services
Woodhaven-Brownstown School District
24821 Hall Road
Woodhaven, MI 48183
Phone: (734) 783-3300

BASIC FINANCIAL STATEMENTS

Woodhaven-Brownstown School District

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 7,744,151
Accounts receivable	51,994
Inventory	16,997
Taxes receivable	1,033,579
Due from other governmental units	6,656,415
Prepaid expenses and other assets	<u>48,501</u>
Total current assets	15,551,637
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>94,986,753</u>
TOTAL ASSETS	110,538,390
LIABILITIES	
Current liabilities	
Accounts payable	380,380
Accrued payroll	3,409,055
Accrued interest payable	521,714
Other accrued liabilities	1,791,856
Unearned revenue	179,925
Due to other governmental units	416,757
Current portion of compensated absences and early retirement liabilities	482,266
Current portion of long-term debt	<u>4,305,000</u>
Total current liabilities	11,486,953
Noncurrent liabilities	
Noncurrent portion of compensated absences and early retirement liabilities	901,234
Noncurrent portion of long-term debt	<u>64,758,967</u>
Total noncurrent liabilities	<u>65,660,201</u>
TOTAL LIABILITIES	<u>77,147,154</u>
NET ASSETS	
Invested in capital assets, net of related debt	25,922,786
Restricted for:	
Capital Projects	4,681,755
Debt Service	465,689
Unrestricted	<u>2,321,006</u>
TOTAL NET ASSETS	<u>\$ 33,391,236</u>

See accompanying notes to financial statements.

Woodhaven-Brownstown School District

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Governmental Activities	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants	Capital Grants	Revenues and Changes in Net Assets
					Governmental Activities
Functions/Programs					
Instruction	\$ 30,758,095	\$ 120,730	\$ 5,873,687	\$ -	\$ (24,763,678)
Supporting services	20,443,910	70,842	3,268,001	381,290	(16,723,777)
Community services	10,558	-	-	-	(10,558)
Food services	1,799,946	645,244	933,770	-	(220,932)
Athletics	-	157,488	-	-	157,488
Interest on long-term debt	3,402,006	-	-	-	(3,402,006)
TOTAL EXPENSES	\$ 56,414,515	\$ 994,304	\$ 10,075,458	\$ 381,290	(44,963,463)
General Revenues					
Taxes					
Property taxes, levied for general purposes					7,298,929
Property taxes, levied for debt services					7,551,241
Property taxes, levied for capital projects					1,054,746
State school aid - unrestricted					28,862,453
Interest and investment earnings					49,921
Rentals					39,452
Other					592,788
TOTAL GENERAL REVENUES					45,449,530
CHANGE IN NET ASSETS					486,067
Net assets, beginning of year					32,905,169
Net assets, end of year					\$ 33,391,236

See accompanying notes to financial statements.

Woodhaven-Brownstown School District
GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2011

	General	Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,372,562	\$ 3,681,679	\$ 1,689,910	\$ 7,744,151
Accounts receivable	51,906	-	88	51,994
Taxes receivable	404,671	77,209	551,699	1,033,579
Inventory	-	-	16,997	16,997
Due from other funds	219,623	177,132	456,999	853,754
Due from other governmental units	6,615,925	-	40,490	6,656,415
Prepaid expenditures	48,501	-	-	48,501
TOTAL ASSETS	<u>\$ 9,713,188</u>	<u>\$ 3,936,020</u>	<u>\$ 2,756,183</u>	<u>\$ 16,405,391</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 174,042	\$ 92,453	\$ 113,885	\$ 380,380
Accrued payroll	3,409,055	-	-	3,409,055
Other accrued liabilities	1,767,143	-	24,713	1,791,856
Due to other funds	745,250	-	108,504	853,754
Due to other governments	-	-	416,757	416,757
Deferred revenue	308,124	29,592	210,784	548,500
TOTAL LIABILITIES	6,403,614	122,045	874,643	7,400,302
FUND BALANCES				
Nonspendable				
Prepays and inventory	48,501	-	16,997	65,498
Restricted for:				
Capital projects	-	3,813,975	867,780	4,681,755
Debt service	-	-	987,403	987,403
Assigned to:				
Subsequent year's expenditures	2,394,753	-	-	2,394,753
Technology replacement	49,865	-	-	49,865
Building and site maintenance	10,104	-	-	10,104
Curriculum	85,444	-	-	85,444
Food service	-	-	9,360	9,360
Unassigned				
General Fund	720,907	-	-	720,907
TOTAL FUND BALANCES	<u>3,309,574</u>	<u>3,813,975</u>	<u>1,881,540</u>	<u>9,005,089</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,713,188</u>	<u>\$ 3,936,020</u>	<u>\$ 2,756,183</u>	<u>\$ 16,405,391</u>

See accompanying notes to financial statements.

Woodhaven-Brownstown School District

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

June 30, 2011

Total fund balance - governmental funds \$ 9,005,089

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	\$ 152,036,079	
Accumulated depreciation is	<u>(57,049,326)</u>	
		94,986,753

Other long-term assets not available to pay current period expenditures, therefore deferred in the governmental funds

Deferred revenue		368,575
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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:

Unamortized discount on bonds payable	1,696,033	
Bonds payable	(70,760,000)	
Accrued interest payable	(521,714)	
Compensated absences and early retirement incentives	<u>(1,383,500)</u>	
		<u>(70,969,181)</u>

Net assets of governmental activities \$ 33,391,236

Woodhaven-Brownstown School District

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

Year Ended June 30, 2011

	General	Sinking Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local sources	\$ 7,765,874	\$ 1,064,625	\$ 8,621,651	\$ 17,452,150
State sources	30,290,831	-	1,527,835	31,818,666
Federal sources	1,638,312	381,160	3,252,881	5,272,353
OTHER FINANCING SOURCES				
Transfers in	216,442	-	7,110	223,552
Interdistrict	568,428	-	1,788,985	2,357,413
TOTAL REVENUES AND OTHER FINANCING SOURCES	40,479,887	1,445,785	15,198,462	57,124,134
EXPENDITURES				
Current				
Instruction	24,545,052	-	2,694,545	27,239,597
Supporting services	15,017,841	27,952	2,953,994	17,999,787
Community services	-	-	10,558	10,558
Food service activities	-	-	1,584,758	1,584,758
Capital outlay	91,597	1,360,608	375,832	1,828,037
Debt service				
Principal retirement	-	-	4,520,000	4,520,000
Interest, fiscal and other charges	-	-	3,310,699	3,310,699
OTHER FINANCING USES				
Transfers to other funds	-	-	223,552	223,552
TOTAL EXPENDITURES AND OTHER FINANCING USES	39,654,490	1,388,560	15,673,938	56,716,988
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	825,397	57,225	(475,476)	407,146
Fund balances, beginning of year	2,484,177	3,756,750	2,357,016	8,597,943
Fund balances, end of year	<u>\$ 3,309,574</u>	<u>\$ 3,813,975</u>	<u>\$ 1,881,540</u>	<u>\$ 9,005,089</u>

See accompanying notes to financial statements.

Woodhaven-Brownstown School District

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

Year Ended June 30, 2011

Net change in fund balances - total governmental funds **\$ 407,146**

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	\$ 1,052,279	
Loss on sale of capital assets	(19,650)	
Depreciation expense	<u>(5,720,605)</u>	
		(4,687,976)

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:

Bond and note principal retirement	4,520,000	
Amortization of bond discount	<u>(121,145)</u>	
		4,398,855

Some revenues reported in the statement of activities are reported as earned, and do not meet the criteria of being current financial resources as required to be reported in the governmental funds. In the current period, these amounts consist of:

Increase in deferred revenue -taxes		199,916
-------------------------------------	--	---------

Some expenditures 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. In the current period, these amounts consist of:

Decrease in accrued interest payable	29,838	
Decrease in compensated absences, early retirement, and accrued vacation liabilities	<u>138,288</u>	
		<u>168,126</u>

Change in net assets of governmental activities **\$ 486,067**

Woodhaven-Brownstown School District

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUND

June 30, 2011

	<u>Student Activities</u>
ASSETS	
Cash and cash equivalents	<u>\$ 371,740</u>
LIABILITIES	
Due to student groups and activities	<u>\$ 371,740</u>

Woodhaven-Brownstown School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Woodhaven-Brownstown School District (primary government). The District has no activities that would be classified as component units.

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 primary government are included (i.e., fiduciary fund activities are not included in the district-wide statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

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

FUND FINANCIAL STATEMENTS

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

The governmental fund financial statements present the District's individual major fund and aggregated nonmajor funds. A separate column is shown for each 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 funds of the District are:

- a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District, except those required to be accounted for in another fund.
- b. Sinking Fund - The Sinking Fund is used to record taxes and other revenue and the disbursement of monies specifically designated for capital improvements for the District. This fund is kept open for as long as there are funds unspent from the Sinking Fund millage.

Woodhaven-Brownstown School District
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The district-wide 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 are provided that explain the differences in detail.

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

There is no measurement focus for 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. Deferred 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, which is defined as expected to be received within sixty days of year-end. 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.

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

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and Special Revenue funds. All unexpended appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The 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 for financing them.
- b. Public hearings are conducted to obtain taxpayer comments.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

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, unless authorized in the budget, in excess of the amounts appropriated.
- d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.
- e. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
- f. The budget, as presented, has been amended in a legally permissible manner.

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking and savings accounts, pooled investment accounts, and short-term investments with an original maturity of 90 days or less. Cash equivalents are recorded at cost, which approximates market value.

7. 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. Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

9. Due from Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs, State Aid payments and other purposes. The State of Michigan's funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2011 to be paid in July and August 2011. Of the total amount of \$6,656,415 due from other governmental units, \$5,936,000 consists of State Aid and the remaining \$720,415 from other governmental grants.

10. Capital Assets

Capital assets include land and improvements, buildings and improvements, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than \$5,000 and an estimated useful life of more than one (1) year. Capital assets also include individual cost items that are less than \$5,000 if the items were part of a large purchase to equip buildings. 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 fixed 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.

Woodhaven-Brownstown School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

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:

Land improvements	20 years
Buses and other vehicles	8 years
Buildings and improvements	20 - 50 years
Furniture and other equipment	5 - 20 years

The District has no assets that would be classified as infrastructure assets.

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. Compensated absences consist of earned but unused accumulated vacation and sick leave benefits, early retirement incentives, and other severance benefits. Accumulated vested severance amounts and nonvested severance 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 long-term liability in the district-wide financial statements.

12. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide statements related to interest payable on general obligation bonds.

13. 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.

14. 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. In the fund financial statements, long-term debt is recognized as a liability when due or when resources have been accumulated in the 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.

In the fund financial statements, funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums and discounts on debt issuances are netted and are reported as either other financing sources or other financing uses. Issuance costs are reported as debt service expenditures. In the government-wide financial statements, the premiums and discounts are recorded as a liability or contra liability and are amortized over the life of the bond issues.

15. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 of the following year for 100 percent of the taxes that are due September 30. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls. School District property tax revenues are recognized when levied to the extent that they result in current revenue (collected within 60 days of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected, except for amounts received after 60 days from year end, which are recorded as deferred revenue.

Woodhaven-Brownstown School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Property Taxes - continued

The District levies a total of \$17.6778 per \$1,000 of taxable valuation on nonhomestead property for general governmental services. The District also levies a total of \$7.0000 per \$1,000 of taxable valuation for debt service and a total of \$.9778 for sinking fund on taxable valuation of all property.

16. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995, the State utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2011, the foundation allowance was based on the average of pupil membership counts taken in February 2010 and September 2010. The average calculation was weighted 25% for the February 2010 count and 75% for the September 2010 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead 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 fiscal year and two (2) payments made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

17. 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 revenue.

18. 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. Transfers are netted as part of the reconciliation to the district-wide financial statements.

19. 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.

20. 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.

Woodhaven-Brownstown School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

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 and credit unions in the State of Michigan in the name of the School District.

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2011, the carrying amount of the District's deposits was \$3,548,378 and the bank balance was \$3,538,761, of which \$281,210 was covered by federal depository insurance. The balance of \$3,257,551 was uninsured and uncollateralized. The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Investments

As of June 30, 2011, the carrying amounts and market values for each type of investment as reported in the cash and cash equivalents captions on the governmental funds balance sheet are as follows:

<u>Investment Type</u>	<u>Carrying Amount/ Market Value</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>
Uncategorized - Pooled investment funds			
Cash management funds	\$ 4,567,513	< 12 months	N/A

Woodhaven-Brownstown School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

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

Investments - continued

The pooled investment funds are not categorized at a risk level because they are not evidenced by securities that exist in physical or book entry form.

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). The ratings for each investment type are identified above for investments held at year end.

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. The District's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270 day maturity. The District minimizes its interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

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. The District policy places no limit on the amount the District may invest in any one issuer. The District minimizes the concentration of credit risk 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 risk, which is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments of collateral securities that are in possession of an outside party. The District's policy limits the types of investments and depositories to those complying with State statute, and also requires prequalification of financial institutions, brokers/dealers, intermediaries and advisors. The District does not hold any investments subject to custodial credit risk of investments at year end.

As of June 30, 2011, the cash and cash equivalents and investments referred to above have been reported in the cash and cash equivalents captions in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	<u>\$ 7,744,151</u>	<u>\$ 371,740</u>	<u>\$ 8,115,891</u>

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

Woodhaven-Brownstown School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2011
Governmental activities				
Capital assets not being depreciated				
Land	\$ 859,596	\$ 20,241	\$ -	\$ 879,837
Construction in progress	108,183	-	-	108,183
Total capital assets not being depreciated	967,779	20,241	-0-	988,020
Capital assets being depreciated				
Land improvements	8,965,352	12,462	-	8,977,814
Buildings and building improvements	124,263,442	869,281	-	125,132,723
Buses and other vehicles	2,836,560	-	(494,311)	2,342,249
Furniture and equipment	14,519,228	150,295	(74,250)	14,595,273
Total capital assets being depreciated	150,584,582	1,032,038	(568,561)	151,048,059
Less accumulated depreciation for:				
Land improvements	(2,098,827)	(447,129)	-	(2,545,956)
Building and building improvements	(38,133,169)	(3,702,676)	-	(41,835,845)
Buses and other vehicles	(2,357,257)	(202,007)	494,311	(2,064,953)
Furniture and equipment	(9,288,379)	(1,368,793)	54,600	(10,602,572)
Total accumulated depreciation	(51,877,632)	(5,720,605)	548,911	(57,049,326)
Total capital assets being depreciated, net	98,706,950	(4,688,567)	(19,650)	93,998,733
Governmental activities capital assets, net	<u>\$ 99,674,729</u>	<u>\$ (4,668,326)</u>	<u>\$ (19,650)</u>	<u>\$ 94,986,753</u>

Depreciation expense was allocated to governmental functions. The following details the allocation of depreciation expense.

Instruction	\$ 3,327,919
Supporting services	2,199,072
Athletics	-
Cafeteria	193,613
	<u>\$ 5,720,604</u>

Woodhaven-Brownstown School District
 NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2011.

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>	<u>Amounts Due within One Year</u>
Bonds	\$ 75,280,000	\$ -	\$ 4,520,000	\$ 70,760,000	\$ 4,305,000
Other obligations	1,521,789	-	138,289	1,383,500	482,266
	<u>\$ 76,801,789</u>	<u>\$ -0-</u>	<u>\$ 4,658,289</u>	<u>\$ 72,143,500</u>	<u>\$ 4,787,266</u>

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

General Obligation

\$56,540,000 Serial Bonds dated May 23, 2002, due in annual installments of \$1,500,000 through May 2012; interest at 3.15% to 5.50%.	\$ 1,500,000
\$7,985,000 Refunding Bonds dated March 19, 2003, due in annual installments of \$365,000 to \$470,000 through May 2034; interest at 3.00% to 3.80%.	1,525,000
\$10,745,000 Serial Bonds dated May 20, 2004, due in annual installments of \$850,000 to \$1,125,000 through May 2015; interest at 3.00% to 5.00%.	4,500,000
\$44,615,000 Refunding Bonds dated February 22, 2006, due in annual installments of \$125,000 to \$2,295,000 through May 2032; interest at 3.25% to 5.00%.	43,380,000
\$14,270,000 Refunding Bonds dated October 18, 2006, due in annual installments of \$651,700 to \$1,475,000 through May 2027; interest at 4.00% to 5.00%.	14,270,000
\$6,690,000 Refunding Bonds dated June 1, 2009, due in annual installments of \$890,000 to \$1,415,000 through May 2015; interest at 3.94%.	4,165,000
\$1,915,000 Refunding Bonds dated September 1, 2009, due in annual installments of \$230,000 to \$250,000 through May 2017; interest ranging from 3.00% to 5.00%.	<u>1,420,000</u>
	<u>\$ 70,760,000</u>

Advance Refunding - Prior

On September 1, 2009, the District defeased the balance of the 1999 Refunding Bonds, which are due and payable May 1, 2011 through May 1, 2017. 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 funds maintained in the trust will be used to pay the annual debt requirements and the outstanding balance of the bonds when they are callable on May 1, 2014. The District issued General Obligation 2009B Refunding Bonds in the amount of \$1,915,000 and also used \$37,648 of funds on hand in the 1999 Debt Service Fund to fund escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2011, bonds due and payable May 1, 2012 through May 1, 2017 for the 1999 Refunding Bonds in the amount of \$1,470,000 are considered defeased.

Woodhaven-Brownstown School District
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

NOTE D: LONG-TERM DEBT - CONTINUED

Other Obligations

Other long-term obligations include the following:

Employee compensated absences	\$ 1,287,477
Accrued vacation	92,650
Early retirement incentive	<u>3,373</u>
	<u>\$ 1,383,500</u>

The annual requirements to pay the bonds principal and interest outstanding for the long-term debt are as follows.

	Principal	Interest	Total
2012	\$ 4,305,000	\$ 3,130,284	\$ 7,435,284
2013	4,490,000	2,943,530	7,433,530
2014	4,810,000	2,712,000	7,522,000
2015	5,070,000	2,477,295	7,547,295
2016	3,665,000	2,253,440	5,918,440
2017-2021	17,490,000	8,911,310	26,401,310
2022-2026	17,025,000	5,165,598	22,190,598
2027-2031	11,820,000	1,938,627	13,758,627
2032	<u>2,085,000</u>	<u>93,825</u>	<u>2,178,825</u>
	<u>\$ 70,760,000</u>	<u>\$ 29,625,909</u>	<u>\$ 100,385,909</u>

NOTE E: DEFERRED REVENUE

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

	Unavailable	Unearned
Delinquent property taxes	\$ 368,575	\$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	<u>-</u>	<u>179,925</u>
	<u>\$ 368,575</u>	<u>\$ 179,925</u>

NOTE F: INTERFUND RECEIVABLES AND PAYABLES

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.

Woodhaven-Brownstown School District
 NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE F: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

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

	Due from other funds	Due to other funds
General Fund		
Sinking Fund	\$ -	\$ 177,132
Other Nonmajor Funds	219,623	568,118
 Sinking Fund		
General Fund	177,132	-
 Other Nonmajor Funds		
General Fund	456,999	108,504
	\$ 853,754	\$ 853,754

NOTE G: 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.

General Fund	
Transfers to Nonmajor Funds	
Special Revenue Funds	
Special Education Fund	\$ 216,442
 Nonmajor Funds	
Funded Projects Fund	
Transfers to Cafeteria Fund	7,110
	\$ 223,552

The transfer from the General Fund to the Special Education Fund was to fund special education expenses. The transfer from the Funded Projects Fund to the Cafeteria Fund was to fund at risk cafeteria expenses.

NOTE H: EMPLOYEE PENSION AND OTHER POST EMPLOYMENT BENEFITS

Plan Description

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

Woodhaven-Brownstown School District
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE H: EMPLOYEE PENSION AND OTHER POST EMPLOYMENT BENEFITS - CONTINUED

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.

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten (10) 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 (15) but fewer than thirty years of credited service in each of the five (5) 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 (5) years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS 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); and \$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); and \$510 plus 6.4% of all wages over \$15,000. In addition, employees first hired on or after July 1, 2010, are required to contribute 3% of all wages to a retiree health care fund and 2% to a hybrid defined contribution pension plan.

Pension Benefits

Employer contributions to the pension system result from implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits.

For the period of July 1, 2010 to September 30, 2010, the District was required to contribute 16.94% for employees who first worked before July 1, 2010 and, if the employee first worked on or after July 1, 2010, the contribution was 15.44% of covered compensation for all wages to the Plan. For the period October 1, 2010 to October 31, 2010, the District was required by State statute to contribute 19.41% for employees who first worked before July 1, 2010 and, if the employee first worked on or after July 1, 2010, the contribution was 17.91% of the covered compensation for all wages to the Plan. For the period of November 1, 2010 to June 30, 2011, the District was required by State statute to contribute 20.66%, for employees who first worked before July 1, 2010, and if the employee first worked on or after July 1, 2010, the contribution was 19.16% of covered compensation for all wages to the Plan. Basic plan members make no contributions, but the MIP members contribute at rates ranging from 3 percent to 6.4 percent of gross wages. The Districts required and actual contributions to the Plan for the years ended June 30, 2011, 2010, and 2009 were \$4,934,124, \$4,833,505, and \$4,684,813.

Woodhaven-Brownstown School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE H: EMPLOYEE PENSION AND OTHER POST EMPLOYMENT BENEFITS - CONTINUED

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 its other postemployment benefits and is paid by the District. The employer contribution rate was 6.81 of covered payroll for the period July 1, 2010 through September 30, 2010, 7.25 percent for the period from October 1, 2010 through October 30, 2010, and 8.5 percent for the period November 1, 2010 through June 30, 2011 and is included in the above required contributions.

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, data processing, 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 may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-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: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated. In the body of the required supplementary financial statements, the District's budgeted expenditures in the General Fund have been adopted and reported at the functional classification level.

During the year ended June 30, 2011, the District incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>	<u>Percent of Variance</u>
General Fund				
School administration	\$ 2,646,468	\$ 2,653,688	\$ 7,220	0.27
Business	1,087,292	1,137,328	50,036	4.60
Athletic activities	591,184	612,635	21,451	3.63

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE K: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved have been replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

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

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

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

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

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

Fund Balance Classification Policies and Procedures

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Woodhaven-Brownstown School District

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 7,671,593	\$ 7,668,100	\$ 7,765,874	\$ 97,774
State sources	31,349,412	30,293,055	30,290,831	(2,224)
Federal sources	80,000	1,640,888	1,638,312	(2,576)
OTHER FINANCING SOURCES				
Interdistrict	595,814	529,083	568,428	39,345
Transfers in	336,744	333,862	216,442	(117,420)
TOTAL REVENUES AND OTHER FINANCING SOURCES	40,033,563	40,464,988	40,479,887	14,899
EXPENDITURES				
Current				
Instruction				
Basic programs	21,820,334	21,223,222	21,114,223	108,999
Added needs	3,711,767	3,632,661	3,430,829	201,832
Total instruction	25,532,101	24,855,883	24,545,052	310,831
Supporting services				
Pupil	2,566,878	2,441,689	2,383,042	58,647
Instructional staff	1,353,278	1,224,824	1,160,942	63,882
General administration	547,673	692,651	680,604	12,047
School administration	2,584,289	2,646,468	2,653,688	(7,220)
Business	988,681	1,087,292	1,137,328	(50,036)
Central	951,713	984,097	911,275	72,822
Pupil transportation	1,817,852	1,817,443	1,743,543	73,900
Athletic activities	555,470	591,184	612,634	(21,450)
Operations and maintenance	3,460,982	3,863,259	3,734,785	128,474
Total supporting services	14,826,816	15,348,907	15,017,841	331,066
Capital Outlay	137,822	139,616	91,597	48,019
OTHER FINANCING USES				
Transfers out	4,000	-	-	-0-
TOTAL EXPENDITURES AND OTHER FINANCING USES	40,500,739	40,344,406	39,654,490	689,916

Woodhaven-Brownstown School District

General Fund

BUDGETARY COMPARISON SCHEDULE- CONTINUED

Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (467,176)	\$ 120,582	\$ 825,397	\$ 704,815
Fund balance, beginning of year	<u>2,484,177</u>	<u>2,484,177</u>	<u>2,484,177</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 2,017,001</u>	<u>\$ 2,604,759</u>	<u>\$ 3,309,574</u>	<u>\$ 704,815</u>

OTHER SUPPLEMENTARY INFORMATION

Woodhaven-Brownstown School District

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2011

	Special Revenue			Capital Project	Debt
	Special Education	Funded Projects	Cafeteria	Capital Project Fund	2002 Debt
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 98,254	\$ 880,127	\$ 163,396
Accounts receivable	-	-	88	-	-
Taxes receivable	-	-	-	-	120,381
Inventory	-	-	16,997	-	-
Due from other governmental units	-	-	40,490	-	-
Due from other funds	432,656	24,343	-	-	-
TOTAL ASSETS	\$ 432,656	\$ 24,343	\$ 155,829	\$ 880,127	\$ 283,777
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	50	-	\$ 102,495	11,340	\$ -
Other accrued liabilities	-	24,343	370	-	-
Deferred revenue	-	-	-	-	50,255
Due to other funds	15,849	-	26,607	1,007	13,292
Due to other governmental units	416,757	-	-	-	-
TOTAL LIABILITIES	432,656	24,343	129,472	12,347	63,547
FUND BALANCES					
Nonspendable					
Inventory	-	-	16,997	-	-
Restricted for:					
Capital Projects	-	-	-	867,780	-
Debt Service	-	-	-	-	220,230
Assigned to:					
Food service	-	-	9,360	-	-
TOTAL FUND BALANCES	-0-	-0-	26,357	867,780	220,230
TOTAL LIABILITIES AND FUND BALANCES	\$ 432,656	\$ 24,343	\$ 155,829	\$ 880,127	\$ 283,777

Service

2003 Debt	2004 Debt	2006 Debt	2006B Debt	2009 Debt	2009B Debt	Total Nonmajor Governmental Funds
\$ 46,833	\$ 150,145	\$ 214,444	\$ 16,603	\$ 92,040	\$ 28,068	\$ 1,689,910
-	-	-	-	-	-	88
35,364	88,272	153,206	44,136	88,272	22,068	551,699
-	-	-	-	-	-	16,997
-	-	-	-	-	-	40,490
-	-	-	-	-	-	456,999
<u>\$ 82,197</u>	<u>\$ 238,417</u>	<u>\$ 367,650</u>	<u>\$ 60,739</u>	<u>\$ 180,312</u>	<u>\$ 50,136</u>	<u>\$ 2,756,183</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,885
-	-	-	-	-	-	24,713
14,432	38,601	69,921	16,862	13,748	6,965	210,784
3,975	9,380	15,664	5,203	14,613	2,914	108,504
-	-	-	-	-	-	416,757
18,407	47,981	85,585	22,065	28,361	9,879	874,643
-	-	-	-	-	-	16,997
-	-	-	-	-	-	867,780
63,790	190,436	282,065	38,674	151,951	40,257	987,403
-	-	-	-	-	-	9,360
<u>63,790</u>	<u>190,436</u>	<u>282,065</u>	<u>38,674</u>	<u>151,951</u>	<u>40,257</u>	<u>1,881,540</u>
<u>\$ 82,197</u>	<u>\$ 238,417</u>	<u>\$ 367,650</u>	<u>\$ 60,739</u>	<u>\$ 180,312</u>	<u>\$ 50,136</u>	<u>\$ 2,756,183</u>

Woodhaven-Brownstown School District

Nonmajor Governmental Funds

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

Year Ended June 30, 2011

	<u>Special Revenue</u>			<u>Capital Project</u>	<u>Debt</u>
	<u>Special Education</u>	<u>Funded Projects</u>	<u>Cafeteria</u>	<u>Capital Project Fund</u>	<u>2002 Debt</u>
REVENUES					
Local sources	\$ -	\$ 49,036	\$ 645,244	\$ 375,000	\$ 1,645,933
State sources	715,925	741,004	70,906	-	-
Federal sources	-	2,390,017	862,864	-	-
OTHER FINANCING SOURCES					
Transfers from other funds	-	-	7,110	-	-
Interdistrict	1,788,985	-	-	-	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	2,504,910	3,180,057	1,586,124	375,000	1,645,933
EXPENDITURES					
Current					
Instruction	-	2,694,545	-	-	-
Support services	2,288,468	467,844	-	-	40,664
Food service activities	-	-	1,584,758	-	-
Community service activities	-	10,558	-	-	-
Capital outlay	-	-	-	375,832	-
Debt service					
Principal retirement	-	-	-	-	1,500,000
Interest, fiscal and other charges	-	-	-	-	136,750
OTHER FINANCING USES					
Transfers to other funds	216,442	7,110	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	2,504,910	3,180,057	1,584,758	375,832	1,677,414
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	-	1,366	(832)	(31,481)
Fund balances, beginning of year	-	-	24,991	868,612	251,711
Fund balances, end of year	\$ -0-	\$ -0-	\$ 26,357	\$ 867,780	\$ 220,230

Service

2003 Debt	2004 Debt	2006 Debt	2006B Debt	2009 Debt	2009B Debt	Total Nonmajor Governmental Funds
\$ 484,490	\$ 1,202,877	\$ 2,079,669	\$ 604,130	\$ 1,231,480	\$ 303,792	\$ 8,621,651
-	-	-	-	-	-	1,527,835
-	-	-	-	-	-	3,252,881
-	-	-	-	-	-	7,110
-	-	-	-	-	-	1,788,985
484,490	1,202,877	2,079,669	604,130	1,231,480	303,792	15,198,462
-	-	-	-	-	-	2,694,545
12,138	28,803	48,294	15,815	43,214	8,754	2,953,994
-	-	-	-	-	-	1,584,758
-	-	-	-	-	-	10,558
-	-	-	-	-	-	375,832
415,000	1,125,000	125,000	-	1,110,000	245,000	4,520,000
69,983	256,741	1,906,340	652,000	207,935	80,950	3,310,699
-	-	-	-	-	-	223,552
497,121	1,410,544	2,079,634	667,815	1,361,149	334,704	15,673,938
(12,631)	(207,667)	35	(63,685)	(129,669)	(30,912)	(475,476)
76,421	398,103	282,030	102,359	281,620	71,169	2,357,016
<u>\$ 63,790</u>	<u>\$ 190,436</u>	<u>\$ 282,065</u>	<u>\$ 38,674</u>	<u>\$ 151,951</u>	<u>\$ 40,257</u>	<u>\$ 1,881,540</u>

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

To the Board of Education
Woodhaven-Brownstown School District
Brownstown, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Woodhaven-Brownstown School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 6, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Woodhaven-Brownstown School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of control deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

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

2011-1 BUDGETS

Condition: As noted in the financial statements, there were three expenditure functions in the General Fund where actual expenditures exceeded the amounts appropriated. While these overages did not appear to be material to the financial statements as a whole, they were still noted budget overages that new professional standards require us to report on.

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the District adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Effect: The District had instances of budgetary noncompliance relative to State law in the area where the overages occurred.

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

Corrective Action Response: The District's Business Office personnel responsible for the budget has changed due to retirements. New budgeting oversight will implement new procedures for determining budget allocations.

This report is intended solely for the information and use of administration and the Board of Education of Woodhaven-Brownstown School District, others within the District, the pass-through grantors, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 6, 2011