

West Bloomfield School District

**Financial Report
with Supplemental Information
June 30, 2012**

West Bloomfield School District

Contents

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets (Deficit)	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets (Deficit)	15
Statement of Revenue, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Fiduciary Fund - Statement of Fiduciary Assets and Liabilities	18
Notes to Financial Statements	19-33
Required Supplemental Information	34
Budgetary Comparison Schedule - General Fund	35
Other Supplemental Information	36
Nonmajor Governmental Funds:	
Combining Balance Sheet	37-38
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	39-40
Schedule of Bonded Indebtedness	41-42
Detail of Bonded Debt	43
Federal Awards Supplemental Information	Issued Under Separate Cover

Independent Auditor's Report

To the Board of Education
West Bloomfield School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Bloomfield School District (the "School District") as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of West Bloomfield 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 West Bloomfield School District as of June 30, 2012 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

To the Board of Education
West Bloomfield School District

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Bloomfield School District's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated September 11, 2012 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 opinions 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.

Plante & Morse, PLLC

September 11, 2012

West Bloomfield School District

Management's Discussion and Analysis

This section of West Bloomfield School District's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2012. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements 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 government-wide financial statements by providing information about the School District's most significant funds (the General Fund, the 2010 Capital Projects Fund, and the 2011 Capital Projects Fund) with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

These financial statements contain the following elements:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for Major Funds

Other Supplemental Information

West Bloomfield School District

Management's Discussion and Analysis (Continued)

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about West Bloomfield School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets (deficit) and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. The statements were 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 revenue and expenses are taken into account regardless of when cash is received or expenses 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 (deficit) - 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 revenue and expenses is the School District's operating results. However, the specified goal of the School District is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors (such as the quality of the education provided, test scores, favorable class size, percentage of students who go on to college, and the safety of the schools) to assess the overall health of West Bloomfield School District.

The statement of net assets (deficit) and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

West Bloomfield School District's fund financial statements provide detailed information concerning the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (such as the Cafeteria, Special Education Center Program, and Community Service Funds) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other funds (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

West Bloomfield School District

Management's Discussion and Analysis (Continued)

Governmental Funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. A reconciliation is also provided to help readers understand the differences between the accounting methods used to report results for the governmental activities (reported in the statement of net assets (deficit) and the statement of activities) and governmental funds (fund level statements).

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Summary of Net Assets

The statement of net assets (deficit) provides the perspective of West Bloomfield School District as a whole. Table I provides a summary of the School District's net assets (deficit) as of June 30, 2012 and 2011:

TABLE I

	Governmental Activities	
	June 30	
	2012	2011
	(in millions)	
Assets		
Current and other assets	\$ 24.9	\$ 35.5
Capital assets	124.4	119.4
Total assets	149.3	154.9
Liabilities		
Current liabilities	23.5	26.6
Long-term liabilities	91.5	102.8
Total liabilities	115.0	129.4

West Bloomfield School District

Management's Discussion and Analysis (Continued)

TABLE I (Continued)

	Governmental Activities	
	June 30	
	2012	2011
	(in millions)	
Net Assets (Deficit)		
Invested in capital assets - Net of related debt	\$ 26.5	\$ 11.6
Restricted	10.2	18.9
Unrestricted	(2.4)	(5.0)
Total net assets	<u>\$ 34.3</u>	<u>\$ 25.5</u>

West Bloomfield School District's net assets were \$34.3 million at June 30, 2012. Capital assets, net of related debt totaling \$26.5 million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. These debts will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets totaling (\$2.4) million was unrestricted.

The (\$2.4) million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets deficit represents the School District's decline in cash flow to meet working capital and operating needs. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

Summary of Activities

The results of this year's operations for West Bloomfield School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net assets for fiscal years ended June 30, 2012 and 2011.

West Bloomfield School District

Management's Discussion and Analysis (Continued)

TABLE 2

	Governmental Activities	
	2012	2011
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 4.1	\$ 3.9
Operating grants and contributions	14.4	14.6
General revenue:		
Property taxes	25.9	26.2
State foundation allowance	43.6	45.1
Federal sources - Unrestricted	0.1	1.6
Other	0.3	0.6
Total revenue	<u>88.4</u>	<u>92.0</u>
Functions/Program Expenses		
Instruction	44.6	46.9
Support services	25.1	25.9
Athletics	1.0	1.0
Food services	2.2	2.1
Community services	2.2	2.1
Interest on long-term debt	4.5	5.1
Total functions/program expenses	<u>79.6</u>	<u>83.1</u>
Increase in Net Assets	8.8	8.9
Net Assets - Beginning of year	<u>25.5</u>	<u>16.6</u>
Net Assets - End of year	<u>\$ 34.3</u>	<u>\$ 25.5</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$79.6 million. Certain activities were partially funded from those who benefited from the programs (\$4.1 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$14.4 million). We paid for the remaining "public benefit" portion of our governmental activities with \$25.9 million in taxes, \$43.6 million in State foundation allowance, \$0.1 in federal unrestricted sources, and \$0.3 million with our other revenue, such as interest and general entitlements.

The School District experienced an increase in net assets of \$8.8 million.

West Bloomfield School District

Management's Discussion and Analysis (Continued)

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District's needs and balance those needs with State-prescribed resources.

The School District's Funds

As we noted earlier, West Bloomfield School District uses funds to help it control and manage money for particular purposes. This fund-by-fund breakdown of revenue and expenditures (and related assets and liabilities) helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$12.5 million, which is a decrease of \$7.5 million from last year. Significant changes by fund are as follows:

In the General Fund, our principal operating fund, the fund balance increased approximately \$1.3 million to a balance of \$1.8 million. The change is a direct result of budget reductions and cost-cutting measures implemented by the Board of Education and administration for the 2011-2012 school year including negotiated changes in salaries, wages, and benefits of collective bargaining agreements with all School District employees. Budget adjustments also included staff reductions of 36.5 positions and the implementation of a four-tier transportation system that enabled the School District to continue with savings in the school support areas. These savings have helped the School District to improve its financial standing and fund balance at June 30, 2012.

In the Special Revenue Funds, the fund balance decreased approximately \$0.2 million to \$0.3 million. The change is mainly due to the excess of expenditures over revenue in the Cafeteria Fund of \$0.2 million. This decrease was the direct result of drawing down fund reserves for the purpose of making purchases of equipment, repairs of existing equipment, and transfers to the General Fund to cover indirect costs.

In the Debt Service Funds, the fund balance decreased approximately \$0.2 million to \$1.0 million. The fund balance remained consistent compared to the prior year.

West Bloomfield School District

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, West Bloomfield School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The budget was amended in January 2012 and final amendments to the budget were adopted by the board in June 2012. Amendments reflected changes due to enrollment, state and federal grants, changes in staffing levels, and collective bargaining agreement settlements. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. There were no significant variances between the final budget and actual amounts. In fact, the budget to actual reflects a decrease in spending of \$1,204,374.

There were revisions made to the 2011-2012 General Fund original budget. Budgeted revenue was increased by \$1,070,473 due to increases in local, state, federal, and interdistrict sources of revenue. Final budgeted expenditures were increased by \$1,678,766 to reflect changes in staffing, compensation, health insurance, mandatory retirement payments, and collective bargaining settlements.

The final amended budget and actual amounts at June 30, 2012 depict a net increase in revenue of \$26,189 and a decrease in expenditures of \$1,204,374, between final budgets and actual results. The overall reduction in expenditures was brought about by district-wide cost containment and collective bargaining agreement settlements, reduced energy consumption, and reduction in Michigan Tax Tribunal settlements.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2012, the School District had \$187.9 million invested in a broad range of capital assets, including land, buildings, building improvements, vehicles, furniture, and equipment. This amount represents a net increase (including additions and disposals) of approximately \$7.8 million from last year.

	2012	2011
Land	\$ 8,147,575	\$ 8,147,575
Construction in progress	6,993,577	5,958,079
Buildings and building improvements	146,418,503	140,818,929
Buses and other vehicles	3,761,852	4,255,906
Furniture and equipment	22,589,943	20,911,728
Total capital assets	187,911,450	180,092,217
Less accumulated depreciation	63,493,494	60,707,947
Net capital assets	<u>\$ 124,417,956</u>	<u>\$ 119,384,270</u>

West Bloomfield School District

Management's Discussion and Analysis (Continued)

In the 2010 Capital Projects Fund, the School District is in the process of completing the final phase of renovations and site projects from the proceeds of the \$15 million ARRA Qualified School Construction Bonds that were sold in May 2010. A total of \$6.6 million has been expended during fiscal year 2011-2012 for various improvements and remodeling of school facilities along with site improvements. These funds have to be expended by May 2013. In addition, in the 2011 Capital Projects Fund, the School District is in the process of completing technology purchases, school bus replacement, instructional equipment, and facility improvements from the proceeds of the \$9 million bond that were sold in June 2011. A total of \$1.9 million has been expended during fiscal year 2011-2012 for various technology purchases and site improvements. These funds are required to be spent within the next 24 months. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$98.3 million in bonds outstanding versus \$107.6 million in the previous year. Those bonds consisted of the following:

	2012	2011
General obligation bonds	<u>\$ 98,285,000</u>	<u>\$ 107,615,000</u>

The School District's general obligation bond rating is Baa1 with Moody's Investors Service. Due to the improvement of fund balance in the General Fund, Standard & Poor's revised their outlook to stable from negative on the School District's underlying rating and reaffirmed its "A" rating on the District's General Obligation Bonds. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the school district's boundaries. If the school district issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$98.3 million is significantly below this \$248.4 million statutorily imposed limit.

In January 2012, the School District refunded \$18.2 million of the outstanding 2001 refunding bonds. The total present value of savings was \$2,456,996. As a result of this refunding, the School District will realize a reduction in estimated debt millage of 1.61 mills based on variable annual growth in the tax base.

Other obligations include accrued sick leave and voluntary severance incentive packages. We present more detailed information about our long-term liabilities in the notes to the financial statements.

West Bloomfield School District

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The Board of Education and administration consider many factors when setting the School District's fiscal year budget. One of the most important factors affecting the budget is the student count, the state foundation allowance, and for 2011-2012 and 2012-2013, best practices grants that are funded on a per-pupil basis. These grants are crucial in that 90 percent of the School District's operating revenue is in state sources. For 2012-2013, the School District has budgeted \$52 per pupil for best practices grants, down from \$100 per pupil the previous year, and \$100 per pupil for performance grants for growth in grades 3-8 math; grades 3-8 reading; and growth in all subject areas for high school students. The student count continues to be blended using 10 percent from the February 2012 count and 90 percent from the October 2012 count. The 2012-2013 budget was adopted on June 25, 2012 and was based on a projected enrollment. Based on early enrollment data at the start of the 2012-2013 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2012-2013 budget. Once the final student count and related per pupil funding are 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 the State for funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to school districts. The School District has also learned that the Michigan legislature has approved a MPSERS pension reform bill, and as of the date of this report, the governor has signed the bill into law. Pension rates will now be capped at 24.46 percent of payroll costs. The School District will also amend the budget to reflect any change from the amounts originally budgeted once the October enrollment is known and all hiring commitments are complete.

Given the State's on-going economic issues, the School District is doing everything possible to maintain programs for students and to continually look for economies in all facets of school operations so that the School District remains competitive and financially stable. To this end, a school enrollment and facilities committee was formed to look at district enrollment, facilities, and school closings. A report will be presented to the Board of Education with recommendations for implementation taking place no earlier than the 2013-2014 school year.

West Bloomfield School District

Statement of Net Assets (Deficit) June 30, 2012

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 4,402,661
Due from other governmental units	9,258,676
Inventories	28,882
Prepaid costs and other assets	58,198
Restricted assets (Note 7)	11,168,778
Capital assets - Net (Note 4)	<u>124,417,956</u>
Total assets	149,335,151
Liabilities	
Accounts payable	1,338,318
Accrued payroll and other liabilities	6,209,251
Line of credit (Note 6)	5,000,000
Deferred revenue (Note 1)	393,536
Noncurrent liabilities (Note 6):	
Due within one year	10,599,021
Due in more than one year	<u>91,455,528</u>
Total liabilities	<u>114,995,654</u>
Net Assets (Deficit)	
Invested in capital assets - Net of related debt	26,529,579
Restricted:	
Debt service	488,205
Capital projects	9,343,582
Food service	331,602
Unrestricted	<u>(2,353,471)</u>
Total net assets	<u><u>\$ 34,339,497</u></u>

West Bloomfield School District

Statement of Activities Year Ended June 30, 2012

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Primary government - Governmental activities:				
Instruction	\$ 44,568,418	\$ -	\$ 8,650,039	\$ (35,918,379)
Support services	25,071,560	-	4,118,119	(20,953,441)
Athletics	1,010,253	319,760	-	(690,493)
Food services	2,219,629	1,186,151	833,172	(200,306)
Community services	2,153,886	2,563,217	-	409,331
Interest	4,528,771	-	820,888	(3,707,883)
Total primary government	<u>\$ 79,552,517</u>	<u>\$ 4,069,128</u>	<u>\$ 14,422,218</u>	(61,061,171)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				12,399,005
Property taxes, levied for debt service				13,516,840
State aid not restricted to specific purposes				43,637,580
Federal sources - Unrestricted				58,297
Interest and investment earnings				40,840
Loss on the sale of capital assets				(64,364)
Other				339,000
Total general revenue				<u>69,927,198</u>
Change in Net Assets				8,866,027
Net Assets - Beginning of year				<u>25,473,470</u>
Net Assets - End of year				<u>\$ 34,339,497</u>

West Bloomfield School District

Governmental Funds Balance Sheet June 30, 2012

	General Fund	2010 Capital Projects	2011 Capital Projects	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 3,970,348	\$ -	\$ -	\$ 432,313	\$ 4,402,661
Due from other governmental units	9,205,466	-	-	53,210	9,258,676
Due from other funds (Note 5)	-	30,201	24,000	407,901	462,102
Inventories	-	-	-	28,882	28,882
Prepaid costs and other assets	58,198	-	-	-	58,198
Restricted assets (Note 7)	-	3,141,990	7,038,337	988,451	11,168,778
Total assets	\$ 13,234,012	\$ 3,172,191	\$ 7,062,337	\$ 1,910,757	\$ 25,379,297
Liabilities and Fund Balances (Deficit)					
Liabilities					
Accounts payable	\$ 426,654	\$ 888,688	\$ 2,258	\$ 14,909	\$ 1,332,509
Accrued payroll-related liabilities	5,566,770	-	-	146,467	5,713,237
Line of credit (Note 6)	5,000,000	-	-	-	5,000,000
Due to other funds (Note 5)	183,216	-	-	284,695	467,911
Deferred revenue (Note 1)	244,671	-	-	148,865	393,536
Total liabilities	11,421,311	888,688	2,258	594,936	12,907,193
Fund Balances (Deficit)					
Nonspendable:					
Inventory	-	-	-	28,882	28,882
Prepaid assets	58,198	-	-	-	58,198
Restricted:					
Capital projects	-	2,283,503	7,060,079	-	9,343,582
Debt service	-	-	-	984,219	984,219
Food service	-	-	-	302,720	302,720
Committed - Voluntary severance incentive	2,268,000	-	-	-	2,268,000
Unassigned	(513,497)	-	-	-	(513,497)
Total fund balances	1,812,701	2,283,503	7,060,079	1,315,821	12,472,104
Total liabilities and fund balances	\$ 13,234,012	\$ 3,172,191	\$ 7,062,337	\$ 1,910,757	\$ 25,379,297

West Bloomfield School District

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets (Deficit) June 30, 2012

Fund Balance - Total Governmental Funds	\$	12,472,104
Amounts reported for governmental activities in the statement of net assets (deficit) are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of capital assets	\$	187,911,450
Accumulated depreciation	<u>(63,493,494)</u>	124,417,956
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:		
Bonds and notes payable including related premium and deferred charges	(97,888,377)	
Compensated absences and voluntary severance incentive	<u>(4,166,172)</u>	(102,054,549)
Accrued interest payable is not included as a liability in governmental funds		<u>(496,014)</u>
Net Assets - Governmental Activities	\$	<u>34,339,497</u>

West Bloomfield School District

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2012

	General Fund	2010 Capital Projects	2011 Capital Projects	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	\$ 13,251,664	\$ 10,101	\$ 19,575	\$ 17,113,131	\$ 30,394,471
State sources	47,942,902	-	-	873,740	48,816,642
Federal sources	2,423,680	-	-	1,568,311	3,991,991
Interdistrict sources	3,057,192	-	-	2,222,612	5,279,804
Total revenue	66,675,438	10,101	19,575	21,777,794	88,482,908
Expenditures					
Current:					
Instruction	40,998,648	-	-	1,792,580	42,791,228
Support services	23,975,977	-	-	912,601	24,888,578
Athletics	981,766	-	-	-	981,766
Food services	-	-	-	2,150,985	2,150,985
Community services	12,412	-	-	2,135,639	2,148,051
Debt service:					
Principal	-	-	-	9,365,000	9,365,000
Interest	-	-	-	4,514,142	4,514,142
Other	-	3,736	-	215,254	218,990
Capital outlay	21,061	6,549,786	1,869,941	30,201	8,470,989
Total expenditures	65,989,864	6,553,522	1,869,941	21,116,402	95,529,729
Excess of Revenue Over (Under) Expenditures	685,574	(6,543,421)	(1,850,366)	661,392	(7,046,821)
Other Financing Sources (Uses)					
Payment to escrow agent	-	-	-	(18,663,949)	(18,663,949)
Transfers in (Note 5)	575,565	-	-	706,280	1,281,845
Transfers out (Note 5)	-	-	-	(1,281,845)	(1,281,845)
Face value of debt issued	-	-	-	18,225,000	18,225,000
Total other financing sources (uses)	575,565	-	-	(1,014,514)	(438,949)
Net Change in Fund Balances	1,261,139	(6,543,421)	(1,850,366)	(353,122)	(7,485,770)
Fund Balances - Beginning of year	551,562	8,826,924	8,910,445	1,668,943	19,957,874
Fund Balances - End of year	<u>\$ 1,812,701</u>	<u>\$ 2,283,503</u>	<u>\$ 7,060,079</u>	<u>\$ 1,315,821</u>	<u>\$ 12,472,104</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

West Bloomfield School District

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (7,485,770)

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (3,432,194)	
Capitalized capital outlay	<u>8,530,244</u>	5,098,050

Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, these are recorded net of carrying value of the disposed assets (64,364)

Bond proceeds provide financial resources to governmental funds, but issuing bonds increases long-term liabilities in the statement of activities (18,225,000)

Amortization of bond premium and deferred charges 89,049

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 28,028,949

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 115,312

Compensated absences and voluntary severance incentives are recorded when earned in the statement of activities. In the current year, more was paid out than earned 1,309,801

Change in Net Assets of Governmental Activities \$ 8,866,027

West Bloomfield School District

Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2012

	<u>Agency Funds</u>
Assets	
Cash and investments (Note 3)	\$ 336,041
Due from other funds (Note 5)	<u>5,809</u>
Total assets	<u>\$ 341,850</u>
Liabilities - Due to student groups	<u>\$ 341,850</u>

West Bloomfield School District

Notes to Financial Statements June 30, 2012

Note I - Summary of Significant Accounting Policies

The accounting policies of West Bloomfield School District (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

West Bloomfield School District

Notes to Financial Statements June 30, 2012

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the School District's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the School District's policy to spend funds in this order: committed, assigned, and unassigned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

West Bloomfield School District

Notes to Financial Statements June 30, 2012

Note I - Summary of Significant Accounting Policies (Continued)

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund is used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. The School District presently maintains a Student Activities (Agency) Fund for the high school, middle schools, and elementary schools to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

2011 Capital Projects Fund - The 2011 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for technology, safety, and school bus replacement. The fund operates until the purpose for which it was created is accomplished.

2010 Capital Projects Fund - The 2010 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for building renovations and site improvement. The fund operates until the purpose for which it was created is accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's Special Revenue Funds include the Cafeteria, Special Education Center Program, and Community Education Funds. Any operating deficit generated by these activities is the responsibility of the General Fund.

Debt Service Funds - Debt Service Funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Student Activities Agency Fund - The School District presently maintains an Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Investment income is recorded in the fund for which the investment account was established.

West Bloomfield School District

Notes to Financial Statements June 30, 2012

Note I - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as “due to/from other funds.”

The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year for the taxes that are due on September 15. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Restricted Assets - The unspent bond proceeds and related interest of the 2011 and 2010 Capital Project Bonds require amounts to be set aside for construction, and the Debt Service Funds' cash is required to be used for future bond payments. As such, these amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include land, buildings, building improvements, furniture, equipment, buses, and other vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, building improvements, furniture, equipment, buses, and other vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	20 to 50 years
Buses and other vehicles	5 to 10 years
Furniture and other equipment	5 to 10 years

Deferred Revenue - Governmental funds report deferred revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the School District had unearned grant payments, and summer school tuition received of \$393,536 recorded as deferred revenue.

West Bloomfield School District

Notes to Financial Statements June 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences - The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated vacation and sick leave benefits and a voluntary severance incentive. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

A liability for early termination benefits is reported in the government-wide statements at the discounted present value of the expected future benefit payments using a discount rate of 3 percent. The early termination benefits consist of early retirement incentive cash payments provided to 58 employees over a five- to seven-year period. The cost of the obligation is reported in long-term debt. These amounts are the responsibility of the General Fund.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets (deficit). Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Balance - Fund balance classifications are used to illustrate a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable** - Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted** - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose

West Bloomfield School District

Notes to Financial Statements June 30, 2012

Note I - Summary of Significant Accounting Policies (Continued)

- Committed - Amounts that have been formally set aside by the Board of Education for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- Assigned - Intent to spend resources on specific purposes expressed by the superintendent of schools and the deputy superintendent for business and operations, who are authorized by policy and approved by the Board of Education to make assignments

Upcoming Accounting Pronouncements - GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued by the GASB in June 2011 and will be effective for the School District's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 further clarified GASB 63 definitions of assets and liabilities, deferred inflows and outflows, and also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the School District as of June 30, 2014.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

West Bloomfield School District

Notes to Financial Statements June 30, 2012

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, and object. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds - The School District did not have significant expenditure budget variances.

Capital Projects Fund Compliance - The 2010 Capital Projects Fund and the 2011 Capital Projects Fund include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

Note 3 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated two banks for the deposit of its funds.

West Bloomfield School District

Notes to Financial Statements June 30, 2012

Note 3 - Deposits and Investments (Continued)

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$16,375,033 had \$15,625,033 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. There were no investment securities that were uninsured and unregistered and held at June 30, 2012.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The School District's policy minimizes 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 School District's cash requirements.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

West Bloomfield School District

Notes to Financial Statements June 30, 2012

Note 3 - Deposits and Investments (Continued)

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Maturities	Rating	Rating Organization
Bank investment pool	\$ 1,140,964	Immediate	A-1	S&P

Concentration of Credit Risk - The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. All of the School District's investments are in bank investment pools.

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

Note 4 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2011	Reclassifications	Additions/ Transfers	Disposals	Balance June 30, 2012
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 8,147,575	\$ -	\$ -	\$ -	\$ 8,147,575
Construction in progress	5,958,079	(3,154,598)	4,190,096	-	6,993,577
Subtotal	14,105,654	(3,154,598)	4,190,096	-	15,141,152
Capital assets being depreciated:					
Buildings and building/land improvements	140,818,929	3,154,598	2,444,976	-	146,418,503
Furniture and equipment	20,911,728	-	1,844,495	166,280	22,589,943
Buses and other vehicles	4,255,906	-	50,677	544,731	3,761,852
Subtotal	165,986,563	3,154,598	4,340,148	711,011	172,770,298
Accumulated depreciation:					
Buildings and building improvements	39,947,163	-	2,422,636	-	42,369,799
Furniture and equipment	17,207,195	-	809,298	156,389	17,860,104
Buses and other vehicles	3,553,589	-	200,260	490,258	3,263,591
Subtotal	60,707,947	-	3,432,194	646,647	63,493,494
Net capital assets being depreciated	105,278,616	3,154,598	907,954	64,364	109,276,804
Net capital assets	\$ 119,384,270	\$ -	\$ 5,098,050	\$ 64,364	\$ 124,417,956

West Bloomfield School District

Notes to Financial Statements June 30, 2012

Note 4 - Capital Assets (Continued)

Depreciation expense was charged to activities of the School District as follows:

Governmental activities:

Instruction	\$ 2,753,306
Support services	575,922
Community services	5,835
Food services	68,644
Athletics	<u>28,487</u>

Total governmental activities	<u>\$ 3,432,194</u>
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	<u>Spent to Date</u>	<u>Remaining Commitment</u>
2010 Bond Issue	<u>\$ 12,549,041</u>	<u>\$ 2,263,626</u>

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>		Total
	General Fund	Nonmajor Governmental Funds	
Nonmajor governmental funds	\$ 123,206	\$ 284,695	\$ 407,901
2010 Capital Projects Fund	30,201	-	30,201
2011 Capital Projects Fund	24,000	-	24,000
Student Activities Fund	5,809	-	5,809
Total	<u>\$ 183,216</u>	<u>\$ 284,695</u>	<u>\$ 467,911</u>

Interfund balances represent cash and investments that are held in the General Fund on behalf of other funds or held in the Debt Funds on behalf of other debt funds. All interfund balances are expected to be repaid within one year.

<u>Transfers In</u>	<u>Transfers Out Nonmajor Governmental Funds</u>
General Fund	\$ 575,565
Nonmajor governmental funds	<u>706,280</u>
Total	<u>\$ 1,281,845</u>

West Bloomfield School District

Notes to Financial Statements June 30, 2012

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers represent transfers from special revenue funds to the General Fund to cover indirect costs as well as transfers between debt funds to transfer remaining fund balances.

Note 6 - Long-term Debt and Line of Credit

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, termination benefits, and certain risk liabilities.

The School District has a \$14,000,000 bank flex line of credit note to be used for operating cash flow. The line of credit note bears interest, which is due monthly, at a LIBOR-based rate, which had an effective rate of 1.17 percent at June 30, 2012. The School District borrowed on the line of credit note during the fiscal year and the outstanding balance on the line of credit note as of June 30, 2012 was \$5,000,000. The flex line matures on July 3, 2013.

Long-term debt activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds	\$ 107,615,000	\$ 18,225,000	\$ 27,555,000	\$ 98,285,000	\$ 9,735,000
Less deferred amounts:					
Bond premium	2,017,892	-	399,390	1,618,502	399,390
Deferred interest from refunding bonds	<u>(1,851,517)</u>	<u>(473,949)</u>	<u>(310,341)</u>	<u>(2,015,125)</u>	<u>(347,369)</u>
Total bonds payable	107,781,375	17,751,051	27,644,049	97,888,377	9,787,021
Other obligations	<u>5,475,973</u>	<u>140,999</u>	<u>1,450,800</u>	<u>4,166,172</u>	<u>812,000</u>
Total governmental activities	<u>\$ 113,257,348</u>	<u>\$ 17,892,050</u>	<u>\$ 29,094,849</u>	<u>\$ 102,054,549</u>	<u>\$ 10,599,021</u>

West Bloomfield School District

Notes to Financial Statements June 30, 2012

Note 6 - Long-term Debt and Line of Credit (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities				
	Principal	Interest	Interest Subsidy	Net Interest	Total
2013	\$ 9,735,000	\$ 4,133,469	\$ (820,888)	\$ 3,312,581	\$ 13,047,581
2014	10,235,000	3,633,383	(820,888)	2,812,495	13,047,495
2015	10,575,000	3,289,573	(820,888)	2,468,685	13,043,685
2016	10,950,000	2,869,103	(779,638)	2,089,465	13,039,465
2017	11,350,000	2,412,657	(730,950)	1,681,707	13,031,707
2018-2022	36,260,000	6,478,038	(2,751,825)	3,726,213	39,986,213
2023-2028	9,180,000	1,421,502	(1,060,200)	361,302	9,541,302
Total	<u>\$ 98,285,000</u>	<u>\$ 24,237,725</u>	<u>\$ (7,785,277)</u>	<u>\$ 16,452,448</u>	<u>\$ 114,737,448</u>

Governmental Activities

General obligation bonds consist of the following:

\$46,120,000 serial and term bonds due in annual installments of \$6,030,000 to \$6,410,000 through May 1, 2014; interest at 3.5 percent-5.00 percent	\$ 12,440,000
\$22,435,000 serial and term bonds due in annual installments of \$950,000 to \$1,475,000 through May 1, 2018; interest at 3.65 percent-5.25 percent	7,825,000
\$17,015,000 serial and term bonds due in annual installments of \$860,000 to \$2,015,000 through May 1, 2021; interest at 3.50 percent-5.00 percent	15,865,000
\$9,530,000 serial and term bonds due in annual installments of \$1,500,000 to \$1,555,000 from May 1, 2019 through May 1, 2024; interest at 4.00 percent	9,160,000
\$14,135,000 serial and term bonds due in annual installments of \$875,000 to \$3,055,000 through May 1, 2017; interest at 3.00 percent-5.00 percent	10,895,000
\$15,000,000 serial and term bonds due in annual installments of \$1,000,000 to \$1,250,000 from May 1, 2015 through May 1, 2027; interest at 4.125 percent-6.70 percent	15,000,000
\$8,975,000 serial and term bonds due in annual installments of \$100,000 to \$2,100,000 from May 1, 2012 through May 1, 2020; interest at 2.00 percent-5.00 percent	8,875,000
\$18,225,500 serial and term bonds due in annual installments of \$895,000 to \$2,955,000 from May 1, 2013 through May 1, 2020; interest at 2.18 percent	<u>18,225,000</u>
Total bonded debt	<u>\$ 98,285,000</u>

West Bloomfield School District

Notes to Financial Statements June 30, 2012

Note 6 - Long-term Debt and Line of Credit (Continued)

Other governmental activities long-term obligations include the following:

Employee compensated absences	\$ 1,898,172
Voluntary severance incentive	<u>2,268,000</u>
Total	<u>\$ 4,166,172</u>

Advance and Current Refundings - During the year, the School District issued \$18,225,000 in general obligation bonds with an interest rate of 2.18 percent. The proceeds of this bond were used to advance refund \$18,190,000 of the outstanding 2001 bond with interest rates ranging from 4.20 percent to 5.50 percent. The net proceeds of \$18,663,949 (after payment of \$84,860 in issuance costs) were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the School District's long-term obligations. The advance refunding reduced total debt service payments by \$2,625,223, which represents an economic gain of \$2,456,966.

In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2012, \$95,115,000 of bonds outstanding are considered defeased.

Note 7 - Restricted Assets

The balances for the restricted asset accounts are as follows:

	<u>Governmental Activities</u>
Unspent bond proceeds and related interest	\$ 10,180,327
Debt Service Funds cash and investments	<u>988,451</u>
Total restricted assets	<u>\$ 11,168,778</u>

West Bloomfield School District

Notes to Financial Statements June 30, 2012

Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District participates in the SET-SEG risk pool for claims relating to property loss, torts, and errors and omissions. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The SET-SEG risk pool operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the service pool that the service pool uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the School District.

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

West Bloomfield School District

Notes to Financial Statements June 30, 2012

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

Pension Benefits - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate was 12.16 percent of covered payroll for the period from July 1, 2011 through September 30, 2011 and 15.96 percent for the period from October 1, 2011 through June 30, 2012. The employer contribution rate for pension plus plan members was 10.66 from July 1, 2011 through September 30, 2011 and 14.73 percent for the period from October 1, 2011 through June 30, 2012. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages, or up to 6.4 percent of gross wages for members entering the MIP Plus plan on or after July 1, 2008. The School District's required and actual contributions to the plan for the years ended June 30, 2012, 2011, and 2010 were approximately \$7,955,000, \$7,090,000, and \$7,040,000, respectively.

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 8.50 percent of covered payroll for the period from July 1, 2011 through June 30, 2012. The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2012, 2011, and 2010 were approximately \$1,093,000, \$790,000, and \$700,000, respectively.

Required Supplemental Information

West Bloomfield School District

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 13,669,389	\$ 13,963,929	\$ 13,251,664	\$ (712,265)
State sources	47,210,072	47,745,856	47,942,902	197,046
Federal sources	2,261,784	2,577,648	2,423,680	(153,968)
Interdistrict sources	2,437,531	2,361,816	3,057,192	695,376
Total revenue	<u>65,578,776</u>	<u>66,649,249</u>	<u>66,675,438</u>	<u>26,189</u>
Expenditures - Current				
Instruction:				
Basic programs	32,633,500	32,611,974	32,490,110	(121,864)
Added needs	8,299,245	8,569,733	8,337,435	(232,298)
Adult and continuing education	209,068	183,835	171,103	(12,732)
Support services:				
Pupil	3,737,991	3,873,690	3,829,983	(43,707)
Instructional staff	3,253,957	3,320,886	3,304,251	(16,635)
General administration	594,252	724,337	683,038	(41,299)
School administration	3,837,104	3,856,660	3,819,194	(37,466)
Business	1,293,609	1,273,249	1,102,644	(170,605)
Operations and maintenance	5,762,688	5,890,989	5,516,316	(374,673)
Pupil transportation services	3,334,025	4,053,439	4,003,254	(50,185)
Central	1,514,924	1,475,373	1,456,175	(19,198)
Nonpublic schools	198,884	317,914	261,122	(56,792)
Athletics	841,094	1,000,500	981,766	(18,734)
Community services	5,131	20,598	12,412	(8,186)
Capital outlay	-	21,061	21,061	-
Total expenditures	<u>65,515,472</u>	<u>67,194,238</u>	<u>65,989,864</u>	<u>(1,204,374)</u>
Excess of Revenue Over (Under)				
Expenditures	63,304	(544,989)	685,574	1,230,563
Other Financing Sources -				
Transfers in	405,844	412,581	575,565	162,984
Net Change in Fund Balance	469,148	(132,408)	1,261,139	1,393,547
Fund Balance - July 1, 2011	<u>25,656</u>	<u>551,562</u>	<u>551,562</u>	<u>-</u>
Fund Balance - June 30, 2012	<u><u>\$ 494,804</u></u>	<u><u>\$ 419,154</u></u>	<u><u>\$ 1,812,701</u></u>	<u><u>\$ 1,393,547</u></u>

Other Supplemental Information

West Bloomfield School District

	Special Revenue Funds			Debt Service Funds		
	Cafeteria	Special Education Center Program	Community Education	2001	2001 Refunding	2004
Assets						
Cash and investments	\$ 432,313	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governmental units	53,210	-	-	-	-	-
Due from other funds	-	90,788	135,308	-	-	290
Inventories	28,882	-	-	-	-	-
Restricted assets	-	-	-	70,919	108,979	87,744
Total assets	\$ 514,405	\$ 90,788	\$ 135,308	\$ 70,919	\$ 108,979	\$ 88,034
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 1,706	\$ 966	\$ 5,048	\$ -	\$ 1,050	\$ 705
Accrued payroll-related liabilities	30,994	89,822	25,651	-	-	-
Due to other funds	105,847	-	-	70,919	107,929	-
Deferred revenue	44,256	-	104,609	-	-	-
Total liabilities	182,803	90,788	135,308	70,919	108,979	705
Fund Balances						
Nonspendable - Inventory	28,882	-	-	-	-	-
Restricted:						
Debt service	-	-	-	-	-	87,329
Food service	302,720	-	-	-	-	-
Total fund balances	331,602	-	-	-	-	87,329
Total liabilities and fund balances	\$ 514,405	\$ 90,788	\$ 135,308	\$ 70,919	\$ 108,979	\$ 88,034

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012**

Debt Service Funds								Total Nonmajor Governmental Funds
2004 Refunding	2005 Refunding	2006 Refunding	2009 Refunding	2010	2011	2012 Refunding	Total Debt Service Funds	Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 432,313
-	-	-	-	-	-	-	-	53,210
1,342	71,260	87	341	33	91	108,361	181,805	407,901
-	-	-	-	-	-	-	-	28,882
342,610	49,982	56,893	143,581	92,415	32,137	3,191	988,451	988,451
\$ 343,952	\$ 121,242	\$ 56,980	\$ 143,922	\$ 92,448	\$ 32,228	\$ 111,552	\$ 1,170,256	\$ 1,910,757
\$ 3,264	\$ 829	\$ 212	\$ 829	\$ 79	\$ 221	\$ -	\$ 7,189	\$ 14,909
-	-	-	-	-	-	-	-	146,467
-	-	-	-	-	-	-	178,848	284,695
-	-	-	-	-	-	-	-	148,865
3,264	829	212	829	79	221	-	186,037	594,936
-	-	-	-	-	-	-	-	28,882
340,688	120,413	56,768	143,093	92,369	32,007	111,552	984,219	984,219
-	-	-	-	-	-	-	-	302,720
340,688	120,413	56,768	143,093	92,369	32,007	111,552	984,219	1,315,821
\$ 343,952	\$ 121,242	\$ 56,980	\$ 143,922	\$ 92,448	\$ 32,228	\$ 111,552	\$ 1,170,256	\$ 1,910,757

West Bloomfield School District

	Special Revenue Funds			Debt Service Funds		
	Special Education		Community Education	2001		
	Cafeteria	Center Program		2001	Refunding	2004
Revenue						
Local sources	\$ 1,174,817	\$ -	\$ 2,417,977	\$ -	\$ 1,974,136	\$ 1,327,150
State sources	85,749	787,991	-	-	-	-
Federal sources	747,423	-	-	-	-	-
Interdistrict sources	87,841	2,134,771	-	-	-	-
Total revenue	2,095,830	2,922,762	2,417,977	-	1,974,136	1,327,150
Expenditures						
Current:						
Instruction	-	1,792,580	-	-	-	-
Support services	-	912,601	-	-	-	-
Food services	2,150,985	-	-	-	-	-
Community services	-	-	2,135,639	-	-	-
Debt service:						
Principal	-	-	-	-	975,000	945,000
Interest	-	-	-	-	514,697	399,905
Other	-	-	-	-	19,052	12,871
Capital outlay	-	-	30,201	-	-	-
Total expenditures	2,150,985	2,705,181	2,165,840	-	1,508,749	1,357,776
Excess of Revenue (Under) Over Expenditures	(55,155)	217,581	252,137	-	465,387	(30,626)
Other Financing Sources (Uses)						
Payment to escrow agent	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(105,847)	(217,581)	(252,137)	(70,919)	(635,361)	-
Face value of debt issued	-	-	-	-	-	-
Total other financing (uses) sources	(105,847)	(217,581)	(252,137)	(70,919)	(635,361)	-
Net Change in Fund Balances	(161,002)	-	-	(70,919)	(169,974)	(30,626)
Fund Balances - Beginning of year	492,604	-	-	70,919	169,974	117,955
Fund Balances - End of year	\$ 331,602	\$ -	\$ -	\$ -	\$ -	\$ 87,329

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012

Debt Service Funds							Total Debt	Total
2004	2005	2006	2009	2010	2011	2012	Service	Nonmajor
Refunding	Refunding	Refunding	Refunding			Refunding	Funds	Governmental
								Funds
\$ 6,138,067	\$ 1,559,400	\$ 398,145	\$ 1,559,400	\$ 149,751	\$ 414,288	\$ -	\$ 13,520,337	\$ 17,113,131
-	-	-	-	-	-	-	-	873,740
-	-	-	-	820,888	-	-	820,888	1,568,311
-	-	-	-	-	-	-	-	2,222,612
<u>6,138,067</u>	<u>1,559,400</u>	<u>398,145</u>	<u>1,559,400</u>	<u>970,639</u>	<u>414,288</u>	<u>-</u>	<u>14,341,225</u>	<u>21,777,794</u>
-	-	-	-	-	-	-	-	1,792,580
-	-	-	-	-	-	-	-	912,601
-	-	-	-	-	-	-	-	2,150,985
-	-	-	-	-	-	-	-	2,135,639
5,470,000	835,000	-	1,040,000	-	100,000	-	9,365,000	9,365,000
799,350	745,019	366,400	519,656	890,787	278,328	-	4,514,142	4,514,142
58,803	15,089	3,899	14,998	1,729	3,953	84,860	215,254	215,254
-	-	-	-	-	-	-	-	30,201
<u>6,328,153</u>	<u>1,595,108</u>	<u>370,299</u>	<u>1,574,654</u>	<u>892,516</u>	<u>382,281</u>	<u>84,860</u>	<u>14,094,396</u>	<u>21,116,402</u>
(190,086)	(35,708)	27,846	(15,254)	78,123	32,007	(84,860)	246,829	661,392
-	-	-	-	-	-	(18,663,949)	(18,663,949)	(18,663,949)
-	70,919	-	-	-	-	635,361	706,280	706,280
-	-	-	-	-	-	-	(706,280)	(1,281,845)
-	-	-	-	-	-	18,225,000	18,225,000	18,225,000
-	70,919	-	-	-	-	196,412	(438,949)	(1,014,514)
(190,086)	35,211	27,846	(15,254)	78,123	32,007	111,552	(192,120)	(353,122)
530,774	85,202	28,922	158,347	14,246	-	-	1,176,339	1,668,943
<u>\$ 340,688</u>	<u>\$ 120,413</u>	<u>\$ 56,768</u>	<u>\$ 143,093</u>	<u>\$ 92,369</u>	<u>\$ 32,007</u>	<u>\$ 111,552</u>	<u>\$ 984,219</u>	<u>\$ 1,315,821</u>

West Bloomfield School District

June 30	2004	2004	2005	2006	2009
	2004	Refunding	Refunding	Refunding	Refunding
	Principal	Principal	Principal	Principal	Principal
2013	\$ 950,000	\$ 6,030,000	\$ 860,000	\$ -	\$ 900,000
2014	1,000,000	6,410,000	900,000	-	875,000
2015	1,450,000	-	2,015,000	-	3,055,000
2016	1,475,000	-	2,015,000	-	3,040,000
2017	1,475,000	-	2,015,000	-	3,025,000
2018	1,475,000	-	2,015,000	-	-
2019	-	-	2,015,000	1,555,000	-
2020	-	-	2,015,000	1,545,000	-
2021	-	-	2,015,000	1,535,000	-
2022	-	-	-	1,520,000	-
2023	-	-	-	1,505,000	-
2024	-	-	-	1,500,000	-
2025	-	-	-	-	-
2026	-	-	-	-	-
2027	-	-	-	-	-
Total	\$ 7,825,000	\$ 12,440,000	\$ 15,865,000	\$ 9,160,000	\$ 10,895,000
Principal payments due	May 1				
Interest payments due	May 1 and November 1				
Interest rate	3.65% to 5.25%	5.00%	3.50% to 5.00%	4.00%	3.00% to 5.00%
Original issue	\$ 22,435,000	\$ 46,120,000	\$ 17,015,000	\$ 9,530,000	\$ 14,135,000

**Other Supplemental Information
Schedule of Bonded Indebtedness
Year Ended June 30, 2012**

2010	2011	2012
Principal	Principal	Refunding Principal
\$ -	\$ 100,000	\$ 895,000
-	100,000	950,000
1,000,000	350,000	2,705,000
1,025,000	800,000	2,595,000
1,050,000	1,275,000	2,510,000
1,100,000	2,075,000	2,955,000
1,125,000	2,075,000	2,860,000
1,150,000	2,100,000	2,755,500
1,175,000	-	-
1,200,000	-	-
1,225,000	-	-
1,225,000	-	-
1,225,000	-	-
1,250,000	-	-
1,250,000	-	-
\$ 15,000,000	\$ 8,875,000	\$ 18,225,500
May 1	May 1	May 1
May 1 and November 1	May 1 and November 1	May 1 and November 1
4.125% to 6.70%	2.00% to 5.00%	2.18%
\$ 15,000,000	\$ 8,975,000	\$ 18,225,500

West Bloomfield School District

Detail of Bonded Debt June 30, 2012

Issue	Purpose of Bond Issue
2004 Refunding	Refunding a portion of the School District's 1994 School Building and Site Bonds, dated January 12, 1994, due and payable May 1, 2005 through May 1, 2008, inclusive, May 1, 2010, May 1, 2011, and May 1, 2014 (the "prior bonds"), and to pay the costs of issuing the bonds. The prior bonds include the portion of the prior bonds allocable to crossover refunding, which are due and payable May 1, 2005 through May 1, 2009.
2004	Remodeling, equipping, re-equipping, furnishing and refurnishing school buildings, other facilities, athletic fields, and playgrounds; preparing, developing, and improving school building sites, other facility sites, and playground and athletic field sites; erecting, completing, equipping, and furnishing additions to school buildings and site preparation for the additions; equipping and re-equipping school buildings and other facilities for technology systems and equipment; refunding the outstanding balance of the school bus installment purchase obligation, the proceeds of which were used to acquire school buses in 2004; and to pay the costs of issuing the bonds
2005 Refunding	Refunding a portion of the School District's outstanding 2001 School Building and Site Bonds, dated May 22, 2001, which are due and payable May 1, 2012 through May 1, 2018 (the "prior bonds"), and to pay the costs of issuing the bonds
2006 Refunding	Refunding a portion of the School District's outstanding 2004 School Building and Site Bonds, dated August 12, 2004, which are due and payable May 1, 2008 and May 1, 2019 through May 1, 2024 (the "prior bonds"), and to pay the costs of issuing the bonds
2009 Refunding	Refunding a portion of the School District's outstanding 1998 and 1999 School Building and Site Bonds, dated December 22, 1998 and February 1, 1999, respectively, which are due and payable May 1, 2009 through May 1, 2017 (the "prior bonds"), and to pay the costs of issuing the bonds
2010	Building renovations and site improvements and to pay the costs of issuing the bonds
2011	Technology, safety, school bus replacement, and to pay the costs of issuing the bonds
2012R	Refunding a portion of the School District's outstanding 2001 School Building and Site Bond, dated November 1, 2001, which are due and payable May 1, 2013 through May 1, 2020 (the "prior bonds"), and to pay the costs of issuing the bonds