

West Bloomfield School District

**Financial Report
with Supplemental Information
June 30, 2011**

West Bloomfield School District

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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, 2011, 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, 2011 and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

During the year, the School District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note 1. As a result of this requirement implementation, the Athletic and Co-Curricular Fund, previously classified as a special revenue fund, is now reported as a part of the General Fund. In addition, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB Statement No. 54.

The management's discussion and analysis and budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

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 not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. The other supplemental 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.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated September 19, 2011 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 & Moran, PLLC

September 19, 2011

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, 2011. 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 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, 2011 and 2010:

TABLE I

	Governmental Activities	
	June 30	
	2011	2010
	(in millions)	
Assets		
Current and other assets	\$ 35.5	\$ 27.9
Capital assets	119.4	117.2
Total assets	154.9	145.1
Liabilities		
Current liabilities	26.6	24.5
Long-term liabilities	102.8	104.0
Total liabilities	129.4	128.5

West Bloomfield School District

Management's Discussion and Analysis (Continued)

TABLE I (Continued)

	Governmental Activities	
	June 30	
	2011	2010
	(in millions)	
Net Assets (Deficit)		
Invested in capital assets - Net of related debt	\$ 11.6	\$ 9.3
Restricted	18.9	15.9
Unrestricted	(5.0)	(8.6)
Total net assets	\$ 25.5	\$ 16.6

West Bloomfield School District's net assets were \$25.5 million at June 30, 2011. Capital assets, net of related debt totaling \$11.6 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 (\$5.0) million was unrestricted.

The (\$5.0) 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, 2011 and 2010.

West Bloomfield School District

Management's Discussion and Analysis (Continued)

TABLE 2

	Governmental Activities	
	2011	2010
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 3.9	\$ 4.3
Operating grants and contributions	14.6	13.9
General revenue:		
Property taxes	26.2	26.0
State foundation allowance	45.1	43.8
Federal sources - Unrestricted	1.6	1.9
Other	0.6	0.7
Total revenue	92.0	90.6
Functions/Program Expenses		
Instruction	46.9	50.4
Support services	25.9	28.2
Athletics	1.0	1.2
Food services	2.1	2.2
Community services	2.1	2.4
Intergovernmental expenditure	-	0.1
Interest on long-term debt	5.1	4.9
Total functions/program expenses	83.1	89.4
Increase in Net Assets	8.9	1.2
Net Assets - Beginning of year	16.6	15.4
Net Assets - End of year	\$ 25.5	\$ 16.6

As reported in the statement of activities, the cost of all of our governmental activities this year was \$83.1 million. Certain activities were partially funded from those who benefited from the programs (\$3.9 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$14.6 million). We paid for the remaining "public benefit" portion of our governmental activities with \$26.2 million in taxes, \$45.1 million in State foundation allowance, \$1.6 in federal unrestricted sources, and \$0.6 million with our other revenue, such as interest and general entitlements.

The School District experienced an increase in net assets of \$8.9 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 \$20.0 million, which is an increase of \$5.3 million from last year. Significant changes by fund are as follows:

In the General Fund, our principal operating fund, the fund balance increased approximately \$2.3 million to a balance of \$0.5 million. The change is a direct result of budget reductions and cost-cutting measures implemented by the Board of Education and administration for the 2010-2011 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 28.5 positions, and for the first time, the implementation of a one-mile walking distance for students attending both elementary and secondary schools. These aforementioned reductions, along with continuing cost containment strategies for fiscal year 2011-2012, will allow the School District to begin the process of adding to its positive General Fund balance in future years and staying out of deficit. The School District has also notified the Michigan Department of Education that it is no longer in deficit which precludes the need for continued filing of the deficit elimination plan (DEP). The School District has appreciated the assistance and input from the community, the Board of Education, and all staff this past year with the emphasis on improving school finances which reflects in a marked improvement in the fund balance position from a year ago.

In the Special Revenue Funds, the fund balance increased approximately \$0.03 million to \$0.5 million. The change is mainly due to the excess of revenue over expenditures in the Cafeteria Fund of \$0.1 million. The Cafeteria Fund increase was due to increased participation and increases in reimbursements under the federal free and reduced price lunch program. Further, the School District entered a cooperative agreement with the Oakland Intermediate School District (OISD) whereby the services of the School District's food and nutrition supervisor are shared 50/50 with the OISD, including salaries and benefits.

West Bloomfield School District

Management's Discussion and Analysis (Continued)

In the Debt Service Funds, the fund balance increased approximately \$0.03 million to \$1.2 million. The fund balance generally remained the same from the prior year. The School District will be considering a refunding of the 2001 refunding bonds. The call dates for these bonds is May 1, 2012, which makes them eligible for a current refunding during the timeframe of January/February 2012. It is expected that the School District will move forward with the refunding bond and capture interest savings under then market conditions for the taxpayers of the School District.

In the 2010 Capital Projects Fund, the School District issued through the MMBA (Michigan Municipal Bond Authority), \$15 million in federal ARRA (American Recovery and Reinvestment Act) Qualified School Construction Bonds. The majority of the interest to be paid on these bonds is reimbursable from the federal government. The bonds can only be used for school construction, site improvements, and remodeling projects. A total of \$6.0 million has been expended during fiscal year 2010-2011 for various improvements and remodeling of school facilities along with site improvements. The bonds must be expended by May 2013. In the 2011 Capital Projects Fund, the School District issued \$9 million in bonds through the MMBA. These bonds will be used primarily for technology improvements and other instructional equipment, school bus replacement, and facility improvements.

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 February 2010 and final amendments to the budget were adopted on June 13, 2011. Amendments reflected changes due to enrollment, state and federal grants, changes in staffing levels, impact of the federal ARRA stabilization funds, 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 \$733,160.

There were revisions made to the 2010-2011 General Fund original budget. Budgeted revenue was increased by \$4,270,860 due to increases in local, state, and interdistrict sources of revenue. Final budgeted expenditures were increased by \$1,911,362 to reflect changes in staffing, compensation, health insurance, mandatory retirement payments, collective bargaining settlements, and the impact of the federal ARRA funding.

The final amended budget and actual amounts at June 30, 2011 depict a net decrease in revenue of \$257,254 and a decrease in expenditures of \$733,160, between final budgets and actual results. The overall reduction in expenditures was brought about by district-wide cost containment and collective bargaining agreement settlements. The budget results also reflect the fact that athletic and co-curricular activities are now part of the general operating fund.

West Bloomfield School District

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2011, the School District had \$180.1 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, disposals, and depreciation) of approximately \$2.2 million from last year.

	<u>2011</u>	<u>2010</u>
Land	\$ 8,147,575	\$ 8,147,575
Construction in progress	5,958,079	14,192
Buildings and building improvements	140,818,929	140,818,929
Buses and other vehicles	4,255,906	4,598,584
Furniture and equipment	<u>20,911,728</u>	<u>20,789,074</u>
Total capital assets	180,092,217	174,368,354
Less accumulated depreciation	<u>60,707,947</u>	<u>57,152,782</u>
Net capital assets	<u>\$ 119,384,270</u>	<u>\$ 117,215,572</u>

In the 2010 Capital Projects Fund, the School District is in the process of completing school remodeling/renovation and site projects from the proceeds of the \$15 million ARRA Qualified School Construction Bonds that were sold in May 2010. 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 recently sold in June 2011. These funds are required to be spent within the next 36 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 \$107.6 million in bonds outstanding versus \$107.6 million in the previous year. Those bonds consisted of the following:

	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 107,615,000	\$ 107,590,000

West Bloomfield School District

Management's Discussion and Analysis (Continued)

The School District's general obligation bond rating is Baa1 with Moody's Investors Service. 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 \$107.6 million is significantly below this \$266.3 million statutorily imposed limit.

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.

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 our student count and the state foundation allowance. Ninety percent of the School District's revenue is determined by multiplying the student count by the state foundation allowance. The student count is a blend using 10 percent from the February 2011 count and 90 percent from the September 2011 count. The 2010-2011 budget was adopted on June 21, 2010 and was based on a projected enrollment of 6,861 students for September 2010.

The School District's revenue is then determined by multiplying the blended enrollment and the state-approved foundation allowance. Under current state law, the School District cannot assess additional property tax revenue to fund general operations of the School District. West Bloomfield School District, like all other school districts in Michigan, is heavily dependent on the State to fund school operations. Once the state foundation allowance is determined and the student count is finalized, state law requires the School District to amend the budget if projected revenue is not adequate 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 Aid Bill for the 2011-2012 school year was finalized prior to the adoption of the 2011-2012 budget on June 13, 2011. The decrease in state funding was \$470 per pupil. The school aid bill also contained the equivalent of a \$100 per-pupil supplemental payment to MPERS and also \$100 per pupil for a new categorical for best practices. These new sources of funds are for the 2011-2012 school year only and were not included in the budget at the time of adoption. They will require budget amendment. The School District will also amend the budget to reflect any change from the amounts originally budgeted once the September enrollment is known and all hiring commitments are complete.

West Bloomfield School District

Management's Discussion and Analysis (Continued)

Given the State's current economic climate, 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, employees have agreed to contract concessions including changes in wages and benefits for the 2011-2012 school year. The School District also solicited input from parents, community members, and staff regarding the School District's financial situation and constructive ideas for changes to programs and the budget. This group, Strategic Visioning/Budget Prioritization, met last winter and early spring and came up with recommendations covering all facets of School District operations for 2011-2012 and 2012-2013. It is expected that the committee will continue to lend assistance to the School District for the foreseeable future.

West Bloomfield School District

Statement of Net Assets (Deficit) June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and investments (Note 3)	\$ 4,555,901
Due from other governmental units	10,326,136
Inventories	27,418
Prepaid costs and other assets	58,368
Restricted assets (Note 7)	20,517,799
Capital assets - Net (Note 4)	<u>119,384,270</u>
Total assets	154,869,892
Liabilities	
Accounts payable	2,214,107
Accrued payroll and other liabilities	5,464,383
Line of credit (Note 6)	8,000,000
Deferred revenue (Note 1)	460,584
Noncurrent liabilities (Note 6):	
Due within one year	10,427,065
Due in more than one year	<u>102,830,283</u>
Total liabilities	<u>129,396,422</u>
Net Assets (Deficit)	
Invested in capital assets - Net of related debt	11,602,895
Restricted	18,913,708
Unrestricted	<u>(5,043,133)</u>
Total net assets	<u>\$ 25,473,470</u>

West Bloomfield School District

Statement of Activities Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenue		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Assets
Primary government - Governmental activities:				
Instruction	\$ 46,893,198	\$ -	\$ 9,666,237	\$ (37,226,961)
Support services	25,850,754	-	4,154,602	(21,696,152)
Athletics	1,056,775	311,577	-	(745,198)
Food services	2,092,692	1,250,762	801,476	(40,454)
Community services	2,110,646	2,296,753	-	186,107
Interest on long-term debt	5,117,401	-	-	(5,117,401)
Total primary government - Governmental activities	<u>\$ 83,121,466</u>	<u>\$ 3,859,092</u>	<u>\$ 14,622,315</u>	(64,640,059)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				12,851,985
Property taxes, levied for debt service				13,328,125
State aid not restricted to specific purposes				45,098,694
Federal sources - Unrestricted				1,573,695
Interest and investment earnings				50,378
Loss on the sale of capital assets				(34,266)
Other				643,794
Total general revenue				<u>73,512,405</u>
Change in Net Assets				8,872,346
Net Assets - Beginning of year				<u>16,601,124</u>
Net Assets - End of year				<u>\$ 25,473,470</u>

West Bloomfield School District

Governmental Funds Balance Sheet June 30, 2011

	General Fund	2010 Capital Projects	2011 Capital Projects	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 4,123,345	\$ -	\$ -	\$ 432,556	\$ 4,555,901
Due from other governmental units	10,246,423	-	-	79,713	10,326,136
Due from other funds (Note 5)	-	-	-	367,941	367,941
Inventories	-	-	-	27,418	27,418
Prepaid costs and other assets	58,368	-	-	-	58,368
Restricted assets (Note 7)	-	10,382,275	8,948,393	1,187,131	20,517,799
Total assets	\$14,428,136	\$10,382,275	\$ 8,948,393	\$ 2,094,759	\$ 35,853,563
Liabilities and Fund Balances (Deficit)					
Liabilities					
Accounts payable	\$ 604,312	\$ 1,555,351	\$ 37,948	\$ 31,385	\$ 2,228,996
Accrued payroll-related liabilities	4,762,984	-	-	90,073	4,853,057
Line of credit (Note 6)	8,000,000	-	-	-	8,000,000
Due to other funds (Note 5)	353,052	-	-	-	353,052
Deferred revenue (Note 1)	156,226	-	-	304,358	460,584
Total liabilities	13,876,574	1,555,351	37,948	425,816	15,895,689
Fund Balances (Deficit)					
Nonspendable:					
Inventory	-	-	-	27,418	27,418
Prepaid assets	58,368	-	-	-	58,368
Restricted:					
Capital projects	-	8,826,924	8,910,445	-	17,737,369
Debt service	-	-	-	1,176,339	1,176,339
Food service	-	-	-	465,186	465,186
Committed - Voluntary severance incentive	3,218,800	-	-	-	3,218,800
Unassigned	(2,725,606)	-	-	-	(2,725,606)
Total fund balances (deficit)	551,562	8,826,924	8,910,445	1,668,943	19,957,874
Total liabilities and fund balances (deficit)	\$14,428,136	\$10,382,275	\$ 8,948,393	\$ 2,094,759	\$ 35,853,563

West Bloomfield School District

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets (Deficit) June 30, 2011

Fund Balance - Total Governmental Funds	\$	19,957,874
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of capital assets	\$	180,092,217
Accumulated depreciation	<u>(60,707,947)</u>	119,384,270
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	(107,781,375)	
Compensated absences and voluntary severance incentive	<u>(5,475,973)</u>	(113,257,348)
Accrued interest payable is not included as a liability in governmental funds		<u>(611,326)</u>
Net Assets - Governmental Activities	\$	<u>25,473,470</u>

West Bloomfield School District

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended June 30, 2011

	General Fund	2010 Capital Projects	2011 Capital Projects	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	\$ 13,872,582	\$ 38,911	\$ -	\$ 16,716,023	\$ 30,627,516
State sources	49,148,931	-	-	899,830	50,048,761
Federal sources	4,078,958	-	-	1,485,881	5,564,839
Interdistrict sources	3,389,476	-	-	2,279,048	5,668,524
Total revenue	70,489,947	38,911	-	21,380,782	91,909,640
Expenditures					
Current:					
Instruction	42,857,203	-	-	1,883,610	44,740,813
Support services	24,685,051	-	-	885,625	25,570,676
Athletics	1,024,707	-	-	-	1,024,707
Food services	-	-	-	2,015,420	2,015,420
Community services	8,517	-	-	2,095,561	2,104,078
Debt service:					
Principal	-	-	-	8,950,000	8,950,000
Interest	-	-	-	4,986,043	4,986,043
Other	-	9,911	138,021	140,758	288,690
Capital outlay	-	5,978,768	-	-	5,978,768
Total expenditures	68,575,478	5,988,679	138,021	20,957,017	95,659,195
Excess of Revenue Over (Under) Expenditures	1,914,469	(5,949,768)	(138,021)	423,765	(3,749,555)
Other Financing Sources (Uses)					
Transfers in	359,286	-	-	104,465	463,751
Transfers out	-	-	-	(463,751)	(463,751)
Face value of debt issued	-	-	8,975,000	-	8,975,000
Premium on debt issued	-	-	73,466	-	73,466
Total other financing sources (uses)	359,286	-	9,048,466	(359,286)	9,048,466
Net Change in Fund Balances	2,273,755	(5,949,768)	8,910,445	64,479	5,298,911
Fund Balances (Deficit) - Beginning of year	(1,722,193)	14,776,692	-	1,604,464	14,658,963
Fund Balances - End of year	<u>\$ 551,562</u>	<u>\$ 8,826,924</u>	<u>\$ 8,910,445</u>	<u>\$ 1,668,943</u>	<u>\$ 19,957,874</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 (Deficit) of Governmental Funds to the Statement of Activities Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ 5,298,911
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	\$ (3,863,577)
Capitalized capital outlay	<u>6,066,541</u> 2,202,964
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	(34,266)
Bond proceeds provide financial resources to governmental funds, but issuing bonds increases long-term liabilities in the statement of activities	(8,975,000)
Bond premium reported as revenue and deferred charges reported as expenditures in the funds and amortized in the statement of activities	64,555
Amortization of bond premium and deferred charges	118,438
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	8,950,000
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	19,311
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	<u>1,227,433</u>
Change in Net Assets of Governmental Activities	<u>\$ 8,872,346</u>

West Bloomfield School District

Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2011

	<u>Agency Funds</u>
Assets - Cash and investments (Note 3)	<u>\$ 399,009</u>
Liabilities	
Due to student groups	\$ 384,120
Due to other funds (Note 5)	<u>14,889</u>
Total liabilities	<u>\$ 399,009</u>

West Bloomfield School District

Notes to Financial Statements June 30, 2011

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 revenues. 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, 2011

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, 2011

Note 1 - 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, 2011

Note 1 - 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 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, unearned property tax payments, and summer school tuition received of \$460,584 recorded as deferred revenue.

West Bloomfield School District

Notes to Financial Statements June 30, 2011

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 72 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 - In March 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 on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned. The School District implemented GASB Statement No. 54 during the year.

West Bloomfield School District

Notes to Financial Statements June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

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
- 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

Accounting Change - Effective July 1, 2010, the School District implemented the provisions of Governmental Accounting Standards Board Statement No. 54. In addition to the changes to fund balance discussed above, the School District changed its presentation of the athletic and co-curricular activity in the governmental funds. Previously, the athletic and co-curricular fund activity was reported as a special revenue fund. With the adoption of GASB Statement No. 54, the activity no longer met the criteria to be classified as a special revenue fund and the activity is now reported in the General Fund. The Athletic and Co-Curricular Fund did not have a fund balance as of June 30, 2010.

Upcoming Accounting Pronouncement - 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.

West Bloomfield School District

Notes to Financial Statements June 30, 2011

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, 2011

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 \$25,741,565 had \$25,241,565 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, 2011.

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, 2011

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	\$ 1,187,131	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:

Governmental Activities	Balance July 1, 2010	Additions/ Transfers	Disposals	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 8,147,575	\$ -	\$ -	\$ 8,147,575
Construction in progress	14,192	5,943,887	-	5,958,079
Subtotal	8,161,767	5,943,887	-	14,105,654
Capital assets being depreciated:				
Buildings and building improvements	140,818,929	-	-	140,818,929
Furniture and equipment	20,789,074	122,654	-	20,911,728
Buses and other vehicles	4,598,584	-	342,678	4,255,906
Subtotal	166,206,587	122,654	342,678	165,986,563
Accumulated depreciation:				
Buildings and building improvements	37,484,294	2,462,869	-	39,947,163
Furniture and equipment	16,025,688	1,181,507	-	17,207,195
Buses and other vehicles	3,642,800	219,201	308,412	3,553,589
Subtotal	57,152,782	3,863,577	308,412	60,707,947
Net capital assets being depreciated	109,053,805	(3,740,923)	34,266	105,278,616
Net capital assets	\$ 117,215,572	\$ 2,202,964	\$ 34,266	\$ 119,384,270

West Bloomfield School District

Notes to Financial Statements June 30, 2011

Note 4 - Capital Assets (Continued)

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

Governmental activities:

Instruction	\$ 3,099,361
Support services	648,308
Community services	6,568
Food services	77,272
Athletics	<u>32,068</u>
Total governmental activities	<u>\$ 3,863,577</u>

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
2010 Bond Issue	\$ 5,995,519	\$ 6,060,227

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>		<u>Total</u>
	<u>General Fund</u>	<u>Student Activities Fund</u>	
Nonmajor governmental funds	<u>\$ 353,052</u>	<u>\$ 14,889</u>	<u>\$ 367,941</u>

Interfund balances represent cash and investments that are held in the General Fund on behalf of other 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	\$ 359,286
Nonmajor governmental funds	<u>104,465</u>
Total	<u>\$ 463,751</u>

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.

West Bloomfield School District

Notes to Financial Statements June 30, 2011

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. Notes and installment purchase agreements are also general obligations 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 1.51 percent at June 30, 2011. 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, 2011 was \$8,000,000. The flex line matures on July 2, 2012.

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds	\$ 107,590,000	\$ 8,975,000	\$ 8,950,000	\$ 107,615,000	\$ 9,365,000
Less deferred amounts:					
Bond premium	2,335,653	73,466	391,227	2,017,892	399,390
Deferred interest from refunding bonds	(1,986,285)	(138,021)	(272,789)	(1,851,517)	(288,125)
Total bonds payable	107,939,368	8,910,445	9,068,438	107,781,375	9,476,265
Other obligations	6,703,406	439,367	1,666,800	5,475,973	950,800
Total governmental activities	<u>\$ 114,642,774</u>	<u>\$ 9,349,812</u>	<u>\$ 10,735,238</u>	<u>\$ 113,257,348</u>	<u>\$ 10,427,065</u>

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
2012	\$ 9,365,000	\$ 4,988,865	\$ (820,888)	\$ 4,167,977	\$ 13,532,977
2013	9,805,000	4,601,735	(820,888)	3,780,847	13,585,847
2014	10,240,000	4,164,505	(820,888)	3,343,617	13,583,617
2015	10,590,000	3,800,339	(820,888)	2,979,451	13,569,451
2016	11,070,000	3,056,926	(779,638)	2,277,288	13,347,288
2017-2021	44,645,000	9,007,485	(3,062,400)	5,945,085	50,590,085
2022-2027	11,900,000	2,086,928	(14,805,785)	606,353	12,506,353
Total	<u>\$ 107,615,000</u>	<u>\$ 31,706,783</u>	<u>\$ (8,606,165)</u>	<u>\$ 23,100,618</u>	<u>\$ 130,715,618</u>

West Bloomfield School District

Notes to Financial Statements June 30, 2011

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

Governmental Activities

General obligation bonds consist of the following:

\$20,745,000 serial and term bonds due in annual installments of \$955,000 to \$2,725,000 through May 1, 2020; interest at 4.10%-5.50%	\$ 19,165,000
\$46,120,000 serial and term bonds due in annual installments of \$5,470,000 to \$6,410,000 through May 1, 2014; interest at 5.00%	17,910,000
\$22,435,000 serial and term bonds due in annual installments of \$945,000 to \$1,475,000 through May 1, 2018; interest at 3.65%-5.25%	8,770,000
\$17,015,000 serial and term bonds due in annual installments of \$835,000 to \$2,015,000 through May 1, 2021; interest at 3.50%-5.00%	16,700,000
\$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%	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%-5.00%	11,935,000
\$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%-6.70%	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%-5.00%	<u>8,975,000</u>
Total bonded debt	<u>\$ 107,615,000</u>

Other governmental activities long-term obligations include the following:

Employee compensated absences	\$ 2,257,173
Voluntary severance incentive	<u>3,218,800</u>
Total	<u>\$ 5,475,973</u>

West Bloomfield School District

Notes to Financial Statements June 30, 2011

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

Advance and Current Refundings - 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, 2011, \$86,810,000 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	\$ 19,330,668
Debt Service Funds cash and investments	<u>1,187,131</u>
Total restricted assets	<u>\$ 20,517,799</u>

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.

West Bloomfield School District

Notes to Financial Statements June 30, 2011

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), 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.

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 10.13 percent of covered payroll for the period from July 1, 2010 through September 30, 2010 and 12.16 percent for the period from October 1, 2010 through June 30, 2011. 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, 2011, 2010, and 2009 were approximately \$7,120,000, \$6,995,000, and \$7,073,000, 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 6.81 percent of covered payroll for the period from July 1, 2010 through September 30, 2010, 7.25 percent for the period from October 1, 2010 through October 31, 2010, and 8.50 percent for the period from November 1, 2010 through June 30, 2011. The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2011, 2010, and 2009 were approximately \$760,000, \$747,000, and \$704,000, respectively.

Required Supplemental Information

West Bloomfield School District

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 13,670,152	\$ 14,085,281	\$ 13,872,582	\$ (212,699)
State sources	46,139,201	48,869,918	49,148,931	279,013
Federal sources	4,377,064	4,323,636	4,078,958	(244,678)
Interdistrict sources	2,289,924	3,468,366	3,389,476	(78,890)
Total revenue	66,476,341	70,747,201	70,489,947	(257,254)
Expenditures - Current				
Instruction:				
Basic programs	33,278,158	34,473,730	34,322,598	(151,132)
Added needs	7,543,754	8,591,878	8,370,788	(221,090)
Adult and continuing education	133,907	182,875	163,817	(19,058)
Support services:				
Pupil	3,460,221	3,774,675	3,678,424	(96,251)
Instructional staff	3,319,203	3,411,236	3,289,807	(121,429)
General administration	614,737	657,217	716,598	59,381
School administration	4,125,703	3,850,073	3,838,342	(11,731)
Business	1,162,990	1,423,703	1,460,965	37,262
Operations and maintenance	6,262,916	5,903,171	5,814,143	(89,028)
Pupil transportation services	4,217,644	3,872,468	3,906,996	34,528
Central	1,892,992	1,857,951	1,782,455	(75,496)
Nonpublic schools	192,834	200,484	197,321	(3,163)
Athletics	1,073,470	1,075,846	1,024,707	(51,139)
Community services	9,397	8,331	8,517	186
Capital outlay	109,350	25,000	-	(25,000)
Total expenditures	67,397,276	69,308,638	68,575,478	(733,160)
Excess of Revenue (Under) Over Expenditures	(920,935)	1,438,563	1,914,469	475,906
Other Financing Sources -				
Transfers in	358,025	309,286	359,286	50,000
Net Change in Fund Balance	(562,910)	1,747,849	2,273,755	525,906
Fund Balance (Deficit) - July 1, 2010	(2,967,721)	(1,722,193)	(1,722,193)	-
Fund Balance (Deficit) - June 30, 2011	\$ (3,530,631)	\$ 25,656	\$ 551,562	\$ 525,906

Other Supplemental Information

West Bloomfield School District

	Special Revenue Funds			Debt Service Funds		
	Cafeteria	Special Education Center Program	Community Education	2000	2001	2001 Refunding
Assets						
Cash and investments	\$ 432,556	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governmental units	77,199	-	-	-	159	365
Due from other funds	-	76,647	289,062	-	141	324
Inventories	27,418	-	-	-	-	-
Restricted assets	-	-	-	-	71,599	171,538
Total assets	\$ 537,173	\$ 76,647	\$ 289,062	\$ -	\$ 71,899	\$ 172,227
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 2,024	\$ 12,345	\$ 1,478	\$ -	\$ 980	\$ 2,253
Accrued payroll-related liabilities	-	64,302	25,771	-	-	-
Deferred revenue	42,545	-	261,813	-	-	-
Total liabilities	44,569	76,647	289,062	-	980	2,253
Fund Balances						
Nonspendable - Inventory	27,418	-	-	-	-	-
Restricted:						
Debt service	-	-	-	-	70,919	169,974
Food service	465,186	-	-	-	-	-
Total fund balances	492,604	-	-	-	70,919	169,974
Total liabilities and fund balances	\$ 537,173	\$ 76,647	\$ 289,062	\$ -	\$ 71,899	\$ 172,227

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011**

Debt Service Funds						Total Debt Service Funds	Total Nonmajor Governmental Funds
2004	2004 Refunding	2005 Refunding	2006 Refunding	2009 Refunding	2010		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 432,556
256	1,178	152	61	327	16	2,514	79,713
227	1,045	135	54	291	15	2,232	367,941
-	-	-	-	-	-	-	27,418
<u>119,057</u>	<u>535,831</u>	<u>85,853</u>	<u>29,183</u>	<u>159,751</u>	<u>14,319</u>	<u>1,187,131</u>	<u>1,187,131</u>
<u>\$ 119,540</u>	<u>\$ 538,054</u>	<u>\$ 86,140</u>	<u>\$ 29,298</u>	<u>\$ 160,369</u>	<u>\$ 14,350</u>	<u>\$ 1,191,877</u>	<u>\$ 2,094,759</u>
\$ 1,585	\$ 7,280	\$ 938	\$ 376	\$ 2,022	\$ 104	\$ 15,538	\$ 31,385
-	-	-	-	-	-	-	90,073
-	-	-	-	-	-	-	304,358
<u>1,585</u>	<u>7,280</u>	<u>938</u>	<u>376</u>	<u>2,022</u>	<u>104</u>	<u>15,538</u>	<u>425,816</u>
-	-	-	-	-	-	-	27,418
<u>117,955</u>	<u>530,774</u>	<u>85,202</u>	<u>28,922</u>	<u>158,347</u>	<u>14,246</u>	<u>1,176,339</u>	<u>1,176,339</u>
-	-	-	-	-	-	-	465,186
<u>117,955</u>	<u>530,774</u>	<u>85,202</u>	<u>28,922</u>	<u>158,347</u>	<u>14,246</u>	<u>1,176,339</u>	<u>1,668,943</u>
<u>\$ 119,540</u>	<u>\$ 538,054</u>	<u>\$ 86,140</u>	<u>\$ 29,298</u>	<u>\$ 160,369</u>	<u>\$ 14,350</u>	<u>\$ 1,191,877</u>	<u>\$ 2,094,759</u>

West Bloomfield School District

	Special Revenue Funds			Debt Service Funds		
	Special Education Center		Community Education	2000	2001	2001 Refunding
	Cafeteria	Program	Education			
Revenue						
Local sources	\$ 1,239,362	\$ -	\$ 2,145,561	\$ -	\$ 841,023	\$ 1,932,562
State sources	97,718	802,112	-	-	-	-
Federal sources	703,758	-	-	-	-	-
Interdistrict sources	79,019	2,200,029	-	-	-	-
Total revenue	2,119,857	3,002,141	2,145,561	-	841,023	1,932,562
Expenditures						
Current:						
Instruction	-	1,883,610	-	-	-	-
Support services	-	885,625	-	-	-	-
Food services	2,015,420	-	-	-	-	-
Community services	-	-	2,095,561	-	-	-
Debt service:						
Principal	-	-	-	-	800,000	985,000
Interest	-	-	-	-	36,400	1,028,820
Other	-	-	-	-	8,715	21,062
Total expenditures	2,015,420	2,769,235	2,095,561	-	845,115	2,034,882
Excess of Revenue Over (Under) Expenditures	104,437	232,906	50,000	-	(4,092)	(102,320)
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	104,465
Transfers out	(76,380)	(232,906)	(50,000)	(104,465)	-	-
Total other financing sources (uses)	(76,380)	(232,906)	(50,000)	(104,465)	-	104,465
Net Change in Fund Balances	28,057	-	-	(104,465)	(4,092)	2,145
Fund Balances - Beginning of year	464,547	-	-	104,465	75,011	167,829
Fund Balances - End of year	\$ 492,604	\$ -	\$ -	\$ -	\$ 70,919	\$ 169,974

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011

Debt Service Funds						Total Debt Service Funds	Total Nonmajor Governmental Funds
2004	2004 Refunding	2005 Refunding	2006 Refunding	2009 Refunding	2010		
\$ 1,359,950	\$ 6,245,040	\$ 805,234	\$ 322,093	\$ 1,735,727	\$ 89,471	\$ 13,331,100	\$ 16,716,023
-	-	-	-	-	-	-	899,830
-	-	-	-	-	782,123	782,123	1,485,881
-	-	-	-	-	-	-	2,279,048
1,359,950	6,245,040	805,234	322,093	1,735,727	871,594	14,113,223	21,380,782
-	-	-	-	-	-	-	1,883,610
-	-	-	-	-	-	-	885,625
-	-	-	-	-	-	-	2,015,420
-	-	-	-	-	-	-	2,095,561
910,000	5,110,000	35,000	-	1,110,000	-	8,950,000	8,950,000
431,755	952,650	746,139	366,400	575,156	848,723	4,986,043	4,986,043
12,711	59,890	8,566	4,388	16,801	8,625	140,758	140,758
1,354,466	6,122,540	789,705	370,788	1,701,957	857,348	14,076,801	20,957,017
5,484	122,500	15,529	(48,695)	33,770	14,246	36,422	423,765
-	-	-	-	-	-	104,465	104,465
-	-	-	-	-	-	(104,465)	(463,751)
-	-	-	-	-	-	-	(359,286)
5,484	122,500	15,529	(48,695)	33,770	14,246	36,422	64,479
112,471	408,274	69,673	77,617	124,577	-	1,139,917	1,604,464
\$ 117,955	\$ 530,774	\$ 85,202	\$ 28,922	\$ 158,347	\$ 14,246	\$ 1,176,339	\$ 1,668,943

West Bloomfield School District

June 30	2001 Refunding Principal	2004 Principal	2004 Refunding Principal	2005 Refunding Principal
2012	\$ 975,000	\$ 945,000	\$ 5,470,000	\$ 835,000
2013	965,000	950,000	6,030,000	860,000
2014	955,000	1,000,000	6,410,000	900,000
2015	2,720,000	1,450,000	-	2,015,000
2016	2,715,000	1,475,000	-	2,015,000
2017	2,710,000	1,475,000	-	2,015,000
2018	2,725,000	1,475,000	-	2,015,000
2019	2,715,000	-	-	2,015,000
2020	2,685,000	-	-	2,015,000
2021	-	-	-	2,015,000
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
Total	\$ 19,165,000	\$ 8,770,000	\$ 17,910,000	\$ 16,700,000
Principal payments due	May 1	May 1	May 1	May 1
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rate	4.10% to 5.50%	3.65% to 5.25%	5.00%	3.50% to 5.00%
Original issue	\$ 20,745,000	\$ 22,435,000	\$ 46,120,000	\$ 17,015,000

**Other Supplemental Information
Schedule of Bonded Indebtedness
Year Ended June 30, 2011**

2006 Refunding Principal	2009 Refunding Principal	2010 Principal	2011 Principal
\$ -	\$ 1,040,000	\$ -	\$ 100,000
-	900,000	-	100,000
-	875,000	-	100,000
-	3,055,000	1,000,000	350,000
-	3,040,000	1,025,000	800,000
-	3,025,000	1,050,000	1,275,000
-	-	1,100,000	2,075,000
1,555,000	-	1,125,000	2,075,000
1,545,000	-	1,150,000	2,100,000
1,535,000	-	1,175,000	-
1,520,000	-	1,200,000	-
1,505,000	-	1,225,000	-
1,500,000	-	1,225,000	-
-	-	1,225,000	-
-	-	1,250,000	-
-	-	1,250,000	-
\$ 9,160,000	\$ 11,935,000	\$ 15,000,000	\$ 8,975,000
May 1	May 1	May 1	May 1
May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1
4.00%	3.00% to 5.00%	4.125% to 6.70%	2.00% to 5.00%
\$ 9,530,000	\$ 14,135,000	\$ 15,000,000	\$ 8,975,000

West Bloomfield School District

Detail of Bonded Debt June 30, 2011

Issue	Purpose of Bond Issue
2001	Erecting, equipping, and furnishing additions to school buildings; remodeling, equipping, re-equipping, furnishing, and refurbishing school buildings and improving sites for school buildings; remodeling, equipping, and re-equipping playgrounds and athletic fields and improving sites for playgrounds and athletic fields; acquiring, installing, and equipping school buildings and other facilities for technology systems and equipment; purchasing school buses; and paying for the costs of issuing bonds
2001 Refunding	Refunding a portion of the School District's 2000 School Building and Site Bonds, dated June 1, 2000 and maturing on May 1 in the years 2010 through 2020, and paying the costs of issuing the bonds
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 refurbishing 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