

WEBBERVILLE COMMUNITY SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Webberville Community Schools

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Webberville Community Schools as of June 30, 2011 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Notes 1 and 13 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2011, on our consideration of Webberville Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xii and 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Webberville Community Schools' basic financial statements. The additional information on pages 33 through 45 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Manes Costeiran PC

October 5, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Webberville Community Schools (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL OVERVIEW

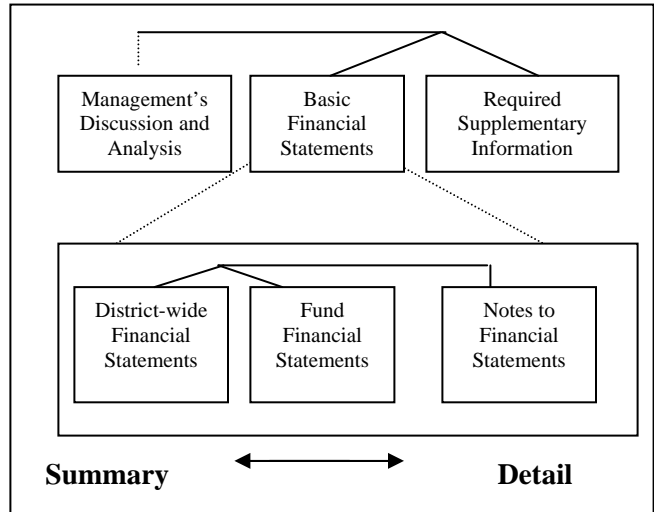
- The District's general fund financial situation improved in 2010-11 with the general fund equity increasing by \$317,847.
- During the 2010-11 school year, general fund revenues decreased by \$50,427 (0.8 percent) and expenditures decreased by \$311,147 (5.0 percent) as compared to 2009-10. While revenues were fairly stable, budget cuts resulted in cost savings to the district. (Note that the comparative numbers include restatements for Athletics and an accounting change for Special Education revenues and expenditures.)
- Student enrollment declined by 23 students from September of 2009 to September of 2010. This represents a decline of approximately 3.5 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide notes to financial statements.
- The governmental funds statements tell how basic services like instruction and support services were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

**Figure A-1
Organization of Webberville Community
Schools' Annual Financial Report**



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2			
Major Features of District-Wide and Fund Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, the District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying debt, and its capital projects fund) or to show that it is properly using certain revenues (like school lunch).

The District has two kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets - The District's combined net assets were less on June 30, 2011 than the year before, decreasing by \$346,083 to \$3,598,615.

	<u>2011</u>	<u>2010</u>
Current assets	\$ 3,077,541	\$ 2,540,300
Capital assets and other	<u>15,230,001</u>	<u>16,034,259</u>
Total assets	<u>18,307,542</u>	<u>18,574,559</u>
Long-term debt outstanding	18,814,151	18,805,018
Other liabilities	<u>3,092,006</u>	<u>3,022,073</u>
Total liabilities	<u>21,906,157</u>	<u>21,827,091</u>
Net assets:		
Invested in capital assets, net of related debt	(3,417,872)	(2,857,987)
Restricted for food service	7,259	12,307
Restricted for Spartan Center	7,900	3,774
Unrestricted	<u>(195,902)</u>	<u>(410,626)</u>
Total net assets	<u>\$ (3,598,615)</u>	<u>\$ (3,252,532)</u>

Table A-4		
Changes in Webberville Community Schools' Net Assets		
	2011	2010
Revenues:		
Program revenues:		
Charges for services	\$ 221,592	\$ 257,962
Federal and state categorical grants	870,768	814,940
General revenues:		
Property taxes	1,398,195	1,551,162
Investment	652	2,123
State aid - unrestricted	3,976,074	3,853,529
Federal ARRA sources - unrestricted	225,533	190,297
Intermediate sources	681,347	790,245
Other	27,918	71,724
Total revenues	<u>7,402,079</u>	<u>7,531,982</u>
Expenses:		
Instruction	3,309,497	3,409,432
Support services	2,414,119	2,690,980
Community services	95,401	86,804
Food services	239,352	219,469
Interest on long-term debt	852,588	874,864
Unallocated depreciation	837,205	556,458
Total expenses	<u>7,748,162</u>	<u>7,838,007</u>
Change in net assets	<u>\$ (346,083)</u>	<u>\$ (306,025)</u>

District Governmental Activities

The District's financial condition has come about through a number of areas.

- Proposal A established the student foundation grant concept. The foundation grant for Webberville Community Schools has increased from \$5,059 per student in 1995 to \$7,316 per student in 2011. Adjustments to the foundation amount have been made in recent years due to declining State revenues.
- The District continues to work earnestly toward aligning expenditures with declining revenue each year. The District looks to manage staffing levels in accordance with student count, and seeks to save money in non-instructional areas whenever possible.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

- The District's combined fund balance as of June 30, 2011 is \$725,866 as compared to \$426,349 at the end of 2010, an increase of \$299,517.
- General Fund revenues exceeded expenditures in 2010-2011 by \$317,847. The increase was primarily due to unexpected revenues and deferred maintenance costs.
- The combined Special Revenue Funds (Food Service and Spartan Center) increased by \$6,217 to \$22,298 as compared to \$16,081 in 2010.
- Bonded debt was reduced by \$634,889 during 2010-11.

General Fund and Budget Highlights

- During the 2009-10 fiscal year the original District budget was amended twice to reflect changes which affected the District. The final budget was amended to show a year-end balance of \$519,019 while the actual fund balance for the year was \$649,910. The better-than-anticipated final result was due largely to revenues exceeding estimates and the deferral of maintenance costs. It should be noted that a large portion of fund balance (\$291,803) has been assigned for 2011-12 expenditures.
- Declining enrollment impacted the District's revenues significantly in 2010-11. The 23 student decline reduced State Aid Revenues by \$168,268.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets are as follows:

Table A-5				
Webberville Community Schools' Capital Assets				
	2011			2010
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 80,000	\$ -	\$ 80,000	\$ 80,000
Buildings and improvements	20,285,678	5,410,521	14,875,157	15,479,877
Equipment, furniture, and other assets	557,484	392,700	164,784	358,819
Total	<u>\$ 20,923,162</u>	<u>\$ 5,803,221</u>	<u>\$ 15,119,941</u>	<u>\$ 15,918,696</u>

LONG-TERM DEBT

At year end the District had \$19,437,937 long-term debt outstanding as shown in Table A-6. More detailed information is available in Note 7 to the financial statements. During 2010-11, the District borrowed \$448,569 from Michigan School Loan Revolving Fund and accrued additional interest payable of \$121,689 from both the Michigan School Bond Loan Program and Michigan Loan Revolving Fund. During 2010-11, the District repaid \$726,403 of long-term debt.

Table A-6		
Webberville Community Schools'		
Outstanding Long-Term Debt		
	2011	2010
Bonded debt	\$ 15,924,311	\$ 16,609,504
Notes payable	-	7,749
School bond loan fund	788,946	750,254
School loan revolving fund	2,495,180	1,963,614
Severance benefits	229,500	262,961
	<u>\$ 19,437,937</u>	<u>\$ 19,594,082</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The contract with the District's teachers expires on June 30, 2011.
- A decline in enrollment over the past two years combined with a reduction in the State School Aid Foundation Allowance has impacted the District's financial position. The 2011-12 State Aid Budget includes a reduction of \$470 per pupil from the 2010-11 school year.
- Cost increases for the District paid portion of employee retirement contributions are expected to continue and are expected to have significant impact on personnel costs.

Despite revenue reductions and retirement cost increases, the District has maintained a balanced general fund budgets during the past several years through implementing cost saving energy improvements, staff reductions, outsourcing support services and deferring maintenance costs. Additionally, the District continues to engage in collaboration discussions in order to cut costs and improve academic performance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office for Webberville Community Schools at Ingham Intermediate School District, 2630 W Howell Rd., Mason, MI 48854.

BASIC FINANCIAL STATEMENTS

**WEBBERVILLE COMMUNITY SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	<u>Governmental activities</u>
ASSETS	
CURRENT ASSETS:	
Cash	\$ 1,343,428
Cash - restricted for State set-aside	699,420
Receivables:	
Accounts receivable	60
Due from other governmental units	974,218
Due from trust and agency activities	216
Inventories	4,662
Prepaid expenditures	<u>55,537</u>
TOTAL CURRENT ASSETS	<u>3,077,541</u>
NONCURRENT ASSETS:	
Deferred charges, net of amortization	110,060
Capital assets	20,923,162
Less accumulated depreciation	<u>(5,803,221)</u>
TOTAL NONCURRENT ASSETS	<u>15,230,001</u>
TOTAL ASSETS	<u><u>\$ 18,307,542</u></u>

	Governmental activities
LIABILITIES AND NET ASSETS (DEFICIT)	
CURRENT LIABILITIES:	
Accounts payable	\$ 291,502
Accrued salaries and related items	578,433
Accrued interest	124,123
Deferred revenue	74,162
Note payable	1,400,000
Current portion of long-term obligations	577,886
Current portion of compensated absences and termination benefits	45,900
	<hr/>
TOTAL CURRENT LIABILITIES	3,092,006
	<hr/>
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	18,630,551
Noncurrent portion of compensated absences and termination benefits	183,600
	<hr/>
TOTAL NONCURRENT LIABILITIES	18,814,151
	<hr/>
TOTAL LIABILITIES	21,906,157
	<hr/>
NET ASSETS (DEFICIT):	
Invested in capital assets, net of related debt	(3,417,872)
Restricted for food service	7,259
Restricted for Spartan Center	7,900
Unrestricted	(195,902)
	<hr/>
TOTAL NET DEFICIT	(3,598,615)
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 18,307,542
	<hr/> <hr/>

**WEBBERVILLE COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants</u>	<u>Net (expense) revenue and changes in net assets</u>
Governmental activities:				
Instruction	\$ 3,309,497	\$ -	\$ 596,751	\$ (2,712,746)
Support services	2,419,743	40,632	113,633	(2,265,478)
Community services	95,401	87,901	-	(7,500)
Food services	239,352	93,059	160,384	14,091
Interest on long-term debt	846,964	-	-	(846,964)
Unallocated depreciation	837,205	-	-	(837,205)
Total governmental activities	<u>\$ 7,748,162</u>	<u>\$ 221,592</u>	<u>\$ 870,768</u>	<u>(6,655,802)</u>
General revenues:				
Property taxes, levied for general purposes				461,789
Property taxes, levied for debt service				831,164
Property taxes, levied for sinking fund				105,242
Investment earnings				652
State sources				3,976,074
Federal sources - unrestricted				225,533
Intermediate sources				681,347
Other				<u>27,918</u>
Total general revenues				<u>6,309,719</u>
CHANGE IN NET ASSETS				(346,083)
NET ASSETS, beginning of year				<u>(3,252,532)</u>
NET ASSETS, end of year				<u><u>\$ (3,598,615)</u></u>

See notes to financial statements.

**WEBBERVILLE COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General Fund	Other nonmajor governmental funds	Total governmental funds
ASSETS			
ASSETS:			
Cash and cash equivalents	\$ 1,214,225	\$ 129,203	\$ 1,343,428
Cash - restricted for State set-aside	699,420	-	699,420
Receivables:			
Accounts receivable	-	60	60
Due from other governmental units	972,422	1,796	974,218
Due from other funds	41,432	5,694	47,126
Due from agency funds	216	-	216
Inventories	2,069	2,593	4,662
Prepaid expenditures	54,037	1,500	55,537
TOTAL ASSETS	\$ 2,983,821	\$ 140,846	\$ 3,124,667
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 285,612	\$ 5,890	\$ 291,502
Accrued salaries and related items	568,256	10,177	578,433
Accrued interest	7,578	-	7,578
Due to other funds	5,694	41,432	47,126
Deferred revenue	72,395	1,767	74,162
Note payable	1,400,000	-	1,400,000
TOTAL LIABILITIES	2,339,535	59,266	2,398,801
FUND BALANCES:			
Nonspendable:			
Inventories	2,069	2,593	4,662
Prepaid expenditures	54,037	1,500	55,537

See notes to financial statements.

	<u>General Fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
FUND BALANCES (Concluded):			
Restricted for:			
Debt service	\$ -	\$ 59,282	\$ 59,282
Food service	-	7,259	7,259
Spartan Center	-	7,900	7,900
Assigned for - subsequent year expenditures	291,803	3,046	294,849
Unassigned	296,377	-	296,377
	<u>644,286</u>	<u>81,580</u>	<u>725,866</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,983,821</u>	<u>\$ 140,846</u>	<u>\$ 3,124,667</u>
Total governmental fund balances			\$ 725,866
Amounts reported for governmental activities in the statement of net assets are different because:			
Value of bond issuance costs		\$ 137,575	
Accumulated amortization		<u>(27,515)</u>	
			110,060
Capital assets used in governmental activities are not financial resources and are not reported in the funds			
The cost of the capital assets is		20,923,162	
Accumulated depreciation is		<u>(5,803,221)</u>	
			15,119,941
Long-term liabilities are not due and payable in the current period and are not reported in the funds:			
Bonds payable			(19,208,437)
Compensated absences and termination benefits			(229,500)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid			<u>(116,545)</u>
Net assets of governmental activities			<u>\$ (3,598,615)</u>

See notes to financial statements.

WEBBERVILLE COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES:			
Local sources:			
Property taxes	\$ 461,789	\$ 936,406	\$ 1,398,195
Day care fees	61,191	-	61,191
Investment earnings	568	84	652
Food sales, admissions and athletics	35,816	93,059	128,875
Other	32,734	22,587	55,321
Total local sources	592,098	1,052,136	1,644,234
State sources	4,293,686	19,073	4,312,759
Federal sources	480,858	146,932	627,790
Incoming transfers and other	817,296	-	817,296
Total revenues	6,183,938	1,218,141	7,402,079
EXPENDITURES:			
Current:			
Instruction	3,341,412	-	3,341,412
Supporting services	2,459,651	-	2,459,651
Food service activities	-	239,352	239,352
Community service activities	57,028	38,461	95,489
Debt service:			
Principal repayment	-	702,639	702,639
Interest	-	712,588	712,588
Total expenditures	5,858,091	1,693,040	7,551,131
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	325,847	(474,899)	(149,052)
OTHER FINANCING SOURCES (USES):			
Proceeds from school bond loan fund	-	448,569	448,569
Transfers in	12,000	20,000	32,000
Transfers out	(20,000)	(12,000)	(32,000)
Total other financing sources (uses)	(8,000)	456,569	448,569
NET CHANGE IN FUND BALANCES	317,847	(18,330)	299,517
FUND BALANCES:			
Beginning of year, as restated	326,439	99,910	426,349
End of year	\$ 644,286	\$ 81,580	\$ 725,866

See notes to financial statements.

**WEBBERVILLE COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

Net change in fund balances total governmental funds \$ 299,517

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

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(837,205)
Capital outlay	38,450

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	119,058
Accrued interest payable, end of the year	(116,545)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Proceeds from school bond loan fund	(448,569)
Payments on debt	702,639
Amortization of bond issuance costs	(5,503)
Amortization of deferred loss on refunding	(9,697)
Long-term interest on school bond loan fund	(121,689)

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences and termination benefits, beginning of the year	262,961
Accrued compensated absences and termination benefits, end of the year	(229,500)

Change in net assets of governmental activities \$ (346,083)

**WEBBERVILLE COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011**

	<u>Agency fund</u>	<u>Private Purpose Trust Fund</u>
ASSETS:		
Cash	<u>\$ 75,771</u>	<u>\$ 79,035</u>
LIABILITES AND NET ASSETS		
LIABILITIES:		
Due to general fund	\$ 216	\$ -
Due to student and other groups	<u>75,555</u>	<u>-</u>
TOTAL LIABILITIES	75,771	-
NET ASSETS:		
Restricted for - trust activities	<u>-</u>	<u>79,035</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 75,771</u>	<u>\$ 79,035</u>

**WEBBERVILLE COMMUNITY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2011**

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Donations	\$ 3,118
Interest earnings	<u>487</u>
Total additions	3,605
DEDUCTIONS:	
Scholarships awarded	<u>1,499</u>
CHANGE IN NET ASSETS	2,106
NET ASSETS:	
Beginning of year	<u>76,929</u>
End of year	<u><u>\$ 79,035</u></u>

WEBBERVILLE COMMUNITY SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting entity

Webberville Community Schools (the "District") is governed by the Webberville Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and No. 39.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as 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 or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

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

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

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

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and Spartan Center activities in the special revenue funds.

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Concluded)

Other Non-major Funds (Concluded)

The *capital projects sinking fund* accounts for the receipt of sinking fund millage proceeds and the acquisition of fixed assets or construction of capital projects. The District has complied with the applicable provisions of §1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95 relating to sinking funds.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust* fund is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where interest payments may be spent for student scholarships. These funds are not included in the District's government-wide financial statements.

The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current 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, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2011, the foundation allowance was based on pupil membership counts taken in February and September of 2010.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes (formerly known as Non-Homestead) which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The State revenue is recognized during the foundation period and is funded through payments from October 2010 to August 2011. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies

1. Cash and equivalents consist of amounts in demand deposits.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

2. Property Taxes (Concluded)

For the year ended June 30, 2011, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	7.4500
Capital projects sinking fund:	
PRE, Non-PRE, Commercial Personal Property	.9807

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

5. Capital Assets (Concluded)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20 - 50 years
Furniture and other equipment	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$2,500.

6. Compensated Absences

The District's contracts generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method 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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Concluded)

8. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

9. Net Asset Reporting

In the computation of invested in capital assets, net of related debt, school bond loan fund and school bond revolving fund principal proceeds of \$2,723,562 are considered capital-related debt. Accrued interest on the school bond loan fund and school bond revolving fund of \$560,564 has been included in the calculation of unrestricted net assets.

10. Fund Balance

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District's capital projects, food service and debt service fund balances are considered restricted.

Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

10. Fund Balance (Concluded)

Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

The District has adopted a minimum fund balance policy for the general fund. The District strives to maintain an unassigned fund balance of 10% of the preceding year's expenditures. In June 2011, the District's Board of Education waived compliance with this policy.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2011. The District does not consider these amendments to be significant.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2011, the District had no deposits which meet the GASB No. 42 definition of investments.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2011, the District did not have investments in commercial paper and corporate bonds.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of June 30, 2011, the District did not have any investments that would be subject to rating.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2011, the carrying amount of the District's deposits was \$2,042,848 and the bank balance was \$2,106,912, of which \$1,407,493 was covered by federal depository insurance. The cash-restricted for State set-aside of \$699,420 was collateralized but uninsured.

Fiduciary cash balances are not included in the above balance. As of June 30, 2011 all of the fiduciary fund's bank balance of \$159,418 was insured. The carrying amount is \$154,806.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business. The District had no investments at year end.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above cash and cash equivalent amounts are reported in the financial statements as follows:

District-wide cash	\$ 1,343,428
Agency fund	75,771
Private Purpose Trust Fund	79,035
Resticted for State set-aside	<u>699,420</u>
	<u><u>\$ 2,197,654</u></u>

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
Capital assets, being depreciated:				
Buildings and additions	20,391,127	15,680	(121,129)	20,285,678
Equipment, furniture, and other assets	1,193,771	22,770	(659,057)	557,484
Total capital assets, being depreciated	<u>21,584,898</u>	<u>38,450</u>	<u>(780,186)</u>	<u>20,843,162</u>
Accumulated depreciation:				
Buildings and improvements	4,911,250	620,400	(121,129)	5,410,521
Equipment, furniture, and other assets	834,952	216,805	(659,057)	392,700
Total accumulated depreciation	<u>5,746,202</u>	<u>837,205</u>	<u>(780,186)</u>	<u>5,803,221</u>
Net capital assets being depreciated	<u>15,838,696</u>	<u>(798,755)</u>	<u>-</u>	<u>15,039,941</u>
Net governmental capital assets	<u>\$ 15,918,696</u>	<u>\$ (798,755)</u>	<u>\$ -</u>	<u>\$ 15,119,941</u>

Depreciation for the fiscal year ended June 30, 2011 amounted to \$837,205. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - RECEIVABLES

Receivables due from other governmental units at June 30, 2011 consist of the following:

State aid	\$ 867,956
Federal grants	83,730
Payments from ISD	<u>22,532</u>
	<u>\$ 974,218</u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - NOTE PAYABLE

At June 30, 2011, the District has state aid anticipation notes payable outstanding of \$800,000 (set aside), \$330,000, and \$270,000. The notes carry interest rates of .4% to .8% and mature August 20, 2011. The District has \$699,420 on deposit with a financial institution, which is included in cash – restricted for state set-aside on the balance sheet and statement of net assets to be applied against the \$800,000 set aside note. The notes are secured by the full faith and credit of the District as well as pledged state aid. Activity for the year ended June 30, 2011 is as follows:

Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
\$ 1,400,000	\$ 1,400,000	\$ (1,400,000)	\$ 1,400,000

NOTE 7 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the long-term debt transactions of the District:

	General obligation and serial bonds	School bond loan fund	School loan revolving fund	Severance benefits	Land contract	Limited obligation Durant bonds	Total
Balance, July 1, 2010	\$ 16,571,363	\$ 750,254	\$ 1,963,614	\$ 262,961	\$ 7,749	\$ 38,141	\$ 19,594,082
Additions	-	38,798	531,460	-	-	-	570,258
Deletions	680,303	-	-	33,461	7,749	4,890	726,403
Balance, June 30, 2011	15,891,060	789,052	2,495,074	229,500	-	33,251	19,437,937
Less current portion	550,000	-	-	45,900	-	27,886	623,786
Total due after one year	\$ 15,341,060	\$ 789,052	\$ 2,495,074	\$ 183,600	\$ -	\$ 5,365	\$ 18,814,151

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Continued)

Long-term debt and other obligations currently outstanding are as follows:

2002 School building and site bonds dated October 21, 2002, due in annual installments of \$205,000 to \$265,000 through May 1, 2018 with interest from 4.0% to 4.50%	\$ 1,645,000
2004 School building and site bonds dated July 29, 2004 due in annual installments of \$225,000 to \$525,000 through May 2030 with interest from 3.5% to 4.9%	7,770,000
2006 Energy bonds dated June 8, 2006, due in annual installments of \$60,000 to \$110,000 through on May 2026 with an interest rate from 3.9% to 4.0%	1,260,000
2006 refunding bonds dated September 19, 2006 due in annual installments of \$60,000 to \$440,000 through May 1, 2032 with interest from 4.00% to 4.25%	5,410,000
Less: deferred amount on bond refunding	<u>(193,940)</u>
Total general obligation debt	15,891,060
Limited obligation (Durant) bonds due in annual installments of \$5,365 to \$27,887 through May 2013 with an interest rate of 4.76%. Certain future state aid payments have been pledged as security	<u>33,251</u>
Total bonded debt	15,924,311
Borrowings from the State of Michigan under the School Bond Loan Fund, including interest	789,052
Borrowings from the State of Michigan under the School Bond Revolving Fund, including interest	2,495,074
Obligation under contract for severance benefits	<u>229,500</u>
Total general long-term debt	<u><u>\$ 19,437,937</u></u>

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2011, \$5,100,000 of bonds outstanding are considered defeased.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Continued)

Borrowing from the State of Michigan - The school bond loans payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates ranging between 5.0% and 5.38% have been assessed for the School Revolving Fund notes and 3.0% and 4.8% for the School Bond Loan Fund notes for the year ended June 30, 2011. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.45 mills. The school district is required to levy 7.45 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. The District currently levies 7.45 debt mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the following amortization schedule.

The Durant bonds, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

The annual requirements to amortize long-term debt outstanding as of June 30, 2011, including interest of \$8,059,600 are as follows:

Year ending June 30,	Principal	Interest	Total
2012	\$ 577,886	701,739	\$ 1,279,625
2013	595,365	670,677	1,266,042
2014	605,000	647,340	1,252,340
2015	625,000	622,858	1,247,858
2016	665,000	597,270	1,262,270
2016-2020	3,875,000	2,536,880	6,411,880
2021-2025	4,595,000	1,653,238	6,248,238
2026-2030	4,140,000	610,898	4,750,898
2031-2032	440,000	18,700	458,700
Total	16,118,251	8,059,600	24,177,851
Due to school bond loan fund	789,052	-	789,052
Due to school bond revolving fund	2,495,074	-	2,495,074
Refunding deferrals, net of charges	(193,940)	-	(193,940)
Severance benefits	229,500	-	229,500
	<u>\$ 19,437,937</u>	<u>\$ 8,059,600</u>	<u>\$ 27,497,537</u>

Interest expense on long-term debt for the year ended June 30, 2011 was \$852,588.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2011 are as follows:

Receivable fund	Amount	Payable fund	Amount
General fund	\$ 41,432	General fund	\$ 5,694
Food service fund	70	Food service fund	1,511
Capital projects fund	5,624	Debt services fund	39,669
		Spartan Center	252
	\$ 47,126		\$ 47,126

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members joining the system on or after July 1, 2008 contribute at the following graduated rate: 3% of the first \$5,000, 3.6% of \$5,001 through \$15,000 and 6.4% of all wages over \$15,000.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of MPSERS who became a member of MPSERS after June 30, 2010 is a Pension Plus Member. The Pension Plus Plan pairs a guaranteed retirement income (defined benefit pension) with a flexible and transferable retirement savings (defined contribution) account.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate through September 30, 2010 was 16.94% of payroll and increased to 19.41% for the base plan and 17.91% for pension plus members effective October 1, 2010 through October 31, 2010 at which time it increased again due to the number of retirees associated with the early retirement incentive to 20.66% for basic plan members and 19.16% for pension plus members for the period November 1, 2010 through June 30, 2011. In addition, the district is required to match 50% up to 1% of the employees contribution in the pension plus plan. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The health care portion is 5.5% before the 3% for the injunction. The District contributions to MPSERS for the year ended June 30, 2011, 2010 and 2009 were approximately \$572,000, \$531,000, and \$534,000 respectively, and were equal to the required contribution for those years.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to contribute 3% (or 1.5%) of their compensation to offset employer contributions for health care benefits of current retirees. For the school fiscal year that began July 1, 2010, members who were employed by a reporting unit and were paid less than \$18,000 in the prior school year and members who were hired on or after July 1, 2010, with a starting salary of less than \$18,000 are required to contribute 1.5% of the members' compensation. For each school fiscal year that begins on or after July 1, 2011, members shall contribute 3% of compensation into the health care funding account. Effective April 1, 2011, a court order eliminated this requirement. The court order is being appealed by the State of Michigan.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)

Pension recipients are generally eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing coverage.

The District is not responsible for the payment of retirement or post-retirement benefits which is the responsibility of the State of Michigan.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation and property and casualty. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other needs including property and casualty, errors and omissions, fleet and health and accident insurance.

NOTE 11 - TRANSFERS

The transfer of \$12,000 from the food service fund to the general fund was to offset a portion of indirect costs paid by the general fund. The \$20,000 transfer from the general fund to the Spartan Center fund, was to cover operational costs related to these programs.

NOTE 12 - SUBSEQUENT EVENTS

The District received \$1,000,000 in August 2011 to partially replace the note payable as described in Note 6.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 – FUND BALANCE RECLASSIFICATION

Beginning July 1, 2010, the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which redefined the definition of a special revenue fund. As a result, the athletic activities are now included in the general fund rather than a separate fund. The reclassification of the beginning fund balance is as follows:

	<u>General Fund</u>
Fund balance, as previously stated	\$ 317,042
Adoption of GASB 54 (athletics fund balance)	<u>9,397</u>
Fund balance, as restated	<u><u>\$ 326,439</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**WEBBERVILLE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
REVENUES:				
Local sources	\$ 604,683	\$ 612,261	\$ 592,098	\$ (20,163)
State sources	4,299,538	4,176,175	4,293,686	117,511
Federal sources	275,781	484,211	480,858	(3,353)
Incoming transfers and other	380,095	824,592	817,296	(7,296)
Total revenues	<u>5,560,097</u>	<u>6,097,239</u>	<u>6,183,938</u>	<u>86,699</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	2,475,761	2,448,884	2,338,143	110,741
Added needs	608,719	873,078	1,003,269	(130,191)
Total instruction	<u>3,084,480</u>	<u>3,321,962</u>	<u>3,341,412</u>	<u>(19,450)</u>
Supporting services:				
Pupil	134,583	295,353	287,851	7,502
Instructional staff	186,958	147,793	206,732	(58,939)
General administration	266,852	266,920	243,293	23,627
School administration	345,129	346,122	336,077	10,045
Business	154,937	135,965	179,967	(44,002)
Operation/maintenance	840,006	814,515	749,313	65,202
Pupil transportation	198,717	196,353	191,070	5,283
Central	135,114	132,645	84,665	47,980
Athletics	177,100	182,972	180,683	2,289
Total supporting services	<u>2,439,396</u>	<u>2,518,638</u>	<u>2,459,651</u>	<u>58,987</u>
Community services	61,750	56,059	57,028	(969)
Total expenditures	<u>5,585,626</u>	<u>5,896,659</u>	<u>5,858,091</u>	<u>38,568</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(25,529)</u>	<u>200,580</u>	<u>325,847</u>	<u>125,267</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	12,000	12,000	-
Transfers out	(20,000)	(20,000)	(20,000)	-
Total other financing uses	<u>(20,000)</u>	<u>(8,000)</u>	<u>(8,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (45,529)</u>	<u>\$ 192,580</u>	<u>317,847</u>	<u>\$ 125,267</u>
FUND BALANCE:				
Beginning of year, as restated			<u>326,439</u>	
End of year			<u>\$ 644,286</u>	

ADDITIONAL INFORMATION

**WEBBERVILLE COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2011**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Capital projects sinking</u>	<u>Total nonmajor governmental funds</u>
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 30,252	\$ 98,951	\$ -	\$ 129,203
Accounts receivable	60	-	-	60
Due from other governmental units	1,796	-	-	1,796
Due from other funds	70	-	5,624	5,694
Inventories	2,593	-	-	2,593
Prepaid expenditures	1,500	-	-	1,500
	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
TOTAL ASSETS	<u>\$ 36,271</u>	<u>\$ 98,951</u>	<u>\$ 5,624</u>	<u>\$ 140,846</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 266	\$ -	\$ 5,624	\$ 5,890
Accrued salaries and related items	10,177	-	-	10,177
Due to other funds	1,763	39,669	-	41,432
Deferred revenue	1,767	-	-	1,767
	<u>1,767</u>	<u>-</u>	<u>-</u>	<u>1,767</u>
TOTAL LIABILITIES	<u>13,973</u>	<u>39,669</u>	<u>5,624</u>	<u>59,266</u>
FUND BALANCES:				
Nonspendable:				
Inventories	2,593	-	-	2,593
Prepaid expenditures	1,500	-	-	1,500
Restricted for:				
Debt service	-	59,282	-	59,282
Food service	7,259	-	-	7,259
Spartan Center	7,900	-	-	7,900
Assigned for - subsequent year expenditures	3,046	-	-	3,046
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>22,298</u>	<u>59,282</u>	<u>-</u>	<u>81,580</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 36,271</u>	<u>\$ 98,951</u>	<u>\$ 5,624</u>	<u>\$ 140,846</u>

**WEBBERVILLE COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2011**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Capital projects sinking</u>	<u>Total nonmajor governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ -	\$ 831,164	\$ 105,242	\$ 936,406
Investment earnings	-	84	-	84
Food sales	93,059	-	-	93,059
Other	22,587	-	-	22,587
Total local sources	115,646	831,248	105,242	1,052,136
State sources	13,452	5,621	-	19,073
Federal sources	146,932	-	-	146,932
Total revenues	276,030	836,869	105,242	1,218,141
EXPENDITURES:				
Current:				
Food service activities	239,352	-	-	239,352
Community service activities	38,461	-	-	38,461
Debt service:				
Principal repayment	-	634,889	67,750	702,639
Interest expense	-	667,391	45,197	712,588
Total expenditures	277,813	1,302,280	112,947	1,693,040
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(1,783)</u>	<u>(465,411)</u>	<u>(7,705)</u>	<u>(474,899)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from school bond loan fund	-	448,569	-	448,569
Transfers in	20,000	-	-	20,000
Transfers out	(12,000)	-	-	(12,000)
Total other financing sources	8,000	448,569	-	456,569
NET CHANGE IN FUND BALANCES	6,217	(16,842)	(7,705)	(18,330)
FUND BALANCES:				
Beginning of year	16,081	76,124	7,705	99,910
End of year	<u>\$ 22,298</u>	<u>\$ 59,282</u>	<u>\$ -</u>	<u>\$ 81,580</u>

**WEBBERVILLE COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2011**

ASSETS	Food Service	Spartan Center	Totals
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash and cash equivalents	\$ 19,905	\$ 10,347	\$ 30,252
Accounts receivable	60	-	60
Due from other governmental units	1,796	-	1,796
Due from other funds	70	-	70
Inventories	2,593	-	2,593
Prepaid expenditures	1,500	-	1,500
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 25,924	\$ 10,347	\$ 36,271
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 201	\$ 65	\$ 266
Accrued salaries and related items	8,047	2,130	10,177
Due to other funds	1,511	252	1,763
Deferred revenue	1,767	-	1,767
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	11,526	2,447	13,973
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES:			
Nonspendable:			
Inventories	2,593	-	2,593
Prepaid expenditures	1,500	-	1,500
Restricted for:			
Food service	7,259	-	7,259
Spartan Center	-	7,900	7,900
Assigned for - subsequent year expenditures	3,046	-	3,046
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	14,398	7,900	22,298
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 25,924	\$ 10,347	\$ 36,271
	<u> </u>	<u> </u>	<u> </u>

**WEBBERVILLE COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2011**

	<u>Food Service</u>	<u>Spartan Center</u>	<u>Totals</u>
REVENUES:			
Sales	\$ 93,059	\$ -	\$ 93,059
State aid	13,452	-	13,452
Federal aid	146,932	-	146,932
Other	-	22,587	22,587
	<u>253,443</u>	<u>22,587</u>	<u>276,030</u>
EXPENDITURES:			
Salaries	55,426	29,612	85,038
Benefits	30,951	8,552	39,503
Purchased services	24,642	67	24,709
Supplies and materials	128,333	230	128,563
	<u>239,352</u>	<u>38,461</u>	<u>277,813</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>14,091</u>	<u>(15,874)</u>	<u>(1,783)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	20,000	20,000
Transfers out	(12,000)	-	(12,000)
	<u>(12,000)</u>	<u>20,000</u>	<u>8,000</u>
NET CHANGE IN FUND BALANCES	2,091	4,126	6,217
FUND BALANCES:			
Beginning of year	<u>12,307</u>	<u>3,774</u>	<u>16,081</u>
End of year	<u>\$ 14,398</u>	<u>\$ 7,900</u>	<u>\$ 22,298</u>

**WEBBERVILLE COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2011**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2006</u>	<u>Total</u>
ASSETS					
ASSETS:					
Cash and cash equivalents	<u>\$ 18,465</u>	<u>\$ 37,408</u>	<u>\$ 29,266</u>	<u>\$ 13,812</u>	<u>\$ 98,951</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Due to other governmental funds	<u>\$ 9,088</u>	<u>\$ 9,391</u>	<u>\$ 14,312</u>	<u>\$ 6,878</u>	<u>\$ 39,669</u>
FUND BALANCES:					
Restricted for - debt service	<u>9,377</u>	<u>28,017</u>	<u>14,954</u>	<u>6,934</u>	<u>59,282</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 18,465</u></u>	<u><u>\$ 37,408</u></u>	<u><u>\$ 29,266</u></u>	<u><u>\$ 13,812</u></u>	<u><u>\$ 98,951</u></u>

**WEBBERVILLE COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2011**

	<u>1998 Durant</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2006</u>	<u>Total</u>
REVENUES:						
Local sources:						
Property taxes	\$ -	\$ 181,674	\$ 228,738	\$ 287,954	\$ 132,798	\$ 831,164
Interest	-	16	19	34	15	84
State sources	<u>5,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,621</u>
Total revenues	<u>5,621</u>	<u>181,690</u>	<u>228,757</u>	<u>287,988</u>	<u>132,813</u>	<u>836,869</u>
EXPENDITURES:						
Principal repayment	4,889	185,000	210,000	175,000	60,000	634,889
Interest expense	<u>732</u>	<u>78,077</u>	<u>8,004</u>	<u>355,439</u>	<u>225,139</u>	<u>667,391</u>
Total expenditures	<u>5,621</u>	<u>263,077</u>	<u>218,004</u>	<u>530,439</u>	<u>285,139</u>	<u>1,302,280</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(81,387)	10,753	(242,451)	(152,326)	(465,411)
OTHER FINANCING SOURCES:						
Proceeds from school bond loan fund	<u>-</u>	<u>72,833</u>	<u>-</u>	<u>231,283</u>	<u>144,453</u>	<u>448,569</u>
NET CHANGE IN FUND BALANCES	-	(8,554)	10,753	(11,168)	(7,873)	(16,842)
FUND BALANCES:						
Beginning of year	<u>-</u>	<u>17,931</u>	<u>17,264</u>	<u>26,122</u>	<u>14,807</u>	<u>76,124</u>
End of year	<u>\$ -</u>	<u>\$ 9,377</u>	<u>\$ 28,017</u>	<u>\$ 14,954</u>	<u>\$ 6,934</u>	<u>\$ 59,282</u>

**WEBBERVILLE COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2011**

\$7,835,000 school building and site bonds issued October 21, 2002:

Principal due May 1,	Interest due		Debt service requirement for	
	May 1,	November 1,	June 30,	Amount
\$ 205,000	\$ 34,989	\$ 34,989	2012	\$ 274,978
215,000	30,889	30,889	2013	276,778
225,000	26,536	26,536	2014	278,072
235,000	21,895	21,895	2015	278,790
245,000	16,901	16,901	2016	278,802
255,000	11,573	11,573	2017	278,146
265,000	5,963	5,963	2018	276,926
<u>\$ 1,645,000</u>	<u>\$ 148,746</u>	<u>\$ 148,746</u>		<u>\$ 1,942,492</u>

The above bonds have interest rates from 4.00% to 4.50%. The bond proceeds were issued for the purpose of erecting, furnishing and equipping an addition to and partially remodeling, furnishing and refurbishing, equipping and re-equipping the elementary school, acquiring, installing and equipping technology for the elementary school; improving and equipping the playground and athletic fields; and developing and improving the site; erecting, furnishing and equipping additions to and partially remodeling, furnishing and refurbishing, equipping and re-equipping the Middle School/High School, acquiring, installing and equipping technology for the Middle School/High School; and developing and improving the site; constructing and equipping a new running track and developing and improving the site.

In September 2006, \$4,980,000 of these bonds maturing from May 2019 through May 2031 were refunded with the 2006 refunding bonds.

**WEBBERVILLE COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2011**

\$8,500,000 building and site bonds issued July 29, 2004:

Principal due May 1,	Interest due		Debt service requirement for	
	May 1,	November 1,	June 30,	Amount
\$ 225,000	\$ 173,978	\$ 173,978	2012	\$ 572,956
250,000	169,759	169,759	2013	589,518
255,000	165,071	165,071	2014	585,142
300,000	159,971	159,971	2015	619,942
325,000	153,971	153,971	2016	632,942
350,000	147,471	147,471	2017	644,942
365,000	140,296	140,296	2018	645,592
400,000	132,631	132,631	2019	665,262
425,000	124,131	124,131	2020	673,262
425,000	114,994	114,994	2021	654,988
425,000	105,644	105,644	2022	636,288
450,000	96,081	96,081	2023	642,162
475,000	85,844	85,844	2024	646,688
500,000	74,800	74,800	2025	649,600
500,000	62,925	62,925	2026	625,850
525,000	50,925	50,925	2027	626,850
525,000	38,325	38,325	2028	601,650
525,000	25,594	25,594	2029	576,188
525,000	12,863	12,863	2030	550,726
<u>\$ 7,770,000</u>	<u>\$ 2,035,274</u>	<u>\$ 2,035,274</u>		<u>\$ 11,840,548</u>

The above bonds have interest rates from 3.5% to 4.9%. The bonds were issued for building and site purposes.

**WEBBERVILLE COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2011**

\$1,525,000 energy conservation and improvement bonds issued June 8, 2006:

Principal due May 1,	Interest due		Debt service requirement	
	May 1,	November 1,	June 30,	Amount
\$ 60,000	\$ 25,950	\$ 25,950	2012	\$ 111,900
65,000	24,750	24,750	2013	114,500
65,000	23,450	23,450	2014	111,900
70,000	22,150	22,150	2015	114,300
75,000	20,750	20,750	2016	116,500
75,000	19,231	19,231	2017	113,462
80,000	17,713	17,713	2018	115,426
85,000	16,093	16,093	2019	117,186
85,000	14,371	14,371	2020	113,742
90,000	12,608	12,608	2021	115,216
95,000	10,740	10,740	2022	116,480
100,000	8,769	8,769	2023	117,538
100,000	6,669	6,669	2024	113,338
105,000	4,569	4,569	2025	114,138
110,000	2,338	2,338	2026	114,676
<u>\$ 1,260,000</u>	<u>\$ 230,151</u>	<u>\$ 230,151</u>		<u>\$ 1,720,302</u>

The above bonds have interest rates from 3.9% to 4.0%. The bond proceeds were used to finance energy efficiency improvements throughout the District. These bonds are currently paid with proceeds from the District's sinking fund millage which expires in December 2013.

**WEBBERVILLE COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2011**

\$5,600,000 refunding bonds issued September 19, 2006:

Principal due	Interest due		Debt service requirement	
	May 1,	May 1,	November 1,	June 30,
\$ 60,000	\$ 111,013	\$ 111,013	2012	\$ 282,026
60,000	109,813	109,813	2013	279,626
60,000	108,613	108,613	2014	277,226
20,000	107,413	107,413	2015	234,826
20,000	107,013	107,013	2016	234,026
25,000	106,613	106,613	2017	238,226
25,000	106,113	106,113	2018	237,226
300,000	105,613	105,613	2019	511,226
310,000	99,613	99,613	2020	509,226
315,000	93,413	93,413	2021	501,826
325,000	87,113	87,113	2022	499,226
335,000	80,613	80,613	2023	496,226
345,000	73,913	73,913	2024	492,826
360,000	67,013	67,013	2025	494,026
370,000	59,588	59,588	2026	489,176
385,000	51,956	51,956	2027	488,912
395,000	44,016	44,016	2028	483,032
410,000	35,869	35,869	2029	481,738
420,000	27,413	27,413	2030	474,826
430,000	18,488	18,488	2031	466,976
440,000	9,350	9,350	2032	458,700
<u>\$ 5,410,000</u>	<u>\$ 1,610,562</u>	<u>\$ 1,610,562</u>		<u>\$ 8,631,124</u>

The above bonds carry interest at 4.00% to 4.25%. These bonds were issued to partially refund the 1998 and 2002 building and site bonds.

**WEBBERVILLE COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2011**

\$80,045 Durant Bond - issued on November 24, 1998

Principal due May 15,	Interest due May 15,	Debt service requirement	
		June 30:	Amount
\$ 27,886	\$ 9,879	2012	\$ 37,765
<u>5,365</u>	<u>255</u>	2013	<u>5,620</u>
<u><u>\$ 33,251</u></u>	<u><u>\$ 10,134</u></u>		<u><u>\$ 43,385</u></u>

This bond is not subject to redemption prior to maturity by the District and the District hereby covenants that it will not issue any other bonds or obligations for the purpose of refunding this bond. The 4.76% interest rates payable on this bond may be adjusted in the sole discretion of the Authority provided that no interest rate shall exceed the maximum rate permitted by law and no interest rate adjustment which causes the total interest payable on this bond to increase shall be permitted.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the District (the "State Aid Payments"). The District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the District and does not constitute an indebtedness of the District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's depository.

**WEBBERVILLE COMMUNITY SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL BOND LOAN PROGRAM
JUNE 30, 2011**

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan Program. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from and repayments to the State under this program have been summarized as follows:

<u>Year ending June 30,</u>	<u>Loan proceeds (payments)</u>	<u>Interest expense (payments)</u>	<u>Loan balance</u>
1996	\$ 412,335	\$ 49,817	\$ 462,152
1997	51,249	27,289	540,690
1998	-	(16,600)	524,090
1998	-	29,255	553,345
1999	-	28,337	581,682
2000	-	29,695	611,377
2001	-	(106,000)	505,377
2001	-	25,881	531,258
2002	(126,352)	(73,648)	331,258
2002	-	20,900	352,158
2003	-	11,958	364,116
2004	-	10,293	374,409
2005	207,734	12,991	595,134
2006	-	24,318	619,452
2007	-	29,403	648,855
2008	-	22,225	671,080
2009	-	35,079	706,159
2010	-	44,095	750,254
2011	-	38,798	789,052
	<u>\$ 544,966</u>	<u>\$ 244,086</u>	<u>\$ 789,052</u>

**WEBBERVILLE COMMUNITY SCHOOLS
SCHEDULE OF BORROWINGS – STATE OF MICHIGAN
JUNE 30, 2011**

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Loan Revolving Fund. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from and repayments to the State under this program have been summarized as follows:

Year ending June 30,	Loan proceeds (payments)	Interest expense (payments)	Loan balance
2006	\$ 367,245	\$ 9,673	\$ 376,918
2007	381,125	27,470	785,513
2008	285,316	35,388	1,106,217
2009	342,970	73,549	1,522,736
2010	353,371	87,507	1,963,614
2011	448,569	82,891	2,495,074
	<u>\$ 2,178,596</u>	<u>\$ 316,478</u>	<u>\$ 2,495,074</u>

WEBBERVILLE COMMUNITY SCHOOLS

**ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133**

YEAR ENDED JUNE 30, 2011

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

To the Board of Education
Webberville Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Webberville Community Schools as of and for the year ended June 30, 2011, which collectively comprise Webberville Community Schools' basic financial statements and have issued our report thereon dated October 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Webberville Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Webberville Community Schools in a separate letter dated October 5, 2011.

This report is intended solely for the information and use of the Board of Education, management and the U.S. Department of Education, the Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maney Costeiran PC

October 5, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Webberville Community Schools

Compliance

We have audited Webberville Community Schools' compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Webberville Community Schools' major federal programs for the year ended June 30, 2011. Webberville Community Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Webberville Community Schools' management. Our responsibility is to express an opinion on Webberville Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Webberville Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Webberville Community Schools' compliance with those requirements.

In our opinion, Webberville Community Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Webberville Community Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Webberville Community Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Webberville Community Schools' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Webberville Community Schools as of and for the year ended June 30, 2011, and have issued our report thereon dated October 5, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Webberville Community Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such 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.

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

Maney Costeiron PC

October 5, 2011

**WEBBERVILLE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 7/1/10	Prior years expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/11
<u>U.S. Department of Agriculture:</u>								
Passed through the Michigan Department of Education:								
Child Nutrition Cluster:								
Non-cash assistance (donated foods):								
National School Lunch - Non-bonus	10.555		\$ 17,797	\$ -	\$ 13,874	\$ 17,797	\$ 17,797	\$ -
National School Lunch - Bonus	10.555		289	-	682	289	289	-
Total non-cash assistance			<u>18,086</u>	<u>-</u>	<u>14,556</u>	<u>18,086</u>	<u>18,086</u>	<u>-</u>
Cash assistance:								
School Breakfast Program	10.553	101970	25,462	-	23,108	2,354	2,354	-
School Breakfast Program		111970	24,263	-	-	24,263	24,263	-
			<u>49,725</u>	<u>-</u>	<u>23,108</u>	<u>26,617</u>	<u>26,617</u>	<u>-</u>
National School Lunch - Section 4	10.555	101950	10,404	-	8,719	1,685	1,685	-
National School Lunch - Section 4		111950	13,920	-	-	13,920	13,920	-
National School Lunch - Section 11		101960	83,798	-	74,136	9,662	9,662	-
National School Lunch - Section 11		111960	76,962	-	-	76,962	76,962	-
			<u>185,084</u>	<u>-</u>	<u>82,855</u>	<u>102,229</u>	<u>102,229</u>	<u>-</u>
Total cash assistance			<u>234,809</u>	<u>-</u>	<u>105,963</u>	<u>128,846</u>	<u>128,846</u>	<u>-</u>
Total Child Nutrition Cluster			<u>252,895</u>	<u>-</u>	<u>120,519</u>	<u>146,932</u>	<u>146,932</u>	<u>-</u>
Passed through Michigan Department of Education:								
Team Nutrition Training Program	10.574	090719	2,494	1,945	1,945	2,414	469	-
Total U.S. Department of Agriculture			<u>255,389</u>	<u>1,945</u>	<u>122,464</u>	<u>149,346</u>	<u>147,401</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

**WEBBERVILLE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 7/1/10	Prior years expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/11
<u>U.S. Department of Education:</u>								
Passed through the Michigan Department of Education:								
Title I Cluster:								
Title I, Part A	84.010	101530/0910	\$ 128,000	\$ 16,645	\$ 105,858	\$ 24,770	\$ 8,125	\$ -
		101530/1011	123,977	-	-	71,832	102,322	30,490
			251,977	16,645	105,858	96,602	110,447	30,490
ARRA Title I, Part A	84.389	101535/0910	38,271	2,929	21,072	8,804	5,875	-
		101535/1011	13,077	-	-	3,228	5,273	2,045
			51,348	2,929	21,072	12,032	11,148	2,045
Total Title I Cluster			303,325	19,574	126,930	108,634	121,595	32,535
Title II, Part D Cluster:								
Title II, Part D	84.318	104290/0910	1,129	384	384	384	-	-
ARRA Title II, Part D	84.386	104295/0910	2,189	-	-	1,576	2,189	613
Total Title II, Part D Cluster			3,318	384	384	1,960	2,189	613
Title II, Part A	84.367	100520/0910	50,979	1,237	13,047	17,931	16,694	-
		100520/1011	56,477	-	-	15,465	32,645	17,180
			107,456	1,237	13,047	33,396	49,339	17,180
Education Jobs Fund	84.410	112545/1011	148,082	-	-	148,082	148,082	-
ARRA Education Stabilization Fund	84.394	102525/0910	190,297	41,985	190,297	41,985	-	-
		112525/1011	77,451	-	-	77,451	77,451	-
			267,748	41,985	190,297	119,436	77,451	-
Total passed through Michigan Department of Education			829,929	63,180	330,658	411,508	398,656	50,328

The accompanying notes are an integral part of this schedule.

**WEBBERVILLE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue 7/1/10	Prior years expenditures (memorandum only)	Current year receipts	Current year expenditures	Accrued (deferred) revenue 6/30/11
<u>U.S. Department of Education (Concluded):</u>								
Passed through Ingham Intermediate School District								
Special Education Cluster:								
Preschool Incentive	84.173	100460/0910 100460/1011	\$ 10,182 8,026	\$ 10,182 -	\$ 10,182 -	\$ 10,182 8,026	\$ - 8,026	\$ - -
			18,208	10,182	10,182	18,208	8,026	-
ARRA Preschool Incentive	84.392	100465/0910 100465/1011	5,826 5,675	5,826 -	5,826 -	5,826 5,675	- 5,675	- -
			11,501	5,826	5,826	11,501	5,675	-
ARRA IDEA Flowthrough	84.391	100455/0910 100455/1011	71,502 64,899	33,466 -	66,334 -	33,466 31,497	- 64,899	- 33,402
			136,401	33,466	66,334	64,963	64,899	33,402
Total Special Education Cluster			166,110	49,474	82,342	94,672	78,600	33,402
Total U.S. Department of Education			996,039	112,654	413,000	506,180	477,256	83,730
<u>U.S. Department of Health and Human Services</u>								
Passed through Ingham Intermediate School District:								
Medicaid Outreach	93.778	1011	3,133	-	10,675	3,133	3,133	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 1,254,561	\$ 114,599	\$ 546,139	\$ 658,659	\$ 627,790	\$ 83,730

The accompanying notes are an integral part of this schedule.

**WEBBERVILLE COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Webberville Community Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. CFDA # 84.394 and CFDA #84.410 were audited as the major programs, representing 36% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Management has utilized the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 480,858
Special revenue fund	<u>146,932</u>
	<u>\$ 627,790</u>
6. The National School Lunch Program Donated Foods (Commodities) Entitlement award was \$17,797. The District received donated foods totaling \$18,086. Based upon confirmation from the Michigan Department of Education, \$18,086 has been recorded.

**WEBBERVILLE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

➤ Material weakness(es) identified? _____ Yes X No

➤ Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

➤ Material weakness(es) identified: _____ Yes X No

➤ Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.410	Education Jobs Fund
84.394	ARRA Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**WEBBERVILLE COMMUNITY SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011**

There were no audit findings reported for the year ended June 30, 2010.

October 5, 2011

To the Board of Education
Webberville Community Schools

In planning and performing our audit of the financial statements of Webberville Community Schools as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Webberville Community Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 5, 2011 on the financial statements of Webberville Community Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

Capital Assets Inventory

We understand it has been a number of years since the District performed a physical inventory of its capital assets. We recommend the District develop a plan to conduct a physical inventory on at least a biannual basis to help maintain an accurate listing of capitalized assets.

Consider Establishing a Fraud Hotline

The District's code of ethics encourages employees to report any suspicion of fraud or misconduct, but it does not provide an effective, practical mechanism for doing so. We believe that as a result, employees would be hesitant to report knowledge or suspicions that could prevent or detect fraud or other misconduct that could be detrimental to the District. Studies show that most frauds are known to someone in the defrauded organization and are revealed after a tip is received from someone with knowledge about the fraud. However, an employee may not report suspicions or knowledge of fraud if he or she does not know to whom to report, especially if the perpetrator is someone high up in the District or someone to whom the employee reports. We recommend that management consider establishing a fraud hotline.

The very existence of a fraud hotline would serve as a deterrent to misconduct by creating among employees a perception that fraud would be detected and reported. It would also demonstrate the District's serious intent to prevent and detect fraud. In addition, the hotline could also be used to report incidents of harassment, unsafe working conditions, violence, or violations of laws or regulations. This would allow the District to address such situations in a timely manner and could help prevent or minimize fines, lawsuits, legal liability, or adverse publicity by demonstrating that the District has procedures for receiving and addressing complaints.

An effective fraud hotline should have the following features:

- It should be available 24/7. Studies show that 40% of calls to fraud hotlines are made at night or on weekends. Employees typically will not call during normal work hours to report on coworkers or supervisors, and they often will not call back if their first call is not answered.
- The hotline must allow anonymous calls to protect confidentiality so that employees will not fear possible retaliation if they are identified as the whistle-blower.
- Employees should be made aware of the hotline's availability and the reasons why they should use it. This could be done via informational posters, memos, or brochures.

Changes in employer and employee pension contributions

During the past fiscal year there have numerous changes to the contribution rates as well the addition of the pension plus plan for new employees. The amounts required to be contributed by the District and employees now vary depending on date of hire and the type of plan employees are in.

We perform limited tests to determine the overall reasonableness of the District's pension contributions. While we found no errors in our testing we recommend controls would be improved if there were periodic reviews of the employer and employee contribution calculations to determine all employee records are accurate and the proper amount of withholding and contributions are being made based on these numerous changes.

This report is intended solely for the information and use of management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Manes Costeiran PC

October 5, 2011

To the Board of Education
Webberville Community Schools

We have audited the financial statements of Webberville Community Schools for the year ended June 30, 2011, and have issued our report dated October 5, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Webberville Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Webberville Community Schools' financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Webberville Community Schools' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Webberville Community Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Webberville Community Schools' compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to the Board of Education Treasurer in our discussion about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Webberville Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011, except for the adoption of GASB 54 (*Fund Balance Reporting and Governmental Fund Type Definitions*). We noted no transactions entered into by the Webberville Community Schools during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimated lives of capital assets. We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any significant disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 5, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Webberville Community Schools' financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as Webberville Community Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and management and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maney Costeiran PC