

Warren Woods Public Schools

Financial Report
with Supplemental Information
Prepared in Accordance with GASB 34
June 30, 2002

Warren Woods Public Schools

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Warren Woods Public Schools

Introductory Letter (Unaudited)

This introductory section of the Warren Woods Public Schools' annual financial report presents an overview of the School District, including program and financial highlights.

School District Highlights

The Warren Woods School District covers five square miles in the southeastern part of Warren located in Macomb County, Michigan. There are more than 3,000 students attending within three elementary schools, one middle school (6-8 grades), and one high school (9-12 grades). There is a highly successful alternative education program and several comprehensive community education programs. In addition, the School District offers the following:

- A daycare center serving children from six weeks to five years of age
- Preschool and latchkey programs
- A young fives developmental kindergarten
- A progressive middle school curriculum featuring block scheduling, team teaching, and an eight-period day for students
- A high school in which 90 percent go on to additional schooling and where 50 percent of the students participate in a sport
- The ability for our students to enroll in over 20 vocational courses through our participation in a four-district technical consortium
- An extensive special education program with Warren Woods being the center for Macomb County in speech language impaired (SLI) and physically or otherwise health impaired (POHI) students

Community support, both financially and through parental involvement, has allowed Warren Woods Schools to be a state-of-the-art district in the area of technology as well as in educational equipment and resources available to our students and staff.

- The North Central Association of Colleges and Schools (NCA) is the largest of the accreditation associations. Most schools that are accredited receive such recognition through NCA. Accreditation signifies that a school has demonstrated and achieved standards necessary for effective education. Emphasis is focused upon increasing success for all students.

For the 2001-2002 school year, we are pleased to report that all schools in the Warren Woods district have successfully achieved full accreditation from the NCA. The 2000-2001 school year committees worked on continuing to achieve goals that had been set during the accreditation process. Staff members decided to have four committees start the new cycle with NCA. They will be pursuing the NCA School Improvement Endorsement. The four committees chosen to help achieve the goals during the new cycle are reading, technology, student responsibility, and student profile.

Warren Woods Public Schools

Introductory Letter (Continued) (Unaudited)

- Accreditation Goals:
 - All students will improve their writing skills across the curriculum.
 - All students will improve in their reading comprehension skills in the area of informational text.
 - All students will improve in meeting school obligations.

Program Highlights

The State of Michigan has set content standards and benchmarks, assessed on the Michigan Educational Assessment Program (MEAP) test, that are administered annually to fourth, fifth, seventh, eighth and eleventh grade students. The curriculum in Warren Woods Public Schools is reviewed regularly by the School District's Curriculum Coordinating Committee (CCC) of teachers and administrators. The CCC's goal is to have in place a curriculum that is based on these standards. To accomplish this goal, there are ongoing updates and revisions to the curriculum as well as regular in-service training for the teaching staff.

Furthermore, to help students meet the standards, Warren Woods Public Schools has made the following improvements over the past three years:

- A new elementary math program was put into place during the fiscal year ended June 30, 2002
- A new K-5 music program will be implemented in the 2002-2003 school year
- A new reading/language arts program at the secondary level has been updated and aligned with State standards
- Added a two-hour per day paraprofessional to each first grade room
- Hired library-media teachers for each elementary school
- Increased the middle school day from seven to eight periods per day
- Reviewed the current graduation requirements at the high school
- Provided an opportunity for high school students to take their physical education and swimming requirements during summer school, thereby giving them more time for additional academic classes during the regular school year
- Updated materials at various levels in social studies, mathematics, English, and science
- Extended the elementary and middle school day and added two days to the school year
- Went from one and a half to two full-time assistant principals at the high school
- Realigned administrators at the central office, recognizing one position as curriculum director
- Provided additional time for teacher in-services

Warren Woods Public Schools

Introductory Letter (Continued) (Unaudited)

Many teachers in the Warren Woods School District are teaching the core curriculum utilizing the *Best Practices of Technology Integration*. The number of teachers will expand in upcoming years. This comes from the State of Michigan Department of Education publication known as the *Michigan Curriculum Framework*. In the end, all the personal computers in the labs and in the classrooms will be updated with the latest technology and teachers will receive training on the new software.

Financial Highlights

- The School District's financial status improved for the 12th straight year. After eliminating the deficits from the 1980s, the School District has accumulated a fund balance "rainy day fund" of approximately \$5.2 million in the fund's financial statements.
- Because of the accumulated fund balance, the School District did not need to borrow for cash flow needs, even though the majority of districts in Michigan were required to borrow.
- The food service program continued its aggressive renovation and equipment replacement needs. The program expended \$33,000 in capital outlay and is beginning a renovation of the middle school serving setup.
- The School District implemented an aggressive copier and duplicator upgrading program and all buildings now have state-of-the-art equipment.
- The School District paid off and closed two debt funds during the year just ended and have only two debt issues outstanding.
- The School District continues to keep its buildings structurally sound and its bus fleet up to date through a combination of expenditures from the General Fund and Building and Site Fund.
- The School District has not asked voters to increase its bonded indebtedness since 1988, although a bond issue campaign is likely within the next three to five years.
- The School District upgraded the infrastructure from hubs to switches to increase through-put for the network and Internet usage.
- The School District installed and implemented the distance-learning lab at the high school. This allowed students to benefit from the expertise and excitement of experts without the travel and lodging costs. We have also used it for teacher collaboration and training at a local level instead of traveling to the MISD. Our teachers and students have live video access to the world.

Warren Woods Public Schools

Introductory Letter (Continued) (Unaudited)

- The School District will implement a district-learning lab next year.
- For the coming year, we are installing technology presentation centers that will allow teachers to have a kiosk of equipment projecting from a computer, document camera, microscope, DVD, and VCR. The projectors are ceiling mounted and the teacher has full control without having to reconnect the equipment. The remotes allow them to switch from one view to another at the point of instruction.
- We are installing upgraded computers at the three elementary schools and middle school labs. This includes two buildings with wireless infrastructure that will allow students to access the network and Internet without the use of wires. This will include writing and curriculum software and keyboarding tools.

Financial Trends - Factors Bearing on the School District's Future

At the time these financial statements were prepared and audited, the School District was aware of circumstances that could significantly affect its financial health in the future. Although past trends have been quite favorable, the future projections are not very positive based on the following:

- Eighty percent of the School District's revenue comes from State sources. For 2002-2003, the State had originally projected a \$300 per student increase. However, this was ultimately reduced to \$200 per pupil, or a 2.56 percent increase. The 2003-2004 State Aid Act only budgets for the same revenue per pupil as 2002-2003 (0 percent increase) and projections after 2003-2004 look even worse.
- Overall district-wide payroll is increasing an average of 7 percent.
- Fringe benefits are increasing 10 percent to 17 percent annually.
- Supplies and purchased services are increasing 3 percent to 4 percent annually.

Obviously, unless operational changes are implemented, operational deficits are projected in the near future.

Independent Auditor's Report

To the Board of Education
Warren Woods Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Warren Woods Public Schools as of and for the year ended June 30, 2002, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Warren Woods Public 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 Warren Woods Public Schools as of June 30, 2002 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the School District has implemented a new financial reporting model, as required by the provisions of the GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2001. In addition, the governmental funds now accrue a liability for compensated absences only to the extent that they come due for payment prior to year end.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated July 31, 2002 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Board of Education
Warren Woods Public Schools

Required Supplemental Information

The management's discussion and analysis and budgetary comparison information on pages 7 through 14 and 37 through 39 are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Combining Financial Statements and Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Warren Woods Public Schools' basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Introductory Letter

The accompanying introductory section, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Plante & Moran, PLLC

July 31, 2002

Warren Woods Public Schools

Management's Discussion and Analysis

This section of Warren Woods Public Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2002. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Warren Woods Public Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund, Special Education Center Program Fund, SMTEC Vocational Education Fund, Building and Site Capital Projects Fund, and the Durant Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

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

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for the General Fund and Major Special Revenue Funds

Other Supplemental Information

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

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

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

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

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Child Care Fund is an example) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

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

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

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

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

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2002:

TABLE I	Governmental Activities (in millions)
Assets	
Current and other assets	\$ 12.1
Capital assets - Net of accumulated depreciation	<u>13.3</u>
Total assets	25.4
Liabilities	
Current liabilities	5.6
Long-term liabilities	<u>15.1</u>
Total liabilities	<u>20.7</u>
Net Assets	
Invested in property and equipment - Net of related debt	(5.0)
Restricted	0.5
Unrestricted	<u>9.2</u>
Total net assets	<u><u>\$ 4.7</u></u>

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Management's Discussion and Analysis (Continued)

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$4.7 million at June 30, 2002. Capital assets, net of related debt totaling (\$5 million) compares the original cost, less depreciation of the School District's capital assets to long-term debt, including accreted interest on capital appreciation bonds, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$9.2 million) was unrestricted.

The \$9.2 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2002. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2001 is not available.

TABLE 2	Governmental Activities <hr/> (in millions)
Revenue	
Program revenue:	
Charges for services	\$ 1.2
Grants and categoricals	4.7
General revenue:	
Property taxes	7.0
State foundation allowance	21.8
Other	<hr/> 1.1
Total revenue	35.8

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Management's Discussion and Analysis (Continued)

Function/Program Expenses

Instruction	\$	18.7
Support services		11.9
Child care		0.6
Food services		0.7
Athletics		0.5
Interest on long-term debt		1.9
Depreciaton (unallocated)		0.3
		<hr/>
Total expenses		34.6

Increase in Net Assets

\$ 1.2

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$34.6 million. Certain activities were partially funded from those who benefited from the programs (\$1.2 million) or by other governments and organizations that subsidized certain programs with grants and categoricals (\$4.7 million). We paid for the remaining “public benefit” portion of our governmental activities with \$7.0 million in taxes, \$21.8 million in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets of \$1.2 million. Key reasons for the change in net assets were building and site capitalizable expenditures and the repayment of bond principal. The increase in net assets differs from the change in fund balance and a reconciliation appears on page 22.

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

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

As the School District completed this year, the governmental funds reported a combined fund balance of \$9.8 million, which is a decrease of \$.5 million from last year. The primary reasons for the decrease is Building and Site Fund expenditures. However, in the General Fund, our principal operating fund, the fund balance increased \$431,655 to \$5,265,164, which is slightly more than the budgeted increase of \$273,508. Overall, actual General Fund revenue and expenses were within 99 percent of budgeted amounts.

- Our Special Revenue Funds remained stable from the prior year, showing a net increase of approximately \$5,400.
- Combined, the Debt Service Funds showed a fund balance increase of approximately \$43,000. Millage rates were reduced several years ago from 7.0 mills to 6.6 mills in order to adjust the Debt Service Fund balances. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.
- The combined Capital Projects Funds fund balance decreased as the School District continued its building and technology improvements.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues were decreased \$26,158, which is an immaterial decrease compared to the original budget.
- Budgeted expenditures were increased \$145,016 to account for the implementation of new curriculum and textbook programs. The overall change was immaterial.
- There were no significant variances between the final budget and actual amounts.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

Capital Assets

At June 30, 2002, the School District had \$33.7 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions and disposals) of approximately \$643,000, or 2 percent, from last year.

	<u>2002</u>	<u>2001</u>
Land	\$ 5,000	\$ 5,000
Buildings	22,236,488	21,614,252
Buses and other vehicles	1,198,484	1,249,984
Furniture and equipment	<u>10,286,905</u>	<u>10,214,799</u>
Total capital assets	33,726,877	33,084,035
Less accumulated depreciation	<u>20,399,959</u>	<u>19,625,092</u>
Net capital assets	<u>\$ 13,326,918</u>	<u>\$ 13,458,943</u>

This year's additions of \$737,000 included vehicles, cafeteria equipment, technology, building renovations, and buses. No debt was issued for these additions.

Several major capital projects are planned for the 2002-2003 fiscal year. We anticipate capital additions will be comparable to the 2001-2002 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$11.1 million in bonds outstanding versus \$12.9 million in the previous year - a change of 14 percent. Those bonds consisted of the following:

	<u>2002</u>	<u>2001</u>
General Obligation Bonds	<u>\$ 11,145,082</u>	<u>\$ 12,936,743</u>

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$11.1 million is significantly below the statutorily imposed limit.

Warren Woods Public Schools

Management's Discussion and Analysis (Continued)

Other obligations include employee-compensated absences and accreted interest on capital appreciation bonds outstanding. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2003 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2003 fiscal year is 20 percent and 80 percent of the February 2002 and September 2002 student counts, respectively. The 2003 fiscal year budget was adopted in June 2002, based on an estimate of students that will be enrolled in September 2002. Approximately 75 percent to 80 percent of total General Fund revenues is from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2002-2003 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2003 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation based upon moving the statewide 6 mill tax collection from winter to summer for the 2003 collection and the imposition of an additional cigarette tax, at which time the collection will have a one-time reduction to 5 mills.

During the 2002-03 fiscal year, the School District expects to settle a labor contract with the Teamster's Union. The cumulative effect of a three-year settlement is estimated by the School District to be \$200,000.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Department, 27100 Schoenherr Road, Warren, Michigan 48088.

Warren Woods Public Schools

Statement of Net Assets June 30, 2002

	<u>Governmental Activities</u>
Assets	
Cash and investments (Note 3)	\$ 6,444,988
Receivables:	
Taxes	426,833
Accounts receivable	614,170
Due from other governmental units	4,535,068
Inventories	26,737
Prepaid expenses	56,161
Capital assets less accumulated depreciation of \$20,399,959 (Note 4)	<u>13,326,918</u>
Total assets	<u>25,430,875</u>
Liabilities	
Accounts payable	473,833
Accrued payroll and other liabilities	1,431,014
Deferred revenue (Note 6)	16,864
Long-term liabilities (Note 7):	
Bonds payable, due within one year	1,741,008
Other obligations, due within one year	1,890,364
Bonds payable, due in more than one year	9,404,074
Other obligations, due in more than one year	<u>5,766,342</u>
Total liabilities	20,723,499
Net Assets	
Investment in capital assets - Net of related debt	(4,957,823)
Restricted for debt service	455,292
Unrestricted	<u>9,209,907</u>
Total net assets	<u><u>\$ 4,707,376</u></u>

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Statement of Activities Year Ended June 30, 2002

	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants/Contributions	Activities Net (Expense) Revenue and Changes in Net Assets
Functions/Programs				
Primary government -				
Governmental activities:				
Instruction	\$ 18,682,273	\$ 46,387	\$ 4,548,351	\$ (14,087,535)
Support services	11,856,347	30,924	-	(11,825,423)
Food services	721,591	553,733	140,485	(27,373)
Athletics	475,147	24,079	-	(451,068)
Child care	560,665	543,004	-	(17,661)
Interest on long-term debt	1,893,967	-	-	(1,893,967)
Depreciation (unallocated)	331,227	-	-	(331,227)
Total governmental activities	<u>\$ 34,521,217</u>	<u>\$ 1,198,127</u>	<u>\$ 4,688,836</u>	(28,634,254)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				3,332,644
Property taxes, levied for debt services				3,610,697
State aid not restricted to specific purposes				21,847,405
Interest and investment earnings				96,493
Other				984,627
Total general revenues				<u>29,871,866</u>
Change in Net Assets				1,237,612
Net Assets - Beginning of year				<u>3,469,764</u>
Net Assets - End of year				<u>\$ 4,707,376</u>

Warren Woods Public Schools

	General	Special Education Center Program	Southwest Macomb Technical Education Consortium
Assets			
Cash and investments (Note 3)	\$ 1,951,424	\$ -	\$ -
Receivables:			
Taxes	278,277	-	-
Accounts receivable	266,447	-	316,848
Due from other funds	231,373	7,367	-
Due from other governmental units	4,530,571	4,497	-
Inventories	-	-	-
Prepaid expenditures	56,161	-	-
Total assets	<u>\$ 7,314,253</u>	<u>\$ 11,864</u>	<u>\$ 316,848</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 455,471	\$ -	\$ -
Accrued payroll and other liabilities	1,298,477	-	-
Due to other funds	-	-	316,848
Deferred revenue (Note 6)	295,141	-	-
Total liabilities	2,049,089	-	316,848
Fund Balances			
Reserved for inventories and prepaid expenditures	56,161	-	-
Reserved for adult education	259,475	-	-
Reserved for debt service			
Unreserved:			
Designated for tax tribunal cases	200,000	-	-
Designated for employee-compensated absences	593,230	-	-
Designated for working capital	2,800,000	-	-
Designated for capital projects:			
Vocational education	-	-	-
Special education	-	-	-
Enterprise High School	-	-	-
Athletics	-	-	-
Child care	-	-	-
Technology and infrastructure	500,000	-	-
Undesignated	856,298	11,864	-
Total fund balances	<u>5,265,164</u>	<u>11,864</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 7,314,253</u>	<u>\$ 11,864</u>	<u>\$ 316,848</u>

**Governmental Funds
Balance Sheet
June 30, 2002**

Building and Site	Durant	Other Nonmajor Governmental Funds	Total
\$ 1,053,172	\$ 2,817,325	\$ 623,067	\$ 6,444,988
-	-	148,556	426,833
439	3,652	26,784	614,170
-	-	116,015	354,755
-	-	-	4,535,068
-	-	26,737	26,737
-	-	-	56,161
<u>\$ 1,053,611</u>	<u>\$ 2,820,977</u>	<u>\$ 941,159</u>	<u>\$ 12,458,712</u>
\$ 18,362	\$ -	\$ -	\$ 473,833
56,354	-	-	1,354,831
-	-	37,907	354,755
-	-	148,556	443,697
74,716	-	186,463	2,627,116
-	-	26,737	82,898
-	-	-	259,475
-	-	455,292	455,292
-	-	-	200,000
-	-	-	593,230
-	-	-	2,800,000
100,000	-	-	100,000
200,000	-	-	200,000
400,000	-	-	400,000
100,000	-	-	100,000
70,000	-	-	70,000
-	2,820,977	-	3,320,977
108,895	-	272,667	1,249,724
978,895	2,820,977	754,696	9,831,596
<u>\$ 1,053,611</u>	<u>\$ 2,820,977</u>	<u>\$ 941,159</u>	<u>\$ 12,458,712</u>

Warren Woods Public Schools

Governmental Funds Reconciliation of Balance Sheet of Governmental Funds to Net Assets June 30, 2002

Total Fund Balances - Governmental Funds \$ 9,831,596

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

The cost of the capital assets is	33,726,877
Accumulated depreciation is	<u>(20,399,959)</u>

Other long-term assets not available to pay current period expenditures therefore deferred in the funds	426,833
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Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds payable	(11,145,082)
---------------	--------------

Compensated balances	(593,230)
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Accreted interest on capital appreciation bonds	(7,063,476)
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Accrued interest payable is not included as a liability in governmental activities	<u>(76,183)</u>
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Total net assets - Governmental activities	<u><u>\$ 4,707,376</u></u>
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Warren Woods Public Schools

	General	Special Education Center Program	Southwest Macomb Technical Education Consortium
Revenue			
Local sources	\$ 3,853,606	\$ -	\$ 11,234
State sources	21,171,548	722,180	192,536
Federal sources	688,409	18,000	300,680
Interdistrict and other sources	<u>702,941</u>	<u>2,187,462</u>	<u>412,000</u>
Total revenue	26,416,504	2,927,642	916,450
Expenditures			
Current:			
Instruction	13,671,748	-	-
Support services	11,527,180	-	-
Food service	-	-	-
Athletics	-	-	-
Bookstores	-	-	-
Child care	-	-	-
Special education	-	2,923,142	-
Vocational education	-	-	906,450
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>25,198,928</u>	<u>2,923,142</u>	<u>906,450</u>
Excess (deficiency) of revenue over expenditures	1,217,576	4,500	10,000
Other Financing Sources (Uses)			
Operating transfers in	20,000	-	-
Operating transfers out	<u>(805,921)</u>	<u>-</u>	<u>(10,000)</u>
Total other financing sources (uses)	(785,921)	-	(10,000)
Net Change in Fund Balances	431,655	4,500	-
Fund Balances - Beginning of year	<u>4,833,509</u>	<u>7,364</u>	<u>-</u>
Fund Balances - End of year	<u><u>\$ 5,265,164</u></u>	<u><u>\$ 11,864</u></u>	<u><u>\$ -</u></u>

**Governmental Funds
Statement of Revenue, Expenditures, and
Changes in Fund Balances
Year Ended June 30, 2002**

Building and Site	Durant	Other Nonmajor Governmental Funds	Totals
\$ 35,167	\$ 71,172	\$ 4,824,576	\$ 8,795,755
-	-	18,012	22,104,276
-	-	122,473	1,129,562
-	-	-	3,302,403
<u>35,167</u>	<u>71,172</u>	<u>4,965,061</u>	<u>35,331,996</u>
-	-	-	13,671,748
-	-	-	11,527,180
-	-	698,269	698,269
-	-	475,147	475,147
-	-	73,967	73,967
-	-	560,665	560,665
-	-	-	2,923,142
-	-	-	906,450
-	-	1,791,661	1,791,661
-	-	1,817,784	1,817,784
<u>1,403,432</u>	<u>-</u>	<u>-</u>	<u>1,403,432</u>
<u>1,403,432</u>	<u>-</u>	<u>5,417,493</u>	<u>35,849,445</u>
(1,368,265)	71,172	(452,432)	(517,449)
300,000	-	505,921	825,921
<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>(825,921)</u>
300,000	-	495,921	-
(1,068,265)	71,172	43,489	(517,449)
<u>2,047,160</u>	<u>2,749,805</u>	<u>711,207</u>	<u>10,349,045</u>
<u>\$ 978,895</u>	<u>\$ 2,820,977</u>	<u>\$ 754,696</u>	<u>\$ 9,831,596</u>

Warren Woods Public Schools

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2002

Net Change in Fund Balances - Total Governmental Funds	\$ (517,449)
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	(868,437)
Capital outlay	<u>736,639</u>
Total	(131,798)
Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds	426,833
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(76,183)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,791,661
Increases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6	<u>(255,452)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,237,612</u></u>

Warren Woods Public Schools

Fiduciary Fund Statement of Fiduciary Net Assets June 30, 2002

Student Activities
Agency Fund

Assets - Cash and investments

\$ 326,233

Liabilities - Due to student groups

\$ 326,233

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide and Fund Financial Statements

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

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

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

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

Note I - Summary of Significant Accounting Policies (Continued)

The School District reports the following major governmental funds:

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

Special Education Center Program Special Revenue Fund - The Special Education Center Program Fund is used to record all transactions associated with special education center programs administered by the School District on behalf of the Intermediate School District.

Southwest Macomb Technical Education Consortium Special Revenue Fund - The Southwest Macomb Technical Education Consortium Fund is used to record all transactions of the Consortium, of which the School District is a member along with three other school districts.

Building and Site Fund - The Building and Site Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs.

Durant Fund - The Durant Fund is used to segregate, for administrative purposes, the transactions relating to programs funded by the proceeds from the State of Michigan in the Durant litigation. The School District maintains full control of this fund.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

Note I - Summary of Significant Accounting Policies (Continued)

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as inventory and deferred revenue until used. Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Compensated Absences - The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 1 - Summary of Significant Accounting Policies (Continued)

Comparative Data/Reclassifications - Comparative data is not included in the School District's financial statements.

Accounting Change - Effective July 1, 2001, the School District implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the School District's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the School District's overall financial position and results of operations has been included.

District-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the School District's activities have been provided.

Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$32,688,949 previously reported in the General Fixed Assets Account Group. Capital assets at July 1, 2001 previously reported in the General Fixed Assets Account Group have been adjusted by \$395,086 to reflect the historical cost of the School District's capital assets at that date. In addition, the governmental activities column includes bonds and other long-term obligations totaling \$19,606,401 previously reported in the General Long-term Debt Account Group.

Note 2 - Stewardship, Compliance, and Accountability

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

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

Warren Woods Public Schools

Notes to Financial Statements June 30, 2002

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

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

Fund Deficits - The School District has an accumulated fund balance deficit in the Bookstore Special Revenue Fund in the amount of \$19,985.

Note 3 - Deposits and Investments

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

At year end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and investments	\$ 6,444,988	\$ 326,233	\$ 6,771,221

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 1,066,662
Investments in securities, mutual funds, and similar vehicles	5,701,842
Petty cash and cash on hand	2,717
Total	\$ 6,771,221

Warren Woods Public Schools

Notes to Financial Statements June 30, 2002

Note 3 - Deposits and Investments (Continued)

The deposits of the School District were reflected in the accounts of financial institutions at \$1,692,474, of which \$200,000 is covered by federal depository insurance.

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, or securities held by the School District or its agent in the School District's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the School District's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the School District's name.

At year end, the School District's investment balances were categorized as follows:

	Category			Carrying Amount
	1	2	3	
Commercial paper	<u>\$ 783,561</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 783,561
Investments not subject to categorization:				
Bank investment pools				2,356,735
Interlocal agreement investment pools (i.e., MILAF)				<u>2,561,546</u>
Total investments				<u>\$ 5,701,842</u>

Investments not subject to categorization are not evidenced by securities that exist in physical or book entry form.

Warren Woods Public Schools

Notes to Financial Statements June 30, 2002

Note 4 - Capital Assets

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

	Balance July 1, 2001*	Additions	Disposals and Adjustments	Balance June 30, 2002
Assets not being depreciated - Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital assets being depreciated:				
Building and improvements	21,614,252	622,236	-	22,236,488
Buses and other vehicles	1,249,984	500	52,000	1,198,484
Furniture and equipment	<u>10,214,799</u>	<u>113,903</u>	<u>41,797</u>	<u>10,286,905</u>
Subtotal	33,079,035	736,639	93,797	33,721,877
Accumulated depreciation:				
Building and improvements	12,829,432	358,733	-	13,188,165
Buses and other vehicles	793,118	62,510	52,000	803,628
Furniture and equipment	<u>6,002,542</u>	<u>447,194</u>	<u>41,570</u>	<u>6,408,166</u>
Subtotal	<u>19,625,092</u>	<u>868,437</u>	<u>93,570</u>	<u>20,399,959</u>
Net capital assets being depreciated	<u>13,453,943</u>	<u>(131,798)</u>	<u>227</u>	<u>13,321,918</u>
Net capital assets	<u>\$ 13,458,943</u>	<u>\$ (131,798)</u>	<u>\$ 227</u>	<u>\$ 13,326,918</u>

* During the year, the School District had a historical cost appraisal performed for all School District assets, resulting in an adjustment of \$395,086 as of July 1, 2001.

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

Governmental activities:

Instruction	\$ 261,357
Support services	252,531
Food services	23,322
Unallocated	<u>331,227</u>
Total governmental activities	<u>\$ 868,437</u>

Warren Woods Public Schools

Notes to Financial Statements June 30, 2002

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due From	Fund Due To			Total
	General Fund	Special Education Center Program	Other Governmental Funds	
Transfers in:				
General Fund	\$ -	\$ 7,367	\$ 116,015	\$ 123,382
Southwest Macomb Technical Education Consortium	316,848	-	-	316,848
Other governmental funds	<u>37,907</u>	<u>-</u>	<u>-</u>	<u>37,907</u>
Total	<u>\$ 354,755</u>	<u>\$ 7,367</u>	<u>\$ 116,015</u>	<u>\$ 478,137</u>

Interfund Transfers

	Transfers Out			Total
	General Fund	Southwest Macomb Technical Education Consortium	Other Governmental Funds	
Transfers in:				
General Fund	\$ -	\$ 10,000	\$ 10,000	\$ 20,000
Building and Site	300,000	-	-	300,000
Other governmental funds	<u>505,921</u>	<u>-</u>	<u>-</u>	<u>505,921</u>
Total	<u>\$ 805,921</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 825,921</u>

Warren Woods Public Schools

Notes to Financial Statements June 30, 2002

Note 6 - Deferred Revenue

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

	Unavailable	Unearned
Delinquent property taxes	\$ 426,833	\$ -
Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>-</u>	<u>16,864</u>
Total	<u>\$ 426,833</u>	<u>\$ 16,864</u>

Note 7 - Long-term Debt

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

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental Activities					
Bonds	\$ 12,936,743	\$ -	\$ 1,791,661	\$ 11,145,082	\$ 1,741,008
Other obligations	<u>6,669,658</u>	<u>987,048</u>	<u>-</u>	<u>7,656,706</u>	<u>1,890,364</u>
Total governmental activities	<u>\$ 19,606,401</u>	<u>\$ 987,048</u>	<u>\$ 1,791,661</u>	<u>\$ 18,801,788</u>	<u>\$ 3,631,372</u>

Warren Woods Public Schools

Notes to Financial Statements June 30, 2002

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above governmental bond obligations are as follows:

	Principal	Interest	Total
2003	\$ 1,741,008	\$ 1,976,479	\$ 3,717,487
2004	1,686,748	2,138,999	3,825,747
2005	1,467,326	2,471,559	3,938,885
2006	3,745,000	315,005	4,060,005
2007	2,505,000	127,755	2,632,755
Total	<u>\$ 11,145,082</u>	<u>\$ 7,029,797</u>	<u>\$ 18,174,879</u>

Governmental Activities

General obligation bonds consist of the following:

1991 serial bonds due in annual installments of \$1,387,326 to \$1,381,008 through May 1, 2005; interest at 6.75%-6.95%	\$ 4,100,082
1995 refunding bonds due in annual installments of \$80,000 to \$3,745,000 through June 1, 2007; interest at 4.75%-5.10%	<u>7,045,000</u>
Total bonded debt	<u>\$ 11,145,082</u>

Other governmental activities long-term obligations include:

Employee-compensated absences	\$ 593,230
Accreted interest on capital appreciation bonds	<u>7,063,476</u>
Total	<u>\$ 7,656,706</u>

Note 8 - Risk Management

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

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

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy - Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 12.16 percent for the period from July 1, 2001 through September 30, 2001 and 12.17 percent for the period from October 1, 2001 through June 30, 2002 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS plan for the years ended June 30, 2002, 2001, and 2000 were \$2,186,000, \$2,063,000, and \$1,927,000, respectively.

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

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post-employment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

Required Supplemental Information

Warren Woods Public Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Yea Ended June 30, 2002

	Original Budget	Final Amended Budget	Actual
Revenue			
Local sources	\$ 3,666,200	\$ 3,836,800	\$ 3,853,606
State sources	20,682,758	21,088,800	21,171,548
Federal sources	627,282	730,982	688,409
Interdistrict and other sources	1,583,000	876,500	702,941
Total revenue	26,559,240	26,533,082	26,416,504
Expenditures - Current			
Instruction:			
Basic programs	10,470,677	10,656,830	10,365,767
Added needs	3,048,621	3,101,548	2,978,375
Adult and continuing education	272,500	337,546	327,606
Support services:			
Pupil	1,744,100	1,723,800	1,729,270
Instructional staff	1,410,380	1,286,820	1,284,239
General administration	1,029,210	1,180,350	1,157,276
School administration	1,500,900	1,515,800	1,608,204
Business services	517,200	422,300	442,802
Operations and maintenance	3,819,530	4,035,500	4,063,812
Transportation	713,060	692,280	741,229
Central support services	518,580	540,800	500,348
Total expenditures	25,044,758	25,493,574	25,198,928
Other Financing Sources (Uses)			
Operating transfers in	20,000	20,000	20,000
Operating transfers out	(1,069,800)	(766,000)	(805,921)
Net Change in Fund Balance	464,682	293,508	431,655
Fund Balance - July 1, 2001	4,833,509	4,833,509	4,833,509
Fund Balance - June 30, 2002	<u>\$ 5,298,191</u>	<u>\$ 5,127,017</u>	<u>\$ 5,265,164</u>

Warren Woods Public Schools

Required Supplemental Information Budgetary Comparison Schedule Special Education Center Program Special Revenue Fund Year Ended June 30, 2002

	Original Budget	Final Amended Budget	Actual
Revenue			
State sources	\$ 888,300	\$ 713,850	\$ 722,180
Federal sources	20,000	50,000	18,000
Interdistrict sources	2,128,400	2,165,700	2,187,462
Total revenue	3,036,700	2,929,550	2,927,642
Expenditures			
Salaries	2,085,894	2,047,750	2,071,019
Benefits	841,700	792,800	791,486
Supplies	90,000	70,000	50,194
Capital outlay	19,000	19,000	10,443
Total expenditures	3,036,594	2,929,550	2,923,142
Net Change in Fund Balance	106	-	4,500
Fund Balance - July 1, 2001	7,364	7,364	7,364
Fund Balance - June 30, 2002	\$ 7,470	\$ 7,364	\$ 11,864

Warren Woods Public Schools

Required Supplemental Information Budgetary Comparison Schedule Southwest Macomb Technical Education Consortium Special Revenue Fund Year Ended June 30, 2002

	Original Budget	Final Amended Budget	Actual
Revenue			
Local sources	\$ 30,850	\$ 15,425	\$ 11,234
State sources	295,730	211,383	192,536
Federal sources	458,781	363,331	300,680
Interdistrict sources	334,860	329,160	412,000
Total revenue	1,120,221	919,299	916,450
Expenditures			
Salaries	579,948	407,552	450,893
Benefits	164,393	119,383	131,922
Supplies	350,730	392,364	323,635
Total expenditures	1,095,071	919,299	906,450
Other Financing Uses - Operating transfers out	(24,900)	-	(10,000)
Net Change in Fund Balance	250	-	-
Fund Balance - July 1, 2001	-	-	-
Fund Balance - June 30, 2002	\$ 250	\$ -	\$ -

Other Supplemental Information

Warren Woods Public Schools

	Special Revenue Funds			
	Athletic Activities	Bookstore Activities	Food Service	Child Care Program
Assets				
Cash and investments	\$ -	\$ -	\$ 68,456	\$ 99,319
Receivables - Net:				
Taxes	-	-	-	-
Accounts	-	-	26,784	-
Due from other funds	45,982	-	5,216	64,817
Inventories	-	17,922	8,815	-
Total assets	\$ 45,982	\$ 17,922	\$ 109,271	\$ 164,136
Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ -	\$ 37,907	\$ -	\$ -
Deferred revenue	-	-	-	-
Total liabilities	-	37,907	-	-
Fund Balances				
Reserved for inventories	-	17,922	8,815	-
Reserved for debt service	-	-	-	-
Unreserved - Undesignated	45,982	(37,907)	100,456	164,136
Total fund balances	45,982	(19,985)	109,271	164,136
Total liabilities and fund balances	\$ 45,982	\$ 17,922	\$ 109,271	\$ 164,136

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2002**

Debt Service Funds				
1970 Issue	1989 Issue	1991 Issue	1995 Issue	Total
\$ -	\$ -	\$ 350,453	\$ 104,839	\$ 623,067
-	-	111,709	36,847	148,556
-	-	-	-	26,784
-	-	-	-	116,015
-	-	-	-	26,737
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 462,162</u>	<u>\$ 141,686</u>	<u>\$ 941,159</u>
\$ -	\$ -	\$ -	\$ -	\$ 37,907
-	-	111,709	36,847	148,556
-	-	111,709	36,847	186,463
-	-	-	-	26,737
-	-	350,453	104,839	455,292
-	-	-	-	272,667
-	-	350,453	104,839	754,696
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 462,162</u>	<u>\$ 141,686</u>	<u>\$ 941,159</u>

Warren Woods Public Schools

	Special Revenue Funds			
	Athletic Activities	Bookstore Activities	Food Services	Child Care Program
Revenues				
Local	\$ 24,079	\$ 49,749	\$ 555,733	\$ 543,004
State	-	-	18,012	-
Federal	-	-	122,473	-
Interdistrict	-	-	-	-
Total revenue	24,079	49,749	696,218	543,004
Expenditures				
Current:				
Instruction	-	-	-	-
Support service	-	-	-	-
Community services	-	-	-	-
Food services	-	-	698,269	-
Athletics	475,147	-	-	-
Bookstores	-	73,967	-	-
Child care	-	-	-	560,665
Special education	-	-	-	-
Vocational education	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	475,147	73,967	698,269	560,665
Excess of Revenues Over (Under) Expenditures	(451,068)	(24,218)	(2,051)	(17,661)
Other Financing Sources (Uses)				
Transfers in	462,921	-	-	43,000
Transfers out	-	-	-	(10,000)
Total other financial sources (uses)	462,921	-	-	33,000
Net Change in Fund Balance	11,853	(24,218)	(2,051)	15,339
Fund Balances - Beginning of year	34,129	4,233	111,322	148,797
Residual Equity Transfer	-	-	-	-
Fund Balances - End of year	\$ 45,982	\$ (19,985)	\$ 109,271	\$ 164,136

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2002**

Debt Service Funds				
1970 Issue	1989 Issue	1991 Issue	1995 Issue	Total
\$ 393	\$ -	\$ 2,869,719	\$ 781,899	\$ 4,824,576
-	-	-	-	18,012
-	-	-	-	122,473
-	-	-	-	-
393	-	2,869,719	781,899	4,965,061
-	-	-	-	-
-	-	-	-	-
-	-	-	-	698,269
-	-	-	-	475,147
-	-	-	-	73,967
-	-	-	-	560,665
-	-	-	-	-
-	-	-	-	-
-	-	1,426,661	365,000	1,791,661
-	-	1,448,339	369,445	1,817,784
-	-	-	-	-
-	-	2,875,000	734,445	5,417,493
393	-	(5,281)	47,454	(452,432)
-	-	-	-	505,921
-	-	-	-	(10,000)
-	-	-	-	495,921
393	-	(5,281)	47,454	43,489
44,524	24,230	286,587	57,385	711,207
(44,917)	(24,230)	69,147	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 350,453</u>	<u>\$ 104,839</u>	<u>\$ 754,696</u>

Warren Woods Public Schools

Other Supplemental Information Statement of Bonded Indebtedness Year Ended June 30, 2002

<u>June 30</u>	<u>1991 Debt</u> <u>Principal</u>	<u>1995 Debt</u> <u>Principal</u>
2003	\$ 1,381,008	\$ 360,000
2004	1,331,748	355,000
2005	1,387,326	80,000
2006	-	3,745,000
2007	-	2,505,000
	<u><u>\$ 4,100,082</u></u>	<u><u>\$ 7,045,000</u></u>
Principal payments due	June 1	May 1
Interest payments due	December 1 and June 1	May 1
Interest rate	6.75% to 6.95%	4.75% to 5.10%
Original issue	<u><u>\$ 13,067,388</u></u>	<u><u>\$ 8,100,000</u></u>