

WILLOW RUN COMMUNITY SCHOOLS



Ypsilanti, Michigan

FINANCIAL STATEMENTS and SINGLE AUDIT

**For the Year Ended
June 30, 2009**

WILLOW RUN COMMUNITY SCHOOLS

For the Year Ended June 30, 2009

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities.....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	18-21
Statement of Fiduciary Assets and Liabilities.....	22
Notes to the Financial Statements	23-37
Combining Fund Financial Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds	38-39
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	40-41
Single Audit	
Schedule of Expenditures of Federal Awards	42-43
Notes to Schedule of Expenditures of Federal Awards	44
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45-46
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	47-48
Schedule of Findings and Questioned Costs	49-52

INDEPENDENT AUDITORS' REPORT

November 5, 2009

Board of Education
Willow Run Community Schools
Ypsilanti, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **WILLOW RUN COMMUNITY SCHOOLS**, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Willow Run Community Schools, as of June 30, 2009, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2009, on our consideration of the District's internal control over financial reporting and 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 on pages 3-11 is not a required part of the basic financial statements but is supplementary 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 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 Willow Run Community Schools' basic financial statements. The combining fund statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Willow Run Community Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Lehmann Johnson". The signature is written in black ink and is positioned in the lower right quadrant of the page.

MANAGEMENT'S DISCUSSION and ANALYSIS

Willow Run Community Schools Management's Discussion and Analysis

As management and administrators of Willow Run Community Schools (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of Willow Run Community Schools for the fiscal year ended June 30, 2009.

Financial Highlights

- In compliance with GASB 34 reporting requirements, total assets of the District amounted to \$59,842,068 and total liabilities amounted to \$82,890,447 on June 30, 2009. The total liabilities of the District exceeded total assets at the close of the most recent fiscal year by \$23,048,379 causing a net deficit for reporting purposes.
- The net deficit from the beginning of the year totaled \$21,260,622. The government's total net assets decreased by \$1,787,757 during the current year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of (\$1,902,810), a decrease of \$1,195,885 in comparison with the prior year. Of this amount, \$484,653 was from net expenditures in the Other Governmental Funds and the balance of \$711,232 was the result of losses in the General Fund. The District has no fund balance *available for spending* at the government's discretion (*unreserved fund balance*), with the District's unreserved fund deficit in the General Fund at (\$3,358,309). The entire remaining fund balance of \$1,455,499 is *restricted for spending* and relates to General Fund inventories and prepaid expenditures (\$350,635) and Other Governmental Funds (\$1,104,864).
- At the end of the current fiscal year, unreserved fund deficit for the General Fund was (\$3,358,309) or (13.6) percent of the total combined General Fund's expenditures and other financing sources and uses.
- Investments for the future were made by the spending of \$631,904 on finalizing the renovation of existing buildings and the construction of a soft ball complex and improvements to the Football field. Of these outlays, \$631,904 was financed by the 2001 Capital Projects Fund.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. This is done by reporting the District's assets and liabilities using the full accrual basis of accounting. Prior to the implementation and adoption of GASB 34, the assets and liabilities of the District were reported using the modified-accrual basis of accounting. In essence, this change in accounting method requires the district to disclose debt issues, borrowings from the State, compensated absences for employees and capital assets less accumulated depreciation on the District's Financial Statements.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets (deficit)*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, it should be noted that the triggering event causing the District to be in a net deficit position is the recording of approximately \$22.5 million dollars in loans from the School Bond Loan Fund, an increase of over \$1.016 million dollars from the prior year. The District has participated in the School Bond Loan Fund since 1985. The obligation to the School Bond Loan Fund represents notes payable to the State of Michigan (as authorized by the 1963 State of Michigan Constitution) for the purposes of paying principal and interest on general obligation bonds of the District issued for capital expenditures. Repayment to the School Bond Loan Fund is required when the millage rate necessary to cover the annual bonded debt service falls below 7 mills. Currently, the District is carrying a debt millage of 10.3 mills.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. In addition, this statement discloses the *non-cash* expenditure of depreciation which affects the ending book value of capital assets.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, food service, athletics, community service and interest on long-term debt.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which remains the District's only major fund. Data from the other ten governmental funds (food services, athletics, community service, five separate debt funds, the 2001 Capital Projects Fund and the Durant capital projects fund) are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the General Fund herein to demonstrate compliance with that budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. Fiduciary funds are commonly referred to as student activity funds. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The accompanying notes are an integral part of the financial statements and must be reviewed in conjunction with the information reported on the financial statements to provide a full understanding of the District's financial situation. The notes to the financial statements can be found on pages 23-37 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements.

Government-wide Financial Analysis

The largest portion of the District's total assets (81.9 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment). The District uses these capital assets to provide services to its students; consequently, these assets are *not* available for future spending and are considered fixed. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The second largest portion of the District's total assets (18.1 percent) reflects its current assets, comprised primarily of receivables and cash and cash equivalents. The receivables are primarily state aid and grant funds due to the District and received within 60 days of year-end. The cash and cash equivalents are primarily assets restricted for use in the ongoing construction project that was approved by voters in 2001. The corresponding debt for the 2001 bond issue has also been recorded in total liabilities and combined with other debt issues, makes up the largest portion of District liabilities representing approximately 85 percent.

District's Total Assets & Net Deficit

	Governmental Activities	
	<u>2007-08</u>	<u>2008-09</u>
Current and other assets	\$ 12,231,957	\$ 10,823,204
Capital assets, net	<u>50,897,507</u>	<u>49,018,864</u>
Total assets	<u>63,129,464</u>	<u>59,842,068</u>
Long-term liabilities outstanding	71,802,524	70,474,671
Other liabilities	<u>12,587,562</u>	<u>12,415,776</u>
Total liabilities	<u>84,390,086</u>	<u>82,890,447</u>
Net assets (deficit):		
Invested in capital assets, net of related debt	(18,732,130)	(19,909,045)
Restricted	1,584,336	814,868
Unrestricted	<u>(4,112,828)</u>	<u>(3,954,202)</u>
Total net assets (deficit)	<u>\$ (21,260,622)</u>	<u>\$ (23,048,379)</u>

The government's net deficit increased by \$1,787,757 during the current fiscal year. Most of this change largely reflects the degree to which ongoing expenditures exceeded ongoing revenues, as borrowings from the Michigan Municipal Bond Authority were used to provide necessary working capital. Included in the current fiscal year was a supplanting of foundation allowance funding with American Recovery and Reinvestment Act funding (ARRA) by the State of Michigan and only a \$97 increase in the per pupil Foundation Allowance from the prior year.. During this period, the District's enrollment on its primary funding pupil-count-day decreased by approximately 195.81 students and was 2,026.22 students at year-end.

District's Changes in Net Assets

	Governmental Activities	
	<u>2007-08</u>	<u>2008-09</u>
Revenue:		
Program revenue:		
Charges for services	\$ 351,640	\$ 272,614
Operating grants and contributions	7,866,253	8,782,846
General revenue:		
Property taxes	8,348,107	7,404,970
State school aid	13,578,818	12,153,857
Grants and contributions not restricted to specific programs	606,712	727,055
Grants restricted for Long Term Debt	-0-	57,643
Unrestricted investment earnings	285,649	79,947
Gain on sale of capital assets	<u>-0-</u>	<u>-0-</u>
Total revenue	<u>31,037,209</u>	<u>29,478,932</u>
Expenses:		
Instruction	12,937,037	13,393,328
Support services	12,162,601	10,586,806
Food service	1,121,102	980,363
Athletics	408,343	387,295
Community service	14,022	5,014
Interest on long-term debt	3,393,152	3,394,755
Unallocated depreciation	<u>2,554,189</u>	<u>2,519,128</u>
Total expenses	<u>32,590,491</u>	<u>31,266,689</u>
Increase (decrease) in net assets	(1,553,282)	(1,787,757)
Net assets (deficit), beginning of year	<u>(19,707,340)</u>	<u>(21,260,622)</u>
Net assets (deficit), end of year	<u>\$ (21,260,622)</u>	<u>\$ (23,048,379)</u>

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending negative fund balances of (\$1,902,810) a decrease of \$1,195,885 in comparison with the prior year. Of this amount, (\$3,358,309) constitutes a negative *unreserved fund deficit*, and therefore is unavailable for spending at the government's discretion. The remainder of fund balance is *reserved or restricted* to indicate that it is not available for new spending because the underlying assets are included in inventory and are not available for current expenditure or are restricted and must be used for the ongoing construction project, debt service or other special purposes.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund deficit of the General Fund was (\$3,358,309), while total fund balance deficit was (\$3,007,674) negative. As a measure of the General fund's stability, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Total fund balance for the combined General fund represents approximately negative (-12.4) percent of total General fund expenditures and outgoing transfers. It is very important to keep in mind that fund balance is a valuable asset used as a stabilizing factor for the financial operations of a school district and should not be viewed as liquid. Rather, fund balance should be viewed as one-time money and should only be used (if necessary) for one-time expenses. Recurring funds are needed to support recurring expenses. Ignoring this fundamental principle can result in serious budget problems.

The fund balance of the District's General Fund decreased by \$711,232 during the current fiscal year. This is primarily attributable to continued declining enrollment (over 1,149 students in the last 9 years) and less than required funding from the State. This Net change in Fund Balance is evidence that the cost reduction strategies that have been implemented over the year have been effective. The decrease in enrollment of approximately 196 students generated a revenue reduction of \$1,536,640. The \$97 increase in the Foundation Allowance raised revenue by approximately \$196,522. Therefore, the Net change in Fund Balance would have been (\$1,340,118) instead of (\$711,232), without other expense reductions or revenue increases totaling \$628,886. Much of these reductions came about because of the health care cost reductions that were the result of collaborative efforts and contract settlement between the District Administration and the teachers, as well as all other bargaining groups. Substantial increases in fuel and utility costs, which remain a burden to the District, were again somewhat mitigated as a result of a mild heating season during the year.

Combined General Fund Budgetary Highlights

Differences between the original and final amended General fund budgets were minor and reflected mainly expected changes in State Aid from the enrollment decline and unknowns with respect to the State of Michigan's fiscal current dilemma. The original and final budgets were based on many unknowns and pending issues. The District records grant funds in full for the year that they are awarded. Equity cannot be built using grant monies. Therefore, some significant variances are attributed to not fully using a grant in a given year. However, a majority of grants have been carried over into the next fiscal year (as evidenced by the large deferred revenue liability).

As information became known, subsequent budget amendments recognized changes to revenue or expenditures and adjustments were made. The original and amended budgets were based on management's estimates. Differences between the final General Fund budget and actual activity resulted in both revenue and expense being less than budget. Total Revenues were below the final budget in the amount of \$1,030,826. The most significant changes in revenue came about because of greater Federal Source revenue (\$755,706), mainly related to ARRA funding. Additionally, the major component of State Source funding was a variance in State School Aid and Special Education funding in the amount (\$885,695) related to supplanting Federal ARRA funding and State At-Risk funding (\$393,881) from final budgeted levels. The Federal Source revenue and the State At-Risk funding are "reimbursement grants" whereby the District is reimbursed for amounts expended. Therefore, as amounts expended decrease, there will be a corresponding decrease in revenue. Often, if grant funds remain available at year end, those funds are "carried over" to the following fiscal year to ensure full utilization of available grant funding. Local Source revenue fell short of the budget by (\$479,616) or 0.8%, mainly related to lower Act 18 funding from the Washtenaw County Intermediate School District. Local Property Tax revenue fell short of the final budget by \$80,195, or 2.9%

Total Expenses were \$999,637 below the final budget. The most significant portion of this change occurred in the Total Instruction section in the amount of \$466,068, mainly reflecting the reduced State At-Risk grant revenue. Pupil Support Services were \$26,250 greater than the final budget, mainly the result of approximately \$194,582 of budget savings to the operating budget, in the area of salaries and benefits for Psychological and Speech Pathology services, offset in part by expenditures for extracurricular stipends to teaching staff and game security payments to the County Sheriff's Office. Support Services for Instructional Staff were greater than the final budget by \$179,981, mainly from Title II funding. General Administration expenditures were \$42,065 less than the final budget, mainly due to lower legal service fees. School Administration expenditures fell below the final budget by \$78,970, due mainly to salaries and benefits being less than the budget. The Operations and Maintenance of Plant expenditures were under the final budget by \$444,937, due to lower utility, maintenance and custodial supply expenditures totaling \$228,527 with the remainder of \$216,410 the result of lower salary and benefit expenses from cost reductions. Pupil Transportation costs fell below the final budget by \$43,746 due mainly to cost reduction strategies to minimize related fuel, repair and other expenses totaling \$33,818 with \$9,928 coming in salary and benefit budget savings. Fiscal Services were less than the budget by \$20,208 due to lower than anticipated costs from the WISD contracted Business Manager. Other Business Services were below budget estimates by \$111,597 due mainly to lower than expected interest and closing cost related to the State Aid Notes used to finance required working capital for the District. Capital outlays were below the final budget by \$3,000. Finally, the area of Other Financing Sources exceeded the final budget by \$21,262. This was due mainly to a \$3,033 lower than anticipated transfer-in from the Food Service, a \$2,300 variance because no sales of small capital assets occurred and finally, a \$15,929 greater than expected subsidy to Athletics to cover coaching stipends paid to teaching and other staff.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2009, amounted to \$49,018,864 (net of accumulated depreciation of \$24,194,990). This investment in capital assets includes land, buildings, construction in progress, vehicles and equipment. From the prior fiscal, the District's net investment in capital assets decreased by nearly \$1.9 Million. The majority of this decrease is attributed to the ongoing depreciation on capital assets.

The major capital asset events during the current fiscal year included the following:

- Continued work on “punch list” items District-wide
- Various technology improvements made throughout the District.
- Initial design work on the Softball Complex and Football bleachers

Willow Run Community Schools
Capital Assets
 (Net of depreciation)
 June 30, 2008 & 2009 respectively

Land (historic cost)	\$ 204,719	\$ 204,719
Buildings & Improvements	49,188,500	47,642,298
Vehicles	59,852	24,535
Equipment	1,444,436	1,147,312
Construction in progress	-	-
Total	<u>\$ 50,897,507</u>	<u>\$ 49,018,864</u>

Accumulated depreciation at June 30, 2009 amounted to \$24,194,990 and included current year depreciation expense of \$2,519,128. During the year, the District did not sell or dispose of its capital assets.

Additional information on the District’s capital assets can be found in note III.C of this report.

Long-Term Debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$69,787,145. These are general obligation bonds and constitute an indebtedness of the District and are payable solely from the Debt Retirement Funds. As of June 30, 2009, these funds had a total fund balance of \$732,698. Future principal and interest payments are paid from collections of the 10.3 mills debt levy.

Additional information on the District’s long-term debt can be found in note III.F of this report.

Factors Bearing on the District’s Future

At the end of the 2005-2006 fiscal year, the District’s fund balance turned to a negative number after losing approximately \$2.0 Million annually for three consecutive fiscal years (FYE-2004, 2005 and 2006). These events triggered the requirement that the District file a Deficit Elimination Plan with the Michigan Department of Education for the 2006-2007 fiscal year. That revised Plan was approved for the 2008-2009 fiscal year by the Michigan Department of Education on April 16, 2009. The updated Plan called for 1) a fund balance deficit not to exceed \$3.0 Million at June 30, 2009, (\$3,007,674 actual General Fund cumulative deficit) 2) the closure of one elementary for the 2009-2010 fiscal year, (Kettering Elementary was closed) 3) the layoff of 19.5 teaching staff members for the 2009-2010 fiscal year, (Completed) and 4) the closure another building in the event that General education enrollment fell below 1,840 students for Fall 2009 (Total pre-audit estimate is below 1,750 total students).

Stabilization of enrollment and education funding within the State of Michigan continue to be the District's two most formidable challenges facing the District. Although the legislature appropriated a \$97 per pupil increase to the foundation allowance for the 2008-2009 school year, those funds proved insufficient in comparison to the cost increases experienced from structural step increases, increased retirement and health insurance expense. At this time the published increase in the foundation allowance for fiscal year 2009-2010 will be substantially lower as a result of the fiscal dilemma facing the State of Michigan. First and foremost, declines in enrollment, a significant component of education funding, continue to vex the District's fiscal health.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to David M. Houle, W.I.S.D. Director – Willow Run, Willow Run Community Schools, 235 Spencer Lane, Ypsilanti, Michigan 48198.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

WILLOW RUN COMMUNITY SCHOOLS
Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 5,772,122
Receivables	4,679,444
Prepaid items and other assets	371,638
Capital assets not being depreciated	204,719
Capital assets being depreciated, net	<u>48,814,145</u>
Total assets	<u>59,842,068</u>
 Liabilities	
Accounts payable, accrued liabilities and notes payable	11,085,443
Unearned revenue	1,330,333
Long-term debt:	
Due within one year	2,115,385
Due in more than one year	<u>68,359,286</u>
Total liabilities	<u>82,890,447</u>
 Net assets (deficit)	
Invested in capital assets, net of related debt	(19,909,045)
Restricted for:	
Debt service	732,698
Other purposes	82,170
Unrestricted (deficit)	<u>(3,954,202)</u>
Total net assets (deficit)	<u><u>\$ (23,048,379)</u></u>

The accompanying notes are an integral part of these financial statements.

WILLOW RUN COMMUNITY SCHOOLS
Statement of Activities
For the Year Ended June 30, 2009

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 13,393,328	\$ 103,227	\$ 7,798,793	\$ (5,491,308)
Supporting services	10,586,806	-	46,265	(10,540,541)
Food service	980,363	148,507	994,757	162,901
Athletics	387,295	12,692	674	(373,929)
Community service	5,014	8,188	-	3,174
Interest on long-term debt	3,394,755	-	-	(3,394,755)
Unallocated depreciation	2,519,128	-	-	(2,519,128)
Total	\$ 31,266,689	\$ 272,614	\$ 8,840,489	(22,153,586)

General revenues:

Property taxes	7,404,970
Unrestricted state aid	12,153,857
Grants and contributions not restricted to specific programs	727,055
Unrestricted investment earnings	79,947
Total general revenues	20,365,829
 Change in net assets	 (1,787,757)
 Net assets (deficit), beginning of year	 (21,260,622)
 Net assets (deficit), end of year	 \$ (23,048,379)

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

WILLOW RUN COMMUNITY SCHOOLS

**Balance Sheet
Governmental Funds
June 30, 2009**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<u>ASSETS</u>			
Assets			
Cash and cash equivalents	\$ 3,981,706	\$ 1,790,416	\$ 5,772,122
Accounts receivable	147,912	10,530	158,442
Taxes receivable	75,737	47,691	123,428
Due from other governments	3,836,471	561,103	4,397,574
Due from other funds	1,297,260	1,214,586	2,511,846
Interfund receivable	334,412	-	334,412
Inventories	26,367	5,697	32,064
Prepaid items	324,268	-	324,268
	<u>324,268</u>	<u>-</u>	<u>324,268</u>
	<u>\$ 10,024,133</u>	<u>\$ 3,630,023</u>	<u>\$ 13,654,156</u>
	<u>\$ 10,024,133</u>	<u>\$ 3,630,023</u>	<u>\$ 13,654,156</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Interfund payable	\$ -	\$ 334,412	\$ 334,412
Accounts payable	347,805	13,632	361,437
Accrued payroll	1,719,041	17,730	1,736,771
Accrued liabilities	605,221	-	605,221
Due to other funds	971,285	1,540,561	2,511,846
Deferred revenue	1,388,455	618,824	2,007,279
Notes payable	8,000,000	-	8,000,000
	<u>8,000,000</u>	<u>-</u>	<u>8,000,000</u>
Total liabilities	<u>13,031,807</u>	<u>2,525,159</u>	<u>15,556,966</u>
 Fund balances (deficit)			
Reserved for inventories and prepaids	350,635	5,697	356,332
Unreserved:			
Undesignated (deficit)	(3,358,309)	-	(3,358,309)
Undesignated, reported in nonmajor:			
Special revenue funds	-	76,402	76,402
Debt service funds	-	732,698	732,698
Capital projects funds	-	290,067	290,067
	<u>-</u>	<u>290,067</u>	<u>290,067</u>
Total fund balances (deficit)	<u>(3,007,674)</u>	<u>1,104,864</u>	<u>(1,902,810)</u>
	<u>\$ 10,024,133</u>	<u>\$ 3,630,023</u>	<u>\$ 13,654,156</u>
	<u>\$ 10,024,133</u>	<u>\$ 3,630,023</u>	<u>\$ 13,654,156</u>

The accompanying notes are an integral part of these financial statements.

WILLOW RUN COMMUNITY SCHOOLS
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2009

Fund balances (deficit) - total governmental funds	\$ (1,902,810)
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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 therefore are not reported in the funds.

Add: capital assets not being depreciated	204,719
Add: capital assets being depreciated	73,009,135
Deduct: accumulated depreciation	(24,194,990)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred long-term Durant Settlement receivable	553,518
Add: deferred delinquent property taxes receivable	123,428

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds payable	(69,787,145)
Add: unamortized bond premium and issuance costs	15,306
Deduct: accrued interest on bonds payable	(382,014)
Deduct: compensated absences	(687,526)

Net assets of governmental activities (deficit)	<u>\$ (23,048,379)</u>
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The accompanying notes are an integral part of these financial statements.

WILLOW RUN COMMUNITY SCHOOLS
Statement of Revenue, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	General Fund	Other Governmental Funds	Totals
Revenue			
Local sources	\$ 5,422,441	\$ 5,008,182	\$ 10,430,623
State sources	14,196,388	161,727	14,358,115
Federal sources	3,960,700	837,919	4,798,619
	<u>23,579,529</u>	<u>6,007,828</u>	<u>29,587,357</u>
Expenditures			
Instruction	13,387,640	-	13,387,640
Supporting services	10,603,577	-	10,603,577
Food service activities	-	981,374	981,374
Athletic activities	-	387,295	387,295
Community service	-	5,014	5,014
Debt service:			
Principal repayment	-	2,382,643	2,382,643
Interest and fiscal charges	-	2,395,213	2,395,213
Capital outlay	8,582	631,904	640,486
	<u>23,999,799</u>	<u>6,783,443</u>	<u>30,783,242</u>
Revenue under expenditures	<u>(420,270)</u>	<u>(775,615)</u>	<u>(1,195,885)</u>
Other financing sources (uses)			
Transfers in from other funds	82,967	376,196	459,163
Transfers out to other funds	<u>(373,929)</u>	<u>(85,234)</u>	<u>(459,163)</u>
Total other financing sources (uses)	<u>(290,962)</u>	<u>290,962</u>	<u>-</u>
Net change in fund balances	(711,232)	(484,653)	(1,195,885)
Fund balance (deficit), beginning of year	<u>(2,296,442)</u>	<u>1,589,517</u>	<u>(706,925)</u>
Fund balance (deficit), end of year	<u><u>\$ (3,007,674)</u></u>	<u><u>\$ 1,104,864</u></u>	<u><u>\$ (1,902,810)</u></u>

The accompanying notes are an integral part of these financial statements.

WILLOW RUN COMMUNITY SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2009

Net change in fund balances - total governmental funds \$ (1,195,885)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	640,485
Deduct: depreciation expense	(2,519,128)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Deduct: payments received on long-term Durant Settlement receivable	(57,643)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	2,382,643
--	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct: increase in accrued interest payable on bonds	(999,542)
Deduct: increase in the accrual for compensated absences	(38,687)

Change in net assets of governmental activities	<u><u>\$ (1,787,757)</u></u>
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The accompanying notes are an integral part of these financial statements.

WILLOW RUN COMMUNITY SCHOOLS
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Revenue				
Local sources:				
Property tax levy	\$ 3,445,367	\$ 2,715,195	\$ 2,635,000	\$ (80,195)
Interest	200,000	80,000	64,549	(15,451)
Act 18 funds	2,336,620	2,299,193	1,841,827	(457,366)
Other	682,382	807,669	881,065	73,396
Total revenue from local sources	<u>6,664,369</u>	<u>5,902,057</u>	<u>5,422,441</u>	<u>(479,616)</u>
State sources:				
State school aid - unrestricted	14,300,689	12,860,512	12,153,857	(706,655)
Special education	1,470,941	1,291,902	1,112,862	(179,040)
At-Risk	1,027,031	1,027,031	633,150	(393,881)
Early child	266,775	266,775	231,200	(35,575)
Adult education	85,000	51,267	65,319	14,052
Durant	-	-	-	-
Other	5,820	5,820	-	(5,820)
Total revenue from state sources	<u>17,156,256</u>	<u>15,503,307</u>	<u>14,196,388</u>	<u>(1,306,919)</u>
Federal sources:				
Title I	1,476,031	1,754,746	1,466,346	(288,400)
Title II	272,139	305,502	579,893	274,391
Title V	9,638	-	-	-
Safe and drug free schools	-	8,926	16,946	8,020
CSA - Headstart	378,108	453,340	453,340	-
Class size reduction	-	-	-	-
Special education	556,450	560,687	561,929	1,242
Other	646,308	121,790	882,246	760,456
Total revenue from federal sources	<u>3,338,674</u>	<u>3,204,991</u>	<u>3,960,700</u>	<u>755,709</u>
 Total revenue	 <u>27,159,299</u>	 <u>24,610,355</u>	 <u>23,579,529</u>	 <u>(1,030,826)</u>

continued...

WILLOW RUN COMMUNITY SCHOOLS
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund
Budget and Actual - Continued
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Expenditures				
Instruction:				
Basic programs:				
Elementary	\$ 5,257,557	\$ 5,076,519	\$ 4,847,223	\$ (229,296)
Junior high	1,739,270	1,643,234	1,642,481	(753)
High school	2,578,114	2,098,273	2,095,688	(2,585)
Summer school	336,665	264,072	152,269	(111,803)
Preschool	832,488	587,357	600,479	13,122
Other	353,116	353,116	149,891	(203,225)
Total basic programs	<u>11,097,210</u>	<u>10,022,571</u>	<u>9,488,031</u>	<u>(534,540)</u>
Added needs:				
Special education	2,410,649	2,157,970	2,305,631	147,661
Compensatory education	1,122,111	1,384,950	1,257,028	(127,922)
Other	19,789	18,317	454	(17,863)
Total added needs	<u>3,552,549</u>	<u>3,561,237</u>	<u>3,563,113</u>	<u>1,876</u>
Adult education - secondary	<u>146,466</u>	<u>69,600</u>	<u>107,720</u>	<u>38,120</u>
Transfers to other districts	<u>193,800</u>	<u>200,300</u>	<u>228,776</u>	<u>28,476</u>
Total instruction	<u>14,990,025</u>	<u>13,853,708</u>	<u>13,387,640</u>	<u>(466,068)</u>
Supporting services:				
Pupil Services:				
Attendance	27,649	-	-	-
Guidance	106,369	166,873	253,797	86,924
Health services	67,473	94,384	86,671	(7,713)
Psychological services	98,066	223,730	223,753	23
Speech pathology audiology	280,780	383,890	349,157	(34,733)
Social work services	620,872	612,497	452,648	(159,849)
Teacher consultants	456,059	219,705	219,283	(422)
Other	727,832	544,466	686,486	142,020
Total pupil services	<u>2,385,100</u>	<u>2,245,545</u>	<u>2,271,795</u>	<u>26,250</u>

continued...

WILLOW RUN COMMUNITY SCHOOLS
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund
Budget and Actual - Continued
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Expenditures (continued)				
Supporting services: (continued)				
Instructional Staff:				
Improvement of instruction	\$ 391,202	\$ 210,411	\$ 353,870	\$ 143,459
Library	211,649	256,692	273,102	16,410
Computer assisted instruction	287,456	266,944	278,312	11,368
Supervision and direction	767,340	405,421	414,165	8,744
Total instructional staff	<u>1,657,647</u>	<u>1,139,468</u>	<u>1,319,449</u>	<u>179,981</u>
General administration:				
Board of education	111,173	244,138	205,767	(38,371)
Executive administration	296,820	278,442	274,748	(3,694)
Total general administration	<u>407,993</u>	<u>522,580</u>	<u>480,515</u>	<u>(42,065)</u>
School administration:				
Office of the principal	<u>1,467,262</u>	<u>1,467,031</u>	<u>1,388,061</u>	<u>(78,970)</u>
Business services:				
Fiscal services	414,888	419,330	399,122	(20,208)
Operation and maintenance of plant	3,439,592	3,525,802	3,080,865	(444,937)
Pupil transportation services	1,431,102	1,228,006	1,184,260	(43,746)
Internal services	2,700	1,150	1,150	-
Other	452,000	483,295	391,906	(91,389)
Total business services	<u>5,740,282</u>	<u>5,657,583</u>	<u>5,057,303</u>	<u>(600,280)</u>
Staff services	<u>115,835</u>	<u>101,939</u>	<u>86,454</u>	<u>(15,485)</u>
Total supporting services	<u>11,774,119</u>	<u>11,134,146</u>	<u>10,603,577</u>	<u>(530,569)</u>

continued...

WILLOW RUN COMMUNITY SCHOOLS
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund
Budget and Actual - Concluded
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Expenditures (concluded)				
Capital outlay:				
Instruction:				
General administration	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
School administration	4,000	2,000	-	(2,000)
Business services	6,500	8,582	8,582	-
	<u>11,500</u>	<u>11,582</u>	<u>8,582</u>	<u>(3,000)</u>
Total capital outlay				
	<u>11,500</u>	<u>11,582</u>	<u>8,582</u>	<u>(3,000)</u>
Total expenditures	<u>26,775,644</u>	<u>24,999,436</u>	<u>23,999,799</u>	<u>(999,637)</u>
Revenue over (under) expenditures	<u>383,655</u>	<u>(389,081)</u>	<u>(420,270)</u>	<u>(31,189)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	2,300	2,300	-	(2,300)
Transfers in	-	86,000	82,967	(3,033)
Transfers out	(385,955)	(358,000)	(373,929)	(15,929)
	<u>(383,655)</u>	<u>(269,700)</u>	<u>(290,962)</u>	<u>(21,262)</u>
Total other financing sources (uses)				
	<u>(383,655)</u>	<u>(269,700)</u>	<u>(290,962)</u>	<u>(21,262)</u>
Net change in fund balance	-	(658,781)	(711,232)	(52,451)
Fund balance (deficit), beginning of year	<u>(2,296,442)</u>	<u>(2,296,442)</u>	<u>(2,296,442)</u>	<u>-</u>
Fund balance (deficit), end of year	<u><u>\$ (2,296,442)</u></u>	<u><u>\$ (2,955,223)</u></u>	<u><u>\$ (3,007,674)</u></u>	<u><u>\$ (52,451)</u></u>

The accompanying notes are an integral part of these financial statements.

WILLOW RUN COMMUNITY SCHOOLS
Statement of Fiduciary Assets and Liabilities
June 30, 2009

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 156,409</u>
Liabilities	
Due to student groups	<u>\$ 156,409</u>

The accompanying notes are an integral part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

WILLOW RUN COMMUNITY SCHOOLS

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Willow Run Community Schools (the “District”) has followed the guidelines of the Governmental Accounting Standards Board’s Statements No. 14 and No. 39 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

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 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. The District had no *business-type activities* during the year ended 2009.

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 to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

C. Measurement focus, basis of accounting, and financial statement presentation

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. However, agency funds do not have a measurement focus. 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.

WILLOW RUN COMMUNITY SCHOOLS

Notes to the Financial Statements

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 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, intergovernmental revenues, 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 government.

The District reports the following major governmental funds:

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

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes, where there is a need to determine the results of operations.

The *debt service* funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

The *capital projects* funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and improvements.

The *agency fund* accounts for assets held for other groups and organizations and is custodial in nature.

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 Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

WILLOW RUN COMMUNITY SCHOOLS

Notes to the Financial Statements

D. Assets, liabilities and equity

1. Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the District are reported at fair value.

2. 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 non-current portion of interfund loans).

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories of governmental funds 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 items in both government-wide and fund financial statements.

4. Capital assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land and improvements	0-20
Buildings	25-50
Furniture and equipment	5-20
Licensed vehicles	6

WILLOW RUN COMMUNITY SCHOOLS

Notes to the Financial Statements

5. *Compensated absences*

It is the District's policy to permit employees to accumulate various earned but unused vacation and sick pay benefits. These are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Benefits are accrued based on various contract stipulations and lengths of service for the various bargaining units. In addition, the District's teacher's bargaining units are entitled to severance payouts upon separation from the District. Payouts of \$6,000 are available based upon certain retirement criteria for each bargaining unit.

6. *Long-term obligations*

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received in 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 proceeds received, are reported as debt service expenditures.

7. *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.

8. *Subsequent events*

In preparing these financial statements, management has evaluated, for potential recognition disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2009, the most recent statement of net assets presented herein, through the auditors' report date, the date these financial statements were available to be issued. No significant such events or transactions were identified.

WILLOW RUN COMMUNITY SCHOOLS

Notes to the Financial Statements

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

The General and Special Revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted annually on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General and Special Revenue Funds are adopted on a functional basis. Variances from the final amended budget are disclosed in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.

All annual appropriations lapse at fiscal year end.

B. Fund deficit

At June 30, 2009, the General Fund had a deficit of \$3,007,674. In 2006, the District filed a deficit elimination plan with the State of Michigan Department of Treasury. This plan will be reevaluated in the year ending June 30, 2010.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

Statement of Net Assets	
Cash and cash equivalents	\$ 5,772,122
Statement of Fiduciary Net Assets	
Cash and cash equivalents	<u>156,409</u>
	<u>\$ 5,928,531</u>
These balances are categorized for note disclosures as follows:	
Deposits	\$ 425,850
Investments	<u>5,502,681</u>
	<u>\$ 5,928,531</u>

WILLOW RUN COMMUNITY SCHOOLS

Notes to the Financial Statements

Statutory Authority

Michigan law authorizes the District to deposit and invest in:

- (a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- (b) Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- (e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

Investments

The School District chooses to disclose its investments by specifically identifying each. As of year end, the School District had the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Citizens Bank Sweep Accounts	n/a	\$ 2,344,527	n/a
Michigan Liquid Asset Fund	n/a	<u>3,158,154</u>	S&P-AAAm
		<u>\$ 5,502,681</u>	

WILLOW RUN COMMUNITY SCHOOLS

Notes to the Financial Statements

Deposit and investment risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings on investments are noted above.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$20,281 of the District's bank balance of \$427,099 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk 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. State law does not require and the District does not have a policy for investment custodial credit risk. The above investments are not subject to custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

B. Receivables

	Governmental Activities			Amount Not Expected to be Collected Within One Year
	General	Nonmajor Funds	Total	
Receivables:				
Accounts	\$ 147,912	\$ 10,530	\$ 158,442	\$ -
Taxes	75,737	47,691	123,428	-
Intergovernmental	3,836,471	7,169	3,843,640	-
Durant Settlement	-	553,934	553,934	493,549
Total receivables	\$ 4,060,120	\$ 619,324	\$ 4,679,444	\$ 493,549

WILLOW RUN COMMUNITY SCHOOLS

Notes to the Financial Statements

C. Capital assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated -				
Land	\$ 204,719	\$ -	\$ -	\$ 204,719
Total capital assets not being depreciated	<u>204,719</u>	<u>-</u>	<u>-</u>	<u>204,719</u>
Capital assets being depreciated:				
Buildings	61,779,119	624,299	-	62,403,418
Improvements	5,713,928	-	-	5,713,928
Furniture & Equipment	3,401,937	16,186	-	3,418,123
Vehicles	1,473,666	-	-	1,473,666
Total capital assets being depreciated	<u>72,368,650</u>	<u>640,485</u>	<u>-</u>	<u>73,009,135</u>
Accumulated depreciation:				
Buildings	17,017,025	1,897,641	-	18,914,666
Improvements	1,287,522	272,860	-	1,560,382
Furniture & Equipment	1,957,501	313,310	-	2,270,811
Vehicles	1,413,814	35,317	-	1,449,131
Total accumulated depreciation	<u>21,675,862</u>	<u>2,519,128</u>	<u>-</u>	<u>24,194,990</u>
Capital assets being depreciated, net	<u>50,692,788</u>	<u>(1,878,643)</u>	<u>-</u>	<u>48,814,145</u>
Capital assets, net	<u>\$ 50,897,507</u>	<u>\$ (1,878,643)</u>	<u>\$ -</u>	<u>\$ 49,018,864</u>

Depreciation expense of \$2,519,128 was charged to the function "unallocated depreciation".

WILLOW RUN COMMUNITY SCHOOLS

Notes to the Financial Statements

D. Payables

Accounts payable and accrued liabilities as of June 30, 2009 for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General	Nonmajor Funds	Total
Fund Financial Statements:			
Accounts payable	\$ 347,805	\$ 13,632	\$ 361,437
Salaries and benefits payable	1,719,041	17,730	1,736,771
Accrued expenditures	605,221	-	605,221
Notes payable	8,000,000	-	8,000,000
	\$ 10,672,067	\$ 31,362	10,703,429
 District-Wide Financial Statements:			
Accrued interest on long-term debt			382,014
		Total payables	\$ 11,085,443

E. Interfund receivables, payables and transfers

At June 30, 2009, interfund receivables and payables in the fund financial statements consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 1,297,260	\$ 971,285
Other Governmental Funds	1,214,586	1,540,561
	\$ 2,511,846	\$ 2,511,846

WILLOW RUN COMMUNITY SCHOOLS

Notes to the Financial Statements

	Interfund Receivable	Interfund Payable
General Fund	\$ 334,412	\$ -
Other Governmental Funds	-	334,412
	\$ 334,412	\$ 334,412

The District often reports interfund balances between many of its funds. These interfund balances resulted primarily 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 system, and (3) payments between funds are made.

For the year ended June 30, 2009, interfund transfers consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 82,967	\$ 373,929
Non-Major Funds:		
Food Service	-	82,967
Athletics	373,929	-
1992 Debt Service	-	2,267
1996 Debt Service	2,267	-
	\$ 459,163	\$ 459,163

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2009, the District transferred funds to subsidize the food services fund, and athletics program.

WILLOW RUN COMMUNITY SCHOOLS

Notes to the Financial Statements

F. Long-term debt

The following is a summary of bond, note, and compensated absence transactions of the District for the year ended June 30, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 49,641,577	\$ -	\$ 2,382,643	\$ 47,258,934	\$ 2,115,385
School bond loan fund	21,512,108	1,016,103	-	22,528,211	-
Compensated absences	648,839	65,232	26,545	687,526	-
	<u>\$ 71,802,524</u>	<u>\$ 1,081,335</u>	<u>\$ 2,409,188</u>	<u>\$ 70,474,671</u>	<u>\$ 2,115,385</u>

Bonds payable at June 30, 2009, are comprised of the following issues:

General Obligation Bonds:

\$7,885,000 2006 Building and Site Bonds, due in annual installments of \$280,000 to \$370,000 through the year 2018; plus interest at 3.5% to 5.0% \$ 6,680,000

\$50,000,000 2002 Building & Site Bonds, due in annual installments of \$1,250,000 to \$2,000,000 through year 2031; plus interest at 4.50% to 5.50% 24,325,000

\$15,800,000 2006 Refunding Bonds, due in annual installments of \$25,000 to \$2,000,000 through year 2020; plus interest at 3.25% to 5% 15,700,000

* \$1,035,759 1998 Durant School Improvement Bonds, due in annual installments of \$57,443 to \$364,018 through the year 2013; interest at 4.76% 553,934

\$ 47,258,934

- * The Durant School Improvement Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature does not appropriate the funding required, the District is not liable to pay the debt service.

WILLOW RUN COMMUNITY SCHOOLS

Notes to the Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30	Principal	Interest	Total
2010	\$ 2,115,385	\$ 2,292,085	\$ 4,407,470
2011	2,123,261	2,201,595	4,324,856
2012	2,211,270	2,110,761	4,322,031
2013	2,584,018	2,129,419	4,713,437
2014	2,300,000	1,893,750	4,193,750
2015-2019	12,100,000	7,682,875	19,782,875
2020-2024	9,900,000	4,963,750	14,863,750
2025-2029	9,925,000	2,492,500	12,417,500
2030-2031	4,000,000	300,000	4,300,000
	<u>\$ 47,258,934</u>	<u>\$ 26,066,735</u>	<u>\$ 73,325,669</u>

The School Bond Loan Fund represents amounts borrowed from the State of Michigan School Bond loan program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the Debt Service requirements on the general obligation bonds. Changes to the School Bond Loan Fund for the year ended June 30, 2009, are as follows:

	Principal	Interest	Total
Beginning balance	\$ 15,503,502	\$ 6,008,606	\$ 21,512,108
Additions	<u>-</u>	<u>1,016,103</u>	<u>1,016,103</u>
Ending balance	<u>\$ 15,503,502</u>	<u>\$ 7,024,709</u>	<u>\$ 22,528,211</u>

Compensated absences are generally liquidated by the general fund.

Advance Refunding. In 2006, the District advance refunded debt in the amount of \$8,070,000. The balance of these defeased bonds outstanding as of June 30, 2009 for this prior year refunding was \$8,070,000.

WILLOW RUN COMMUNITY SCHOOLS

Notes to the Financial Statements

G. Short-term debt – notes payable

The District issues state aid notes in advance of state aid collections, depositing the proceeds in its general fund. These notes are necessary because the District must maintain cash on hand for operations, whereas collections from state aid decrease significantly each November.

Short-term debt activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities				
State aid notes	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>	<u>\$8,000,000</u>

The balance at June 30, 2009 consists of one note balance due of \$8,000,000 on August 20, 2009, with interest at 1.70%. On August 20, 2009 the District borrowed two state aid notes in the amount of \$900,000 and \$5,600,000, which carry interest rates of 1.40% and .85% respectively, and both are due August 20, 2010.

H. Commitments and contingencies

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. The District has had an unfair labor charge filed by one of its unions arising out of a collective bargaining dispute related to health insurance coverage and step increases for those covered by that bargaining group. It is unknown what this liability, if any, may be as of this report date.

WILLOW RUN COMMUNITY SCHOOLS

Notes to the Financial Statements

IV. OTHER INFORMATION

A. Risk management

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

The shared-risk pool program in which the 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.

B. Property taxes

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the following year. Taxes are levied by Superior and Ypsilanti Townships on July 1. Each of the townships has boundaries that include property within the District. All levies become delinquent on February 14. The Delinquent Tax Revolving Fund of Washtenaw County advances delinquent real taxes to the District.

C. Defined benefit pension plan

Plan Description

The Willow Run Community Schools contributes to the Michigan Public School Employees Retirement System (MPSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPSERS provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions are established and must be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

WILLOW RUN COMMUNITY SCHOOLS

Notes to the Financial Statements

Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later 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. Basic Plan members make no contributions. Members first hired July 1, 2008 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000. Basic Plan members make no contributions. The Willow Run Community Schools is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 16.54% of annual covered payroll. The contribution requirements of plan members and the Willow Run Community Schools are established by Michigan State statute and may be amended only by action of the State Legislature. The School District's contributions to MPSERS for the years ended June 30, 2009, 2007 and 2006 were \$2,639,774, \$3,051,140, and \$2,725,500, respectively, equal to the required contributions for each year.

Other Postemployment Benefits

Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage's for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

D. Bonded Construction Costs

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Michigan Revised School Code.

* * * * *

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS

WILLOW RUN COMMUNITY SCHOOLS
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	<u>Special Revenue</u>			<u>1992 Debt Service</u>
	<u>Food Services</u>	<u>Athletics</u>	<u>Community Services</u>	
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 1,003,125	\$ -	\$ 227,912	\$ -
Accounts receivable	10,530	-	-	-
Taxes receivable	-	-	-	7,869
Due from other governments	7,169	-	-	-
Due from other funds	40,999	517,162	43,960	97,463
Inventories	5,697	-	-	-
	<u>\$ 1,067,520</u>	<u>\$ 517,162</u>	<u>\$ 271,872</u>	<u>\$ 105,332</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Interfund payable	\$ -	\$ 226,966	\$ -	\$ 92,652
Accounts payable	13,165	447	20	-
Accrued payroll	13,096	3,722	912	-
Due to other funds	962,335	286,027	267,765	5,298
Deferred revenue	-	-	-	7,382
	<u>988,596</u>	<u>517,162</u>	<u>268,697</u>	<u>105,332</u>
Fund balances				
Reserved for inventories	5,697	-	-	-
Unreserved, undesignated (deficit)	73,227	-	3,175	-
Total fund balances	<u>78,924</u>	<u>-</u>	<u>3,175</u>	<u>-</u>
	<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 517,162</u>	<u>\$ 271,872</u>	<u>\$ 105,332</u>
	<u>\$ 1,067,520</u>	<u>\$ 517,162</u>	<u>\$ 271,872</u>	<u>\$ 105,332</u>

Debt Service				Capital Projects		Totals
1996 Debt Service	Durant Debt Service	2001 Debt Service	2005 Debt Service	2001 Capital Projects	Durant Capital Projects	
\$ 49,703	\$ -	\$ 219,609	\$ -	\$ 289,996	\$ 71	\$ 1,790,416
-	-	-	-	-	-	10,530
7,314	-	30,006	2,502	-	-	47,691
-	553,934	-	-	-	-	561,103
96,413	-	311,961	106,628	-	-	1,214,586
-	-	-	-	-	-	5,697
<u>\$ 153,430</u>	<u>\$ 553,934</u>	<u>\$ 561,576</u>	<u>\$ 109,130</u>	<u>\$ 289,996</u>	<u>\$ 71</u>	<u>\$ 3,630,023</u>
\$ -	\$ -	\$ -	\$ 14,794	\$ -	\$ -	\$ 334,412
-	-	-	-	-	-	13,632
-	-	-	-	-	-	17,730
2,956	-	13,015	3,165	-	-	1,540,561
12,012	553,934	39,341	6,155	-	-	618,824
<u>14,968</u>	<u>553,934</u>	<u>52,356</u>	<u>24,114</u>	<u>-</u>	<u>-</u>	<u>2,525,159</u>
-	-	-	-	-	-	5,697
138,462	-	509,220	85,016	289,996	71	1,099,167
<u>138,462</u>	<u>-</u>	<u>509,220</u>	<u>85,016</u>	<u>289,996</u>	<u>71</u>	<u>1,104,864</u>
<u>\$ 153,430</u>	<u>\$ 553,934</u>	<u>\$ 561,576</u>	<u>\$ 109,130</u>	<u>\$ 289,996</u>	<u>\$ 71</u>	<u>\$ 3,630,023</u>

WILLOW RUN COMMUNITY SCHOOLS
Combining Statement of Revenue, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	<u>Special Revenue</u>			<u>1992 Debt Service</u>
	<u>Food Services</u>	<u>Athletics</u>	<u>Community Services</u>	
Revenue				
Local sources	\$ 201,261	\$ 13,366	\$ 8,188	\$ 664,397
State sources	104,084	-	-	-
Federal sources	837,919	-	-	-
Total revenue	<u>1,143,264</u>	<u>13,366</u>	<u>8,188</u>	<u>664,397</u>
Expenditures				
Food services	981,374	-	-	-
Athletics	-	387,295	-	-
Community services	-	-	5,014	-
Debt service:				
Principal	-	-	-	635,000
Interest and fiscal charges	-	-	-	27,161
Capital outlay	-	-	-	-
Total expenditures	<u>981,374</u>	<u>387,295</u>	<u>5,014</u>	<u>662,161</u>
Revenue over (under) expenditures	<u>161,890</u>	<u>(373,929)</u>	<u>3,174</u>	<u>2,236</u>
Other financing sources				
Transfers out	(82,967)	-	-	(2,267)
Transfers in	-	373,929	-	-
Total other financing sources	<u>(82,967)</u>	<u>373,929</u>	<u>-</u>	<u>(2,267)</u>
Net change in fund balances	78,923	-	3,174	(31)
Fund balance, beginning of year	<u>1</u>	<u>-</u>	<u>1</u>	<u>31</u>
Fund balance (deficit), end of year	<u><u>\$ 78,924</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,175</u></u>	<u><u>\$ -</u></u>

Debt Service				Capital Projects		Totals
1996 Debt Service	Durant Debt Service	2001 Debt Service	2005 Debt Service	2001 Capital Projects	Durant Capital Projects	
\$ 741,895	\$ -	\$ 2,535,096	\$ 834,549	\$ 9,429	\$ 1	\$ 5,008,182
-	57,643	-	-	-	-	161,727
-	-	-	-	-	-	837,919
<u>741,895</u>	<u>57,643</u>	<u>2,535,096</u>	<u>834,549</u>	<u>9,429</u>	<u>1</u>	<u>6,007,828</u>
-	-	-	-	-	-	981,374
-	-	-	-	-	-	387,295
-	-	-	-	-	-	5,014
415,000	57,643	1,250,000	25,000	-	-	2,382,643
306,577	-	1,273,247	788,228	-	-	2,395,213
-	-	-	-	631,904	-	631,904
<u>721,577</u>	<u>57,643</u>	<u>2,523,247</u>	<u>813,228</u>	<u>631,904</u>	<u>-</u>	<u>6,783,443</u>
<u>20,318</u>	<u>-</u>	<u>11,849</u>	<u>21,321</u>	<u>(622,475)</u>	<u>1</u>	<u>(775,615)</u>
-	-	-	-	-	-	(85,234)
-	-	2,267	-	-	-	376,196
-	-	2,267	-	-	-	290,962
20,318	-	14,116	21,321	(622,475)	1	(484,653)
<u>118,144</u>	<u>-</u>	<u>495,104</u>	<u>63,695</u>	<u>912,471</u>	<u>70</u>	<u>1,589,517</u>
<u>\$ 138,462</u>	<u>\$ -</u>	<u>\$ 509,220</u>	<u>\$ 85,016</u>	<u>\$ 289,996</u>	<u>\$ 71</u>	<u>\$ 1,104,864</u>

SINGLE AUDIT

Willow Run Community School
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass- Through Grantor's Number	Approved Award/ Grant Amount	Accrued Revenue, Beginning of Year	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue, End of Year
U.S. DEPARTMENT OF AGRICULTURE							
Direct Program - Food Distribution -							
Food Distribution - non-cash assistance -							
Entitlement commodities	10.555	81150	\$ 62,670	\$ -	\$ 62,670	\$ 62,670	\$ -
				-	62,670	62,670	-
Passed-through Michigan Department of Education:							
2008-09 School Breakfast	10.553	091970		-	238,405	238,405	-
2007-08 School Breakfast	10.553	081970		335	335	-	-
				335	238,740	238,405	-
National School Lunch:							
2007-08 Section 4	10.555	081950		-	7,402	7,402	-
2008-09 Section 4	10.555	091950		-	53,779	53,779	-
2007-08 Section 11	10.555	081960		871	56,182	55,311	-
2008-09 Section 11	10.555	091960		-	412,822	412,822	-
2007-08 Snacks	10.555	081980		-	156	156	-
2008-09 Snacks	10.555	091980		-	7,374	7,374	-
				871	537,715	536,844	-
Total U.S. Department of Agriculture				1,206	839,125	837,919	-
U.S. DEPARTMENT OF DEFENSE							
Direct Program							
Department of the Air Force							
Air Force Junior ROTC	12.UNK	n/a	46,265	-	46,265	46,265	-
U.S. DEPARTMENT OF EDUCATION							
Passed-through Michigan Department of Education:							
Adult Education Act -							
2007-08 Adult Basic Education	84.002A	081130-810647	31,000	31,000	31,000	-	-
2008-09 Adult Basic Education	84.002A	091130-810647	33,751	-	33,751	33,751	-
2008-09 ESL	84.002A	091120-950277	17,000	-	17,000	17,000	-
2007-08 ESL	84.002A	081120-8500277	17,271	17,271	17,271	-	-
				48,271	99,022	50,751	-
2006-07 Title I	84.010	071530-0607	1,040,651	157,313	157,313	-	-
2007-08 Title I	84.010	081530-0708	1,354,941	378,572	781,985	403,413	-
2008-09 Title I	84.010	091530-0809	1,754,746	-	700,000	962,566	262,566
2007-08 Title I School Improvement	84.010	081550-0708	80,000	19,633	80,000	60,367	-
2008-09 Title I School Improvement	84.010	091550-0809	40,000	-	-	40,000	40,000
				555,518	1,719,298	1,466,346	302,566
2007-08 Title V	84.298	080250-0708	9,638	9,638	9,638	-	-
2008-09 Technology Literacy Challenge Title IID	84.318	094290-0809	10,616	-	5,000	7,518	2,518
2007-08 Technology Literacy Challenge Title IID	84.318	084290-0708	12,735	5,000	12,735	7,735	-
				5,000	17,735	15,253	2,518
2006-07 Title II A	84.367	070520-0607	297,873	68,476	68,476	-	-
2007-08 Title II A	84.367	080520-0708	304,396	8,113	66,214	58,101	-
2008-09 Title II A	84.367	090520-0809	539,665	-	489,451	500,811	11,360
				76,589	624,141	558,912	11,360
2008-09 Stabilization Funds	84.394		753,463	-	-	753,463	753,463
2008-09 Learn & Serve	94.004	MSBF 0982210	6,000	-	696	5,533	4,837
Passe through University of Michigan							
2006-07 Title II A - Flowthrough	84.367B	07029-130	86,410	59,866	65,594	5,728	-
Passed-through Monroe Public Schools							
2008-09 Title III	84.365A	090580-0809	14,470	-	-	9,446	9,446

continued...

Willow Run Community Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009
(Concluded)

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass- Through Grantor's Number	Approved Award/ Grant Amount	Accrued Revenue, Beginning of Year	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue, End of Year
U.S. DEPARTMENT OF EDUCATION (Concluded)							
Passed-through Washtenaw							
Intermediate School District:							
2007-08 IDEA Flowthrough EI classroom	84.027	080450-607	\$ 98,122	\$ 52,800	\$ 52,800	\$ -	\$ -
2007-08 IDEA Flowthrough Resource Room	84.027	080450-605	507,492	287,832	287,832	-	-
2008-09 IDEA Flowthrough Resource Room 81150-605	84.027	090450-605	449,777	-	-	449,777	449,777
2008-09 IDEA Flowthrough EI Classroom 81150-607	84.027	090450-607	98,361	-	-	98,361	98,361
				340,632	340,632	548,138	548,138
Passed-through Washtenaw							
Intermediate School District:							
2007-08 Preschool Incentive	84.173	080460	15,477	15,477	15,477	-	-
2008-09 Preschool Incentive	84.173	090460	13,791	-	-	13,791	13,791
				15,477	15,477	13,791	13,791
2007-08 Early On	84.181	n/a	16,788	16,788	16,788	-	-
2008-09 Early On	84.181	n/a	16,788	-	-	16,788	16,788
				16,788	16,788	16,788	16,788
Passed-through Livingston							
Intermediate School District:							
2006-07 Drug-Free Schools Carry Over	84.186	n/a	17,332	17,332	17,332	-	-
2007-08 Drug-Free Schools	84.186	n/a	10,276	411	9,337	8,926	-
2008-09 Drug-Free Schools	84.186	n/a	19,202	-	-	8,020	8,020
				17,743	26,669	16,946	8,020
Total U.S. Department of Education				1,145,522	2,935,690	3,461,095	1,670,927
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Passed-through Washtenaw County:							
2008-09 Head Start	93.600	n/a	502,620	-	310,901	453,340	142,439
2007-08 Head Start	93.600	n/a	528,653	452,978	452,978	-	-
				452,978	763,879	453,340	142,439
Total U.S. Department of Health and Human Services				452,978	763,879	453,340	142,439
Total Expenditures of Federal Awards				\$ 1,599,706	\$ 4,584,959	\$ 4,798,619	\$ 1,813,366

1. Expenditures in this schedule are in agreement with amounts reported in the financial statements and the financial reports submitted to the Michigan Department of Education.
2. The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this schedule for USDA donated food commodities.
3. The amounts reported on the R7120 (Grants Section Auditor's Report) reconcile with this schedule.

WILLOW RUN COMMUNITY SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2009

1. FEDERAL AWARDS

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of Willow Run Community Schools (the "District"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The reporting entity of Willow Run Community Schools is defined in Note I of the District's basic financial statements.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting which is described in Note I of the District's basic financial statements.

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

November 5, 2009

Board of Education
Willow Run Community Schools
Ypsilanti, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***WILLOW RUN COMMUNITY SCHOOLS***, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 5, 2009. 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 Willow Run Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Willow Run Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Willow Run Community Schools' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Willow Run Community Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Willow Run Community Schools' financial statements that is more than inconsequential will not be prevented or detected by Willow Run Community Schools' internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Willow Run Community Schools' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and other Matters

As part of obtaining reasonable assurance about whether Willow Run 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*.

However, we noted other matters involving the internal control over compliance, financial reporting and/or operating efficiency that we have reported to management of Willow Run Community Schools in a separate letter dated November 5, 2009.

Willow Run Community Schools' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Willow Run Community Schools' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, others within the organization, 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.

A handwritten signature in cursive script that reads "Lehmann Johnson".

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

November 5, 2009

Board of Education
Willow Run Community Schools
Ypsilanti, Michigan

Compliance

We have audited the compliance of **WILLOW RUN COMMUNITY SCHOOLS** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Willow Run Community Schools' major federal programs are identified in the summary of auditor's 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 Willow Run Community Schools' management. Our responsibility is to express an opinion on Willow Run 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, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 Willow Run 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 on Willow Run Community Schools' compliance with those requirements.

In our opinion, Willow Run Community Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2009-2.

Internal Control Over Compliance

The management of Willow Run Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Willow Run Community Schools' internal control over compliance with requirements 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, 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 the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control that we consider to be significant deficiency.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-2 be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Willow Run Community Schools' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Willow Run Community Schools' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, others within the organization, 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.



WILLOW RUN COMMUNITY SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2009

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 (s) identified
not considered to be material weaknesses?

X yes _____ 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
not considered to be material weaknesses?

X yes _____ 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
Circular A-133, Section 510(a)?

X yes _____ no

WILLOW RUN COMMUNITY SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE YEAR ENDED JUNE 30, 2009

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster
84.394	State Fiscal Stabilization Fund (ARRA)
93.600	Head Start

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

Finding 2009-1: Preparation of Financial Statements in Accordance with GAAP (repeated)

Criteria:	All school districts are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the districts management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting)
Condition:	As is the case with many smaller and medium-sized entities, the District has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the district's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the government's internal controls.
Cause:	Management has made the decision that it is in their best interest to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

WILLOW RUN COMMUNITY SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE YEAR ENDED JUNE 30, 2009

Effect:	As a result of this condition, the District lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.
View of Responsible Officials:	The district has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the District to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation. The District, with its access to financial personnel from the Washtenaw Intermediate School District, believes that it is capable of preparation of annual financial statements in accordance with GAAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2009-2: Level of Effort (Maintenance of Effort)

Criteria:	Office of Management and Budget Circular No. A-87, Cost Principles for State, Local, and Indian Tribal Governments, requires that IDEA, Part B funds received by a Local Educational Agencies (LEA) cannot be used, except under certain limited circumstances, to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds, or a combination of State and local funds, below the level of those expenditures for the preceding fiscal year.
Condition:	During the year ended June 30, 2009, the District reduced the local level of IDEA expenditures from \$3,287,326 in the prior year to \$3,193,430 in the current year.
Cause:	The District had believed that there would not be a reduction in the local level of expenditures.
Effect:	This condition increases the risk that the District could request reimbursement for an incorrect amount for expenditures related to federal grant programs.
View of Responsible Officials:	The District will monitor local funds spent on IDEA expenditures in the upcoming year.

WILLOW RUN COMMUNITY SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)

FOR THE YEAR ENDED JUNE 30, 2009

SECTION IV – PRIOR YEAR FINDINGS

Findings 2008-2 and 2008-3 have been resolved during the year ended June 30, 2009.

* * * * *