

WESTWOOD COMMUNITY SCHOOL DISTRICT
FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
JUNE 30, 2011

WESTWOOD COMMUNITY SCHOOL DISTRICT

FINANCIAL REPORT

WITH SUPPLEMENTAL INFORMATION

JUNE 30, 2011

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WESTWOOD COMMUNITY SCHOOL DISTRICT

FINANCIAL REPORT

WITH SUPPLEMENTAL INFORMATION

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A Professional Corporation

INDEPENDENT AUDITOR'S REPORT

Board of Education
Westwood Community School District

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Westwood Community School District as of June 30, 2011, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2011, on our consideration of Westwood Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 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 important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and pages 32 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Emphasis of a Matter

We draw attention to Note 14 to the financial statements which discusses the General Fund's deficit fund balance at June 30, 2011. Our opinion is not qualified in respect of this matter.

Hungerford & Co.

November 11, 2011

WESTWOOD COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For Fiscal Year Ending June 30, 2011

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

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June, 2000. Certain comparative information between the current year and the prior year is required and is presented in the Management's Discussion and Analysis.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Westwood Community School District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – such as the General Fund and Sinking Fund, with all other funds presented in one column as Nonmajor Governmental Funds. The remaining statement, the Statement of Fiduciary Net Assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The following comments show how the various parts of the annual report are arranged and related to one another:

Organization of Westwood Community School District's Annual Financial Report

Management's Discussion & Analysis (MD&A)

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for General Fund
Budgetary Information for Building and Site Fund

Other Supplemental Information

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

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

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

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, food services and capital improvement projects. Property taxes, sales taxes, foundation allowance revenue, and state and federal grants finance most of these activities.

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

The School District's fund financial statements provide detailed information about the most *significant funds* - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (like the Cafeteria Fund) or to show that it is meeting legal responsibilities for using certain taxes and other money (like Sinking Fund taxes received from the local taxing entities for use on capital projects). The governmental funds of the School District use the following accounting approach:

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

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

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

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2011 and 2010:

TABLE 1

	Governmental Activities (in millions)	
	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets	\$ 9.1	\$ 8.6
Capital Assets - Net of Accumulated Depreciation	<u>7.7</u>	<u>5.9</u>
Total Assets	<u>\$ 16.8</u>	<u>\$ 14.5</u>
LIABILITIES		
Current Liabilities	\$ 15.2	\$ 12.4
Long-Term Liabilities	<u>2.8</u>	<u>3.5</u>
Total Liabilities	<u>\$ 18.0</u>	<u>\$ 15.9</u>
NET ASSETS		
Invested in Capital Assets - Net of Related Debt	\$ 6.1	\$ 4.1
Restricted	0.5	2.0
Unrestricted	<u>(7.8)</u>	<u>(7.5)</u>
Total Net Assets	<u>\$ (1.2)</u>	<u>\$ (1.4)</u>

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. At the end of the current fiscal year, the School District is reporting a positive balance in net assets for capital assets net of related debt and restricted for debt services. Remaining net assets are negative.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year ending June 30, 2011. The fiscal year 2011 revenue and expenses are also compared to fiscal year 2010.

TABLE 2

	Governmental Activities (in millions)	
	2011	2010
REVENUES		
General Revenue		
Property Taxes Levied for General Purposes	\$ 2.35	\$ 2.69
Federal and State Aid not Restricted for Specific Purposes	20.12	18.10
Other	-	0.11
Program Revenue		
Grants and Categoricals	5.56	4.66
Charges for Services	<u>0.67</u>	<u>0.33</u>
Total Revenue	<u>28.70</u>	<u>25.89</u>
FUNCTION/PROGRAM EXPENSES		
Instruction	13.71	15.40
Support Services	11.81	11.73
Food Services	0.89	0.94
Sinking Fund	0.11	0.66
Building and Site	1.36	0.04
Interest on Long-Term Debt	0.01	0.01
Depreciation (unallocated)	<u>0.56</u>	<u>0.52</u>
Total Expenses	<u>28.45</u>	<u>29.30</u>
Change in Net Assets	<u>\$ 0.25</u>	<u>\$ (3.41)</u>

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$28.45 million. Certain activities were partially funded from those who benefited from the programs of \$0.67 million or by other governments and organizations that subsidized certain programs with grants and categoricals of \$5.56 million. The School District paid for the remaining "public benefit" portion of our governmental activities with \$2.35 million in taxes, \$20.11 million accumulated in federal and state aid not restricted for specific purposes.

The School District experienced an increase in net assets of \$0.25 million. Key reasons for the change in net assets were decreased functional expenses in the category of instruction services. The increase in net assets differs from the change in fund balance, and a reconciliation appears on page 15.

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

The School District's Funds

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

As the School District completed this year, our governmental funds reported a combined fund balance of 0.25 million, which is an increase of \$3.66 million from last year. This is due mainly to the following:

- The General Fund had a decrease in the total fund balance of \$699,511. Although the School District saw increases in three major categories of revenue, state school aid, local, and federal grant revenue, their effect was more than offset by increased expenses attributable to increases in salary and benefit costs.
- Nonmajor Governmental Funds, which includes the Cafeteria Fund (food services) and the Capital Projects Fund (Sinking Fund), had a decrease of \$110,510. The Cafeteria Fund portion of the decrease \$1,594, resulted from a decrease in revenue. The \$107,916 decrease in the Capital Projects Fund (Sinking Fund) resulted from building improvement expenditures, and a decrease in investment revenue.

General Fund Budgetary Highlights

The School District's budget for the 2010-2011 fiscal year was adopted in June, 2010, and a budget amendment was adopted in February, 2011. There were variations between the budget and actual results. A schedule showing the School District's budget amounts compared with amounts actually paid and received is provided in our annual report.

The actual revenues were less than budgeted amounts in the federal sources category because of decreased program activity in those areas.

Actual expenditures and other financing sources (uses) were \$2,264,321 under the budget amounts. In the basic programs, added needs, pupil services, instructional staff, general administration, school administration and business services categories, actual expenses were under budget mainly because purchased services were not utilized to the extent budgeted. In the operations and maintenance, pupil transportation, central office technology and community service categories, expenses were \$352,471 over the budget mainly because of three factors: 1) unbudgeted repairs to the track funded by TIFA revenue, 2) unbudgeted transportation costs related to the VA program, and 3) unbudgeted expenses for technology upgrades through the e-rate program.

Capital Asset and Debt Administration

Capital Assets

The School District's net investments in capital assets increased during the year by \$1,827,294 which is summarized below:

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 283,079	\$ 283,079
Construction in Progress	1,347,201	38,025
Building Improvements	5,026,181	4,636,085
Buses and Other Vehicles	126,782	177,764
Furniture and Equipment	<u>950,117</u>	<u>771,113</u>
	<u>\$7,733,360</u>	<u>\$ 5,906,066</u>

In 1997, Westwood Community School District voters approved a 3-mill Sinking Fund levy for 10 years. The property tax was levied for acquiring new school sites, buildings, equipment and for major remodeling and repairs. During the 2010-2011 school year, major projects financed by the Sinking Fund were roof restorations. In addition to the significant contribution by the sinking fund to the current year additions, the general fund acquired multiple laptops for the students in the Cyber program. Current year depreciation of more than \$555,000 also contributed to the change in net capital assets.

Debt

At the end of this year, the School District had \$1.50 million in bonds outstanding versus \$1.56 million last year. Those bonds consisted of the following:

	<u>2011</u>	<u>2010</u>
School Improvement Bonds	\$ 115,458	\$ 169,285
Energy Bonds	<u>1,390,000</u>	<u>1,390,000</u>
	<u>\$ 1,505,458</u>	<u>\$ 1,559,285</u>

Other obligations include accrued vacation pay and sick leave payable to employees, and a Capital Lease. There is more detailed information about our long-term liabilities in the *Notes to the Financial Statements*.

Economic Factors and Next Year's Budgets and Rates

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

- The primary factor affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2011 fiscal year was 25% and 75% of the February, 2010 and September, 2010 student counts, respectively. However, uncertainty due to the fluctuation in the number of students who choose to enroll through the Schools of Choice program places the School District in a hazardous position. The School District must try to budget staff and supply expenses, although enough students may not enroll to produce the state foundation revenue needed to pay those expenses.
- The 2011-2012 budget was adopted in June, 2011, based on an estimate of students that will be enrolled in September, 2011. Approximately 65% of total revenues are from the foundation allowance. Thanks to aggressive recruitment of non-resident students into the School District through the Schools of Choice program, and the School District's new Cyber High School, it appears that the fall student count will be higher than projected in the 2011-2012 budget. This difference will require a budget amendment after the fall count is finalized.
- The Michigan legislature has passed the state's budget for this fiscal year. However, because of the major economic crisis in the State, there is uncertainty that state revenues will be sufficient to fund the state aid budget at the level set by the legislature. A \$170 per pupil reduction will be in effect for the 2011-12 school year. This will further decrease funding in the School District.
- The state's depressed economic position has affected the state's ability to provide adequate school funding. Additionally, the economic downturn and the large number of local mortgage foreclosures caused the departure of a number of families and students from the local area. This has added to the decrease in the student count which generates state foundation revenue.
- The 3-mill Sinking Fund levy approved by Westwood Community School District voters in 1997 was not renewed in the election held in May, 2007. The School District has continued to finance capital projects with the remainder of the funds (approximately \$482,000) generated by the millage levy. However, when these funds are depleted, capital projects will have to be delayed, curtailed, or financed with general fund dollars. This latter possibility would reduce the funds that could be spent on instructional costs. Because of the present economic climate, the School District has not considered asking voters to reinstate the Sinking Fund levy for capital projects in the School District at this time.

Despite the economic climate and the financial situation, our elected officials and administration monitor the budget very closely and endeavor to balance revenue and expenditures to meet their fiscal responsibilities to their taxpayers, citizens, investors, and creditors.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Westwood Community School District, 3335 S. Beech Daly, Dearborn Heights, Michigan 48125.

WESTWOOD COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2011

**GOVERNMENTAL
ACTIVITIES**

ASSETS

CURRENT ASSETS

Cash in Bank	\$ 58,049
Petty Cash	400
Investments	3,266,169
Due From Fiduciary Fund	49,956
Due From Other Governmental Units	5,723,259
Prepaid Expenses	27,736
Inventory	<u>5,577</u>
Total Current Assets	<u>9,131,146</u>

NONCURRENT ASSETS

Capital Assets	16,880,986
Less: Accumulated Depreciation	<u>(9,147,626)</u>
Total Noncurrent Assets	<u>7,733,360</u>

TOTAL ASSETS

\$ **16,864,506**

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 1,114,087
Salaries Payable	1,714,567
Accrued Liabilities	1,431,111
Deferred Revenue	107,487
Notes Payable	10,280,000
Bonds Payable, Due Within One Year	151,387
Capital Lease Payable, Due Within One Year	144,444
Other Obligations, Due Within One Year	<u>260,740</u>
Total Current Liabilities	<u>15,203,823</u>

NONCURRENT LIABILITIES

Bonds Payable	1,354,071
Compensated Absences	<u>1,453,260</u>
Total Noncurrent Liabilities	<u>2,807,331</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	6,083,458
Restricted for Investment in Capital Assets	542,016
Unrestricted	<u>(7,772,122)</u>
Total Net Assets	<u>(1,146,648)</u>

TOTAL LIABILITIES AND NET ASSETS

\$ **16,864,506**

See accompanying notes.

WESTWOOD COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	PROGRAM REVENUES			GOVERNMENTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS	ACTIVITIES
				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
FUNCTIONS/PROGRAMS				
Governmental Activities				
Instruction	\$ 13,717,581	\$ 174,867	\$ 4,153,269	\$ (9,389,445)
Support Services	11,813,374	478,534	544,133	(10,790,707)
Cafeteria	888,517	21,118	865,783	(1,616)
Sinking Fund	113,640	-	-	(113,640)
Building and Site	1,356,604	-	-	(1,356,604)
Interest on Long-Term Debt	9,060	-	-	(9,060)
Depreciation - Unallocated	555,127	-	-	(555,127)
Total Governmental Activities	<u>28,453,903</u>	<u>674,519</u>	<u>5,563,185</u>	<u>(22,216,199)</u>
General Revenues				
Taxes				
Property Taxes Levied for General Operations				2,346,061
State Aid Unrestricted				20,116,023
Interest on Investments and Taxes				3,508
Other				5,353
				<u>22,470,945</u>
Change in Net Assets				254,746
Net Assets, Beginning of Year				<u>(1,401,394)</u>
Net Assets, End of Year				<u>\$ (1,146,648)</u>

See accompanying notes.

WESTWOOD COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011

	GENERAL	CAPITAL PROJECTS- BUILDING AND SITE	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash in Bank	\$ 58,049	\$ -	\$ -	\$ 58,049
Petty Cash	200	-	200	400
Investments	2,691,902	96,508	477,759	3,266,169
Due From Other Governmental Units	5,611,955	-	111,304	5,723,259
Due From Other Funds	50,957	35,167	110,132	196,256
Prepaid Expenses	27,736	-	-	27,736
Inventory	-	-	5,577	5,577
TOTAL ASSETS	\$ 8,440,799	\$ 131,675	\$ 704,972	\$ 9,277,446

LIABILITIES AND FUND BALANCES

LIABILITIES				
Accounts Payable	\$ 1,042,111	\$ 71,681	\$ 295	\$ 1,114,087
Salaries Payable	1,714,567	-	-	1,714,567
Due to Other Funds	145,299	-	1,001	146,300
Accrued Liabilities	1,431,106	-	5	1,431,111
Notes Payable	10,280,000	-	-	10,280,000
Deferred Revenue	-	-	107,487	107,487
Total Liabilities	14,613,083	71,681	108,788	14,793,552
FUND BALANCES (DEFICIT)				
Nonspendable	27,736	-	5,577	33,313
Restricted for Investment in Capital Assets	-	59,994	482,022	542,016
Restricted for Food Service	-	-	109,586	109,586
Deficit	(6,200,020)	-	(1,001)	(6,201,021)
Total Fund Balances (Deficit)	(6,172,284)	59,994	596,184	(5,516,106)
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,440,799	\$ 131,675	\$ 704,972	\$ 9,277,446

Total Governmental Fund Balances (Deficit) \$ (5,516,106)

Amounts reported for governmental activities in the Statement of Net Assets are different because

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

The cost of the capital assets is \$ 16,880,986
 Accumulated depreciation is (9,147,626)

7,733,360

Long-term liabilities are not due and payable in the current period and are not reported in the funds

Capital Lease Payable (144,444)
 Bonds Payable (1,505,458)
 Compensated Absences (1,714,000)

Net assets of governmental activities \$ (1,146,648)

See accompanying notes.

WESTWOOD COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	GENERAL	CAPITAL PROJECTS- BUILDING AND SITE	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUE				
Local Sources	\$ 3,993,978	\$ 588	\$ 26,864	\$ 4,021,430
State Sources	20,110,772	-	112,653	20,223,425
Federal Sources	<u>3,648,776</u>	-	<u>815,018</u>	<u>4,463,794</u>
Total Revenue	<u>27,753,526</u>	<u>588</u>	<u>954,535</u>	<u>28,708,649</u>
EXPENDITURES				
Instruction	16,639,663	-	-	16,639,663
Support Service	11,813,374	-	888,517	12,701,891
Capital Expenditures	-	1,356,604	113,640	1,470,244
Debt Service	<u>-</u>	<u>-</u>	<u>62,888</u>	<u>62,888</u>
Total Expenditures	<u>28,453,037</u>	<u>1,356,604</u>	<u>1,065,045</u>	<u>30,874,686</u>
NET CHANGES IN FUND BALANCE (DEFICIT)	(699,511)	(1,356,016)	(110,510)	(2,166,037)
FUND BALANCE (DEFICIT), Beginning	<u>(5,472,773)</u>	<u>1,416,010</u>	<u>706,694</u>	<u>(3,350,069)</u>
FUND BALANCE (DEFICIT), Ending	<u><u>\$ (6,172,284)</u></u>	<u><u>\$ 59,994</u></u>	<u><u>\$ 596,184</u></u>	<u><u>\$ (5,516,106)</u></u>

See accompanying notes.

WESTWOOD COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

NET CHANGES IN FUND BALANCES (DEFICIT) - TOTAL GOVERNMENTAL FUNDS \$ (2,166,037)

Amounts reported for governmental activities in the Statement of Activities are different because

Governmental funds reported capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	\$ (555,127)	
Capital Outlay by School District	2,382,421	1,827,294

Repayments of bond principal are expenditures in the governmental funds, but not in the Statement of Activities (where it reduces long-term debt)	189,483
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Decreases in compensated absences are reported as expenditures in the governmental funds, but not in the Statement of Activities (where it reduces long-term debt)	<u>404,006</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 254,746

See accompanying notes.

WESTWOOD COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2011

	PRIVATE-PURPOSE	
	TRUST FUNDS -	AGENCY FUNDS -
	<u>SCHOLARSHIPS</u>	<u>STUDENT ACTIVITIES</u>
ASSETS		
Cash in Bank	\$ -	\$ 153,882
Petty Cash	-	150
Investments	4,160	7,991
Accounts Receivable	-	1,067
	<hr/>	<hr/>
Total Assets	4,160	\$ 163,090
	<hr/>	<hr/>
LIABILITIES		
Due to Student and Other School Groups	-	\$ 109,776
Accounts Payable	-	3,358
Due to Other Funds	-	49,956
	<hr/>	<hr/>
Total Liabilities	-	\$ 163,090
	<hr/>	<hr/>
NET ASSETS		
Held in Trust	\$ 4,160	
	<hr/>	

See accompanying notes.

WESTWOOD COMMUNITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET ASSETS

FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>PRIVATE-PURPOSE TRUST FUNDS</u>
ADDITIONS	
Gifts and Contributions	\$ 501
DEDUCTIONS	
Scholarships Awarded	<u> -</u>
Change in Net Assets	501
NET ASSETS, Beginning of Year	<u> 3,659</u>
NET ASSETS, End of Year	<u>\$ 4,160</u>

See accompanying notes.

WESTWOOD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

District-Wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

WESTWOOD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

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

The Building and Site Capital Projects Fund accounts for the acquisition of capital assets or construction of major capital projects, which are primarily funded by settlements from asbestos abatement lawsuits.

Additionally, the School District reports the following fund types:

The Cafeteria Fund accounts for the activities of the food service operation at the various cafeteria locations. The School District charges users primarily for the direct costs of this program, which is subsidized by state and federal grants.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

The Capital Projects Sinking Fund accounts for the acquisition of capital assets or construction of major capital projects, which are primarily funded by property taxes (sinking fund millage) and transfers from other funds.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the district-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

WESTWOOD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Assets, Liabilities and Net Assets or Equity

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

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

All property tax and other trade receivables are shown as net of allowance for uncollectible amounts. Property taxes are assessed on all real and personal property in the City of Dearborn Heights, the City of Dearborn and the City of Inkster as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. The final collection date is February 28, after which penalties and interest are assessed and the total uncollected obligation is added to the Wayne County delinquent tax rolls.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

WESTWOOD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets - Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure type assets.

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

Buildings and Additions	20-50 years
Buses and Other Vehicles	5-15 years
Furniture and Other Equipment	5-20 years

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

Long-Term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Fund Equity - As of June 30, 2011, the School District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable - amounts that are not in spendable form (such as inventory and prepaid items) or are required to be maintained intact.

Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

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

WESTWOOD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

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

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

Beginning fund balances for the School District's governmental funds have been restated to reflect the above classifications.

The Board of Education establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special projects).

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general, capital projects - building and site fund, and special revenue funds. All annual appropriations lapse at fiscal year end. Annual operating budgets are adopted each fiscal year through approval of an annual budget ordinance and amended as required for all fund types. The same basis of accounting is used to reflect actual revenues and expenditures recognized on a generally accepted accounting principle basis.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend their budgets during the year. The last amendment to the budget was adopted in June 2011.

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

WESTWOOD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the School District incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund-Instruction			
Basic Programs	\$ 13,778,988	\$ 13,797,953	\$ (18,965)
General Fund-Support			
Pupil	1,824,607	1,997,353	(172,746)
Instructional Staff	1,944,991	2,019,994	(75,003)
Business Services	947,264	1,083,447	(136,183)
Operations and Maintenance	2,057,436	2,249,539	(192,103)
Pupil Transportation	1,505,415	1,526,096	(20,681)
Central Office and Technology	730,649	830,483	(99,834)
Building and Site			
Building Renovation	30,000	1,356,604	(1,326,604)
Cafeteria Fund			
Employee Benefits	129,540	139,659	(10,119)
Supplies and Materials	426,400	442,197	(15,797)

Fund Balance/Net Asset Deficit - As of June 30, 2011, the School District had a cumulative fund balance deficit in the General Fund of \$6,172,284 with a related net asset deficit of \$7,772,122.

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the School District to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations that have an office in Michigan. The School District is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Board of Education has designated two banks for the deposit of School District funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in 1) bonds, bills or notes of the United States, or obligations the principal and interest of which are fully guaranteed by the United States Government; 2) certificates of deposit issued by any state or national bank organized and authorized to operate a bank in this state; 3) commercial paper rated prime at the time of purchase and maturing not more than 270 days from date of purchase; 4) certificates of deposit or share certificates of state or federal credit unions organized and authorized to operate in this state, but not the remainder of State statutory authority as listed above.

The School District's deposits and investment policy are in accordance with statutory authority.

WESTWOOD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2011, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash in Bank	\$ 58,049	\$ 153,882	\$ 211,931
Cash on Hand	400	150	550
Investments	3,266,169	12,151	3,278,320
 Total	 \$ 3,324,618	 \$ 166,183	 \$ 3,490,801

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

Deposits (Checking and Savings Accounts)	\$ 211,931
Investment in Securities, Mutual Funds and Similar Vehicles	3,278,320
Petty Cash and Cash on Hand	550
 Total	 \$ 3,490,801

The bank balance of the School District's deposits is \$309,130, of which \$309,130 is covered by federal depository insurance.

The School District's investments at June 30, 2011 were bank investment pools and interlocal agreement investment pools that had a carrying amount and market value of \$3,278,320. The bank investment pools are regulated by the Michigan Banking Act and the investments under the interlocal agreement (MILAF) are regulated by the Urban Cooperation Act. The fair value of the position in the bank investment pools and interlocal agreement pools is the same as the value of the pool shares.

Investments are normally categorized to give an indication of the level of risk assumed by the School District; however, bank investment pools and interlocal agreement investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

WESTWOOD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 4 – RECEIVABLES

Receivables as of year-end for the School District's individual major and non-major funds and fiduciary funds in the aggregate, are as follows:

	<u>General Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables			
Intergovernmental	<u>\$ 5,611,955</u>	<u>\$ 111,304</u>	<u>\$ 5,723,259</u>

There are no applicable allowances for uncollectible accounts.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue represents future payments the State of Michigan will provide the School District for 1998 Durant Bonds. See Note 7.

	<u>Unavailable</u>
Payments Received Prior to Meeting all Eligibility Requirements:	
Grants and Categorical Aid Payments	<u>\$ 107,487</u>

WESTWOOD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the School District's Governmental activities for the current year was as follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital Assets Not Being Depreciated				
Land	\$ 283,079	\$ -	\$ -	\$ 283,079
Construction in Progress	<u>38,025</u>	<u>1,811,126</u>	<u>(501,950)</u>	<u>1,347,201</u>
 Total Capital Assets Not Being Depreciated	 <u>321,104</u>	 <u>1,811,126</u>	 <u>(501,950)</u>	 <u>1,630,280</u>
 Capital Assets Being Depreciated				
Building and Building Improvements	10,491,160	7,500	501,950	11,000,610
Site Improvements	785,661	336,900	-	1,122,561
Buses	541,610	-	-	541,610
Vehicles (Other than Buses)	110,312	-	-	110,312
Computer Equipment	932,726	-	-	932,726
Office Equipment	<u>1,315,992</u>	<u>226,895</u>	<u>-</u>	<u>1,542,887</u>
 Subtotal	 <u>14,177,461</u>	 <u>571,295</u>	 <u>501,950</u>	 <u>15,250,706</u>
 Accumulated Depreciation				
Building and Building Improvements	(6,459,615)	230,322	-	(6,689,937)
Site Improvements	(363,742)	43,311	-	(407,053)
Buses	(373,425)	41,403	-	(414,828)
Vehicles (Other than Buses)	(110,312)	-	-	(110,312)
Computer Equipment	(341,913)	153,208	-	(495,121)
Office Equipment	<u>(943,492)</u>	<u>86,883</u>	<u>-</u>	<u>(1,030,375)</u>
 Subtotal	 <u>(8,592,499)</u>	 <u>555,127</u>	 <u>-</u>	 <u>(9,147,626)</u>
 Net Capital Assets Being Depreciated	 <u>5,584,962</u>	 <u>16,168</u>	 <u>501,950</u>	 <u>6,103,080</u>
 Net Capital Assets	 <u>\$ 5,906,066</u>	 <u>\$ 1,827,294</u>	 <u>\$ -</u>	 <u>\$ 7,733,360</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

WESTWOOD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 50,957	\$ 145,299
Building and Site Fund	35,167	-
Caferia Fund	77,882	-
Sinking Fund	32,250	-
Debt Service Fund	-	1,001
Student Activities Fund	-	49,956
Total	<u>\$ 196,256</u>	<u>\$ 196,256</u>

The amount due from the General Fund to the Building and Site, Cafeteria, and Sinking Funds are for expenditures originally paid through that fund. The amounts due from the Debt Service and Student Activities Funds represent amounts paid on behalf of those funds by the General Fund. All amounts due are scheduled to be repaid within one year.

NOTE 7 – LONG-TERM DEBT

The School District issues bonds, notes and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. Long-term obligations include an energy conservation loan, a school loan revenue bond, an installment purchase contract and compensated absences.

Long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment Debt					
1998 Durant Bonds	\$ 169,285	\$ -	\$ 53,827	\$ 115,458	\$ 56,387
2010B Energy Bonds	1,390,000	-	-	1,390,000	95,000
Capital Lease - GE Capital	280,100	-	135,656	144,444	144,444
Total Installment Debt	1,839,385	-	189,483	1,649,902	295,831
Other Debt					
Compensated Absences	2,118,006	421,140	825,146	1,714,000	260,740
Total Long-Term Debt	<u>\$ 3,957,391</u>	<u>\$ 421,140</u>	<u>\$ 1,014,629</u>	<u>\$ 3,363,902</u>	<u>\$ 556,571</u>

WESTWOOD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 7 – LONG-TERM DEBT (Continued)

Bonds Payable

General obligation bonds consist of the following:

1998 Durant Bonds due in annual installments of \$53,827 to \$299,709 through May 1, 2013; interest at 5.5% \$ 115,458

2010B Energy Conservation Improvement Bonds due in annual installments of \$95,000 to \$1,390,000 through May 1, 2025 with the first payment beginning May 1, 2012; interest between 1.75% and 6.70% \$ 1,390,000

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 151,387	\$ 76,495	\$ 227,882
2013	154,071	72,148	226,219
2014	100,000	66,675	166,675
2015	100,000	63,075	163,075
2016	100,000	58,950	158,950
2017-2021	500,000	216,600	716,600
2022-2025	400,000	65,800	465,800
	<u>\$ 1,505,458</u>	<u>\$ 619,743</u>	<u>\$ 2,125,201</u>

Capital Lease Payable

The School District has entered into an agreement to purchase multiple laptops for the New Tech School Program through a capital lease. Assets acquired and liabilities incurred through these agreements are accounted for in the Statement of Net Assets.

The following is a schedule of fixed assets together with the outstanding liability and future minimum capital lease payments with the present value of the net minimum lease payments as of June 30, 2011 relating to capital lease agreements:

<u>YEAR ENDED JUNE 30,</u>	<u>LEASE PAYMENTS</u>	<u>FIXED ASSET (LAPTOPS)</u>
2012	\$ 153,000	<u>\$ 584,699</u>
Less: Amounts Representing Interest	<u>8,556</u>	
Present Value of Net Minimum Lease Payments	<u>\$ 144,444</u>	

WESTWOOD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 8 – NOTES PAYABLE

The School District participated in several borrowings of money in the forms of State Aid and Tax Anticipation Notes, pursuant to Act No. 451 of the Public Acts of 1976. This Act authorizes the borrowing of money in a single series of notes in anticipation of the collection of State Aid and Property Tax payments for the 2010-2011 school year.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
State Aid Note Payable dated August 20, 2009 bearing interest at 1.63% with monthly payments beginning January 20, 2010 and was due August 20, 2010	\$ 250,000	\$ -	\$ 250,000	\$ -
State Aid Note Payable dated August 20, 2009 bearing interest at 2.93% and was due August 20, 2010	3,500,000	-	3,500,000	-
State Aid Note Payable dated April 15, 2010 bearing interest at 3.61% and was due August 20, 2010	1,300,000	-	1,300,000	-
Tax Anticipation Note Payable dated June 18, 2010 bearing interest at 4.70% and was due May 2, 2011	1,154,000	-	1,154,000	-
State Aid Note Payable dated August 20, 2010 bearing interest at 2.29% and is due August 22, 2011	-	7,680,000	-	7,680,000
State Aid Note Payable dated April 14, 2011 bearing interest at 2.68% and is due August 22, 2011	-	2,600,000	-	2,600,000
	<u>\$ 6,204,000</u>	<u>\$ 10,280,000</u>	<u>\$ 6,204,000</u>	<u>\$ 10,280,000</u>

NOTE 9 – NON-PLAINTIFF DURANT SETTLEMENT

Public Act 142 of 1997 was enacted in November, 1997 as part of the Durant Resolution Package. School districts and intermediate school districts were offered settlement amounts to settle, compromise and resolve in the entirety, any potential claims they may have asserted for violations of Section 29, Article IX, of the Constitution through September 30, 1997. The claims are or were similar to the claims asserted by the plaintiffs in the Durant vs. State of Michigan case. Westwood Community School District's Board of Education adopted and submitted a waiver resolution, waiving any potential claims through September 30, 1997.

WESTWOOD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 9 – NON-PLAINTIFF DURANT SETTLEMENT (Continued)

As a non-plaintiff, the School District was awarded a settlement amount of \$881,300. The School District agreed to participate in a special November 1998 Michigan Municipal Bond Authority Bonding Program, so the settlement is being received and the bonds are being paid off in fifteen annual installments, starting May 15, 1999.

NOTE 10 – CAPITAL PROJECT SINKING FUND

The Capital Project Sinking Fund records capital project activities funded with the Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

NOTE 11 – LITIGATION, CONTINGENCIES AND RISK MANAGEMENT

The School District is the recipient of several Federal and State Grant programs. The expenditures for each program are subject to audit for technical compliance by an appropriate agency. In the event such audit procedures indicate that the School District is not in compliance, the Federal government could require repayment of funds to the grantor(s). In the opinion of management, such repayment, if any, is not likely to be material.

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees (workers' compensation) and natural disasters. For the year ended June 30, 2011, the School District purchased commercial insurance policies to satisfy any claims related to general liability, vehicle liability, property and casualty, athletic participation, employee health and accident and errors and omissions. The General Fund, since there is no Internal Service Fund, accounts for all risk-financing activity.

During the year ended June 30, 2011, there was no significant reduction in insurance coverage in any of the risk categories mentioned above. Additionally, the School District had no settlements in excess of insurance coverage during any of the past three fiscal years.

NOTE 12 – DEFINED BENEFIT AND CONTRIBUTION PENSION PLANS AND POST RETIREMENT BENEFITS

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system, with a defined contribution component for those who first worked on or after July 1, 2010, governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103 or is available on the Office of Retirement Services (ORS) Web site <http://www.michigan.gov/ors>.

WESTWOOD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 12 – DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS (Continued)

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

The pension benefit rates are as follows:

	Employed Before July 1, 2010 (Basic/MIP)	Employed on or After July 1, 2010 (Pension Plus)
July 1, 2010 - September 30, 2010	16.94%	16.94%
October 1, 2010 - October 31, 2010	19.41%	17.91%
November 1, 2010 - June 30, 2011	20.66%	19.16%

In addition, basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS plan for the years ended June 30, 2011, 2010, and 2009 were \$2,682,453, \$2,563,140, and \$2,232,270, respectively.

Pension Plus plan members have the option of contributing 2 percent of gross wages to a tax-deferred savings account (with the option of increasing their contribution up to the annual IRS limit), with the School District matching 50% of the employee's contribution up to 1 percent. During the year ended June 30, 2011, contributions made by the members and the School District totaled \$3,953 and \$1,977, respectively.

Post Employment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for post employment health care benefits make up 8.50% of the School District's total contribution to the MPSERS plan discussed above.

NOTE 13 – SUBSEQUENT EVENTS

On August 22, 2011, two State Aid Anticipation Notes taken earlier in the year were scheduled to mature (see Note 8). In order to pay off the matured balances of those notes and to borrow additional funds, the School District borrowed, on one note (Series 2011C-2 and Series 2011C-3), \$11,400,000 against anticipated 2011/12 state aid through the Michigan Municipal Bond Authority's pooled borrowing program. This new note will become due on August 20, 2012 at an interest rate of 1.81%.

NOTE 14 – DEFICIT FUND BALANCE

At June 30, 2011, the School District's deficit fund balance in the General Fund was \$6,172,284 which is in violation of Michigan's Uniform Budgeting and Accounting Act for local units of government. The School District has filed a deficit elimination plan (DEP) with the Michigan Department of Education. Management's projection in its DEP is that this deficit will be eliminated by June 30, 2015.

REQUIRED SUPPLEMENTAL INFORMATION

WESTWOOD COMMUNITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>ORIGINAL</u>	<u>FINAL</u>		VARIANCE WITH
	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>	FINAL BUDGET
				FAVORABLE
				(UNFAVORABLE)
REVENUE				
Local Sources	\$ 3,148,402	\$ 3,840,227	\$ 3,993,978	\$ 153,751
State Sources	18,761,941	19,892,689	20,110,772	218,083
Federal Sources	<u>2,466,704</u>	<u>4,009,808</u>	<u>3,648,776</u>	<u>(361,032)</u>
Total Revenue	<u>24,377,047</u>	<u>27,742,724</u>	<u>27,753,526</u>	<u>10,802</u>
EXPENDITURES				
Instruction				
Basic Programs	10,685,500	13,778,988	13,797,953	(18,965)
Added Needs	<u>2,988,346</u>	<u>3,886,150</u>	<u>2,841,710</u>	<u>1,044,440</u>
Total Instruction	<u>13,673,846</u>	<u>17,665,138</u>	<u>16,639,663</u>	<u>1,025,475</u>
Support				
Pupil	1,873,020	1,824,607	1,997,353	(172,746)
Instructional Staff	1,720,000	1,944,991	2,019,994	(75,003)
General Administration	630,000	683,775	475,979	207,796
School Administration	1,285,000	1,271,244	1,245,790	25,454
Business Services	1,030,300	947,264	1,083,447	(136,183)
Operations and Maintenance	2,000,000	2,057,436	2,249,539	(192,103)
Pupil Transportation	1,325,000	1,505,415	1,526,096	(20,681)
Central Office and Technology	339,750	730,649	830,483	(99,834)
Athletics	285,000	288,000	275,608	12,392
Community Service	<u>111,000</u>	<u>110,635</u>	<u>109,085</u>	<u>1,550</u>
Total Support	<u>10,599,070</u>	<u>11,364,016</u>	<u>11,813,374</u>	<u>(449,358)</u>
Total Expenditures	<u>24,272,916</u>	<u>29,029,154</u>	<u>28,453,037</u>	<u>576,117</u>
Excess Revenue (Expenditures)	<u>\$ 104,131</u>	<u>\$ (1,286,430)</u>	(699,511)	<u>\$ 586,919</u>
FUND BALANCE (DEFICIT), Beginning			<u>(5,472,773)</u>	
FUND BALANCE (DEFICIT), Ending			<u>\$ (6,172,284)</u>	

WESTWOOD COMMUNITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUILDING AND SITE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
REVENUE				
Local Sources	\$ 1,500	\$ 1,500	\$ 588	\$ (912)
EXPENDITURES				
Building Renovation	<u>30,000</u>	<u>30,000</u>	<u>1,356,604</u>	<u>(1,326,604)</u>
Excess Expenditures	<u>\$ (28,500)</u>	<u>\$ (28,500)</u>	(1,356,016)	<u>\$ (1,327,516)</u>
FUND BALANCE, Beginning			<u>1,416,010</u>	
FUND BALANCE, Ending			<u>\$ 59,994</u>	

OTHER SUPPLEMENTAL INFORMATION

WESTWOOD COMMUNITY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011

	SPECIAL REVENUE CAFETERIA	DEBT SERVICE FUND	CAPITAL PROJECT- SINKING FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Petty Cash	\$ 200	\$ -	\$ -	\$ 200
Investments	27,987	-	449,772	477,759
Due From Other Funds	77,882	-	32,250	110,132
Due From Other Governmental Units	3,817	107,487	-	111,304
Inventory	5,577	-	-	5,577
TOTAL ASSETS	<u>\$ 115,463</u>	<u>\$ 107,487</u>	<u>\$ 482,022</u>	<u>\$ 704,972</u>

LIABILITIES AND FUND BALANCES

LIABILITIES				
Accounts Payable	\$ 295	\$ -	\$ -	\$ 295
Due to Other Funds	-	1,001	-	1,001
Deferred Revenue	-	107,487	-	107,487
Accrued Liabilities	5	-	-	5
Total Liabilities	<u>300</u>	<u>108,488</u>	<u>-</u>	<u>108,788</u>
FUND BALANCES				
Nonspendable	5,577	-	-	5,577
Restricted for Investment in Capital Assets	-	-	482,022	482,022
Restricted for Food Service	109,586	-	-	109,586
Deficit	-	(1,001)	-	(1,001)
Total Fund Balances	<u>115,163</u>	<u>(1,001)</u>	<u>482,022</u>	<u>596,184</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 115,463</u>	<u>\$ 107,487</u>	<u>\$ 482,022</u>	<u>\$ 704,972</u>

WESTWOOD COMMUNITY SCHOOL DISTRICT
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE CAFETERIA	DEBT SERVICE FUND	CAPITAL PROJECT- SINKING FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUE				
Local Sources	\$ 21,140	\$ -	\$ 5,724	\$ 26,864
State Sources	50,765	61,888	-	112,653
Federal Sources	815,018	-	-	815,018
Total Revenue	<u>886,923</u>	<u>61,888</u>	<u>5,724</u>	<u>954,535</u>
EXPENDITURES				
Support - Business				
Salaries	272,636	-	-	272,636
Benefits	139,659	-	-	139,659
Purchased Services	32,783	-	-	32,783
Supplies and Materials	442,197	-	-	442,197
Support - Other				
Capital Outlay	1,242	-	-	1,242
Other Expense	-	1,000	-	1,000
Building Improvements	-	-	113,640	113,640
Debt Services	-	61,888	-	61,888
Total Expenditures	<u>888,517</u>	<u>62,888</u>	<u>113,640</u>	<u>1,065,045</u>
Excess Expenditures	(1,594)	(1,000)	(107,916)	(110,510)
FUND BALANCE (DEFICIT), Beginning of Year	<u>116,757</u>	<u>(1)</u>	<u>589,938</u>	<u>706,694</u>
FUND BALANCE (DEFICIT), End of Year	<u>\$ 115,163</u>	<u>\$ (1,001)</u>	<u>\$ 482,022</u>	<u>\$ 596,184</u>

WESTWOOD COMMUNITY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

BALANCE SHEET

JUNE 30, 2011

ASSETS

Cash in Bank	\$ 58,049
Petty Cash	200
Investments	2,691,902
Due From Other Governmental Units	5,611,955
Due From Other Funds	50,957
Prepaid Expense	<u>27,736</u>

TOTAL ASSETS

\$ 8,440,799

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 1,042,111
Salaries Payable	1,714,567
Accrued Liabilities	1,431,106
Due to Other Funds	145,299
Notes Payable	<u>10,280,000</u>
 Total Liabilities	 <u>14,613,083</u>

FUND BALANCE (DEFICIT)

Nonspendable	27,736
Deficit	<u>(6,200,020)</u>
 Total Fund Balance (Deficit)	 <u>(6,172,284)</u>

TOTAL LIABILITIES AND FUND BALANCE

\$ 8,440,799

WESTWOOD COMMUNITY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF CHANGES IN FUND DEFICIT

FOR THE YEAR ENDED JUNE 30, 2011

	<u>ACTUAL</u>
FUND BALANCE (DEFICIT), Beginning of Year	\$ (5,472,773)
Total Revenue	27,753,526
Total Expenditures	<u>28,453,037</u>
Excess Expenditures	<u>(699,511)</u>
FUND BALANCE (DEFICIT), End of Year	\$ (6,172,284)

WESTWOOD COMMUNITY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF REVENUE

FOR THE YEAR ENDED JUNE 30, 2011

REVENUE FROM LOCAL SOURCES

Property Tax Levy	\$ 2,346,061
Child Care and Latch-Key Tuition	74,535
Interest From Investments	2,527
Rent From School Facilities	6,463
Career Tech Tuition	71,460
County Special Education Reimbursement	519,951
Athletic Gate Receipts	14,237
TIFA Revenue	328,400
E-Rate Revenue	143,638
Miscellaneous Revenue	<u>486,706</u>
Total Local Sources	<u>3,993,978</u>

REVENUE FROM STATE SOURCES

Foundation	17,420,956
Special Education	1,090,164
State Aid - At Risk	1,033,015
State Aid - School Readiness	510,000
State Aid - Other	<u>56,637</u>
Total State Sources	<u>20,110,772</u>

REVENUE FROM FEDERAL SOURCES

Title I	1,535,759
Title II, Part A	256,736
Title II, Part D	213,340
Title II, Part D Models of Demonstrated Proficiency	36,077
IDEA Flowthrough	638,856
Title VI-B - Pre-School Incentive	17,777
JROTC	65,649
Drug-Free Schools	5,995
ARRA Stabilization	283,425
Education Jobs Fund	421,452
Striving Readers	153,456
Other	<u>20,254</u>
Total Federal Sources	<u>3,648,776</u>

TOTAL REVENUE

\$ 27,753,526

WESTWOOD COMMUNITY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2011

INSTRUCTION

BASIC PROGRAMS

ELEMENTARY

Salaries	\$ 3,149,176
Employee Benefits	1,603,974
Purchased Services	15,324
Supplies and Materials	21,487
Capital Outlay	702
Other Expenses	21,826

MIDDLE SCHOOL

Salaries	1,645,573
Employee Benefits	899,578
Purchased Services	9,287
Supplies and Materials	5,981
Capital Outlay	328
Other Expenses	1,913

HIGH SCHOOL

Salaries	3,352,419
Employee Benefits	1,554,225
Purchased Services	527,136
Supplies and Materials	403,305
Capital Outlay	22,480
Other Expenses	988

PRESCHOOL

Salaries	345,030
Employee Benefits	193,190
Supplies and Materials	3,889

OTHER BASIC PROGRAMS

Salaries	13,921
Employee Benefits	3,422
Supplies and Materials	<u>2,799</u>

Total Basic Programs 13,797,953

WESTWOOD COMMUNITY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

INSTRUCTION (Continued)

ADDED NEEDS

SPECIAL EDUCATION

Salaries	\$ 1,224,465
Employee Benefits	676,045
Purchased Services	4,406
Supplies and Materials	5,500

COMPENSATORY EDUCATION

Salaries	549,767
Employee Benefits	273,150
Purchased Services	45,197
Supplies and Materials	17,480

VOCATIONAL EDUCATION

Salaries	35,740
Employee Benefits	9,245
Purchased Services	715

Total Added Needs 2,841,710

Total Instruction 16,639,663

SUPPORTING SERVICES

ATHLETICS

Salaries	132,099
Employee Benefits	46,759
Purchased Services	66,295
Supplies and Materials	23,792
Capital Outlay	5,122
Other Expenses	1,541

Total Athletics 275,608

PUPIL SERVICES

GUIDANCE

Salaries	416,694
Employee Benefits	223,451

WESTWOOD COMMUNITY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

SUPPORTING SERVICES (Continued)

PUPIL SERVICES (Continued)

HEALTH

Purchased Services \$ 44,695

PSYCHOLOGICAL

Purchased Services 43,200

Supplies and Materials 854

SPEECH

Salaries 130,927

Employee Benefits 80,837

Purchased Services 21,106

SOCIAL WORKERS

Salaries 191,069

Employee Benefits 90,886

Purchased Services 116

TEACHER CONSULTANTS

Salaries 199,059

Employee Benefits 116,269

OTHER PUPIL SERVICES

Salaries 204,646

Employee Benefits 208,349

Purchased Services 25,195

Total Pupil Services 1,997,353

INSTRUCTIONAL STAFF

IMPROVEMENT OF INSTRUCTION

Salaries 56,481

Employee Benefits 24,478

Purchased Services 316,946

Supplies and Materials 23,051

Other Expenses 625

WESTWOOD COMMUNITY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

SUPPORTING SERVICES (Continued)

INSTRUCTIONAL STAFF (Continued)

LIBRARY

Salaries	\$ 106,923
Employee Benefits	45,526
Purchased Services	1,002
Supplies and Materials	402

INSTRUCTIONAL RELATED TECHNOLOGY

Purchased Services	49,803
Supplies and Materials	409,611

DIRECTION OF INSTRUCTIONAL STAFF

Salaries	620,268
Employee Benefits	322,915
Purchased Services	30,923
Supplies and Materials	<u>11,040</u>

Total Instructional Staff 2,019,994

GENERAL ADMINISTRATION

BOARD OF EDUCATION

Salaries	5,520
Employee Benefits	422
Purchased Services	158,458
Supplies and Materials	8,948
Other Expenses	10,082

EXECUTIVE ADMINISTRATION

Salaries	185,082
Employee Benefits	97,534
Purchased Services	3,329
Supplies and Materials	4,757
Other Expenses	<u>1,847</u>

Total General Administration 475,979

WESTWOOD COMMUNITY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

SUPPORTING SERVICES (Continued)

SCHOOL ADMINISTRATION

OFFICE OF PRINCIPAL

Salaries	\$ 816,529
Employee Benefits	419,837
Purchased Services	5,650
Supplies and Materials	2,247
Other Expenses	<u>1,527</u>

Total School Administration 1,245,790

BUSINESS SERVICES

BUSINESS OFFICE

Salaries	209,113
Employee Benefits	114,939
Purchased Services	4,752
Supplies and Materials	7,101
Other Expenses	<u>6,119</u>

OTHER BUSINESS

Salaries	36,001
Employee Benefits	96,383
Purchased Services	359,235
Other Expenses	<u>249,804</u>

Total Business Services 1,083,447

MAINTENANCE AND OPERATIONS

Salaries	667,508
Employee Benefits	377,477
Purchased Services	418,226
Supplies and Materials	457,877
Capital Outlay	<u>328,451</u>

Total Maintenance and Operations 2,249,539

WESTWOOD COMMUNITY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

SUPPORTING SERVICES (Continued)

PUPIL TRANSPORTATION

Salaries	\$ 178,366
Employee Benefits	52,405
Purchased Services	1,244,785
Supplies and Materials	27,927
Other Expenses	<u>22,613</u>

Total Pupil Transportation 1,526,096

CENTRAL OFFICE AND TECHNOLOGY

PERSONNEL

Salaries	19,361
Employee Benefits	10,674
Purchased Services	40,262
Supplies and Materials	1,504

DATA PROCESSING

Salaries	370,258
Employee Benefits	179,858
Purchased Services	63,923
Supplies and Materials	<u>144,643</u>

Total Central Office and Technology 830,483

COMMUNITY SERVICE ACTIVITIES

NON-PUBLIC SCHOOL PUPILS

Salaries	55,022
Employee Benefits	22,787
Purchased Services	29,475
Supplies and Materials	<u>1,801</u>

Total Community Service Activities 109,085

Total Supporting Services 11,813,374

TOTAL EXPENDITURES \$ 28,453,037

WESTWOOD COMMUNITY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

SPECIAL REVENUE FUND

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>CAFETERIA</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUE			
Local Sources	\$ 80,400	\$ 21,140	\$ (59,260)
State Sources	30,544	50,765	20,221
Federal Sources	<u>762,217</u>	<u>815,018</u>	<u>52,801</u>
Total Revenue	<u>873,161</u>	<u>886,923</u>	<u>13,762</u>
EXPENDITURES			
Support - Business			
Salaries	316,990	272,636	44,354
Employee Benefits	129,540	139,659	(10,119)
Purchased Services	38,550	32,783	5,767
Supplies and Materials	426,400	442,197	(15,797)
Support - Other			
Capital Outlay	<u>26,800</u>	<u>1,242</u>	<u>25,558</u>
Total Expenditures	<u>938,280</u>	<u>888,517</u>	<u>49,763</u>
Excess Expenditures	<u>\$ (65,119)</u>	<u>(1,594)</u>	<u>\$ 63,525</u>
FUND BALANCE, Beginning of Year		<u>116,757</u>	
FUND BALANCE, End of Year		<u>\$ 115,163</u>	

WESTWOOD COMMUNITY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

CAPITAL PROJECT FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2011

	<u>BUILDING AND SITE</u>	<u>SINKING FUND</u>	<u>COMBINED TOTAL</u>
ASSETS			
Due From Other Funds	\$ 35,167	\$ 32,250	\$ 67,417
Investments	<u>96,508</u>	<u>449,772</u>	<u>546,280</u>
TOTAL ASSETS	<u>\$ 131,675</u>	<u>\$ 482,022</u>	<u>\$ 613,697</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 71,681	\$ -	\$ 71,681
FUND BALANCE			
Restricted for Investment in Capital Assets	<u>59,994</u>	<u>482,022</u>	<u>542,016</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 131,675</u>	<u>\$ 482,022</u>	<u>\$ 542,016</u>

WESTWOOD COMMUNITY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

CAPITAL PROJECT FUNDS

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

JUNE 30, 2011

	<u>BUILDING AND SITE</u>	<u>SINKING FUND</u>
REVENUE		
Other Revenue	\$ -	\$ 5,353
Earnings From Investments	<u>588</u>	<u>371</u>
Total Revenue	588	5,724
EXPENDITURES		
Building Renovation	<u>1,356,604</u>	<u>113,640</u>
Excess Revenues Over (Under) Expenditures	(1,356,016)	(107,916)
FUND BALANCE, Beginning of Year	<u>1,416,010</u>	<u>589,938</u>
FUND BALANCE, End of Year	<u>\$ 59,994</u>	<u>\$ 482,022</u>

WESTWOOD COMMUNITY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

TRUST AND AGENCY FUNDS

BALANCE SHEET

JUNE 30, 2011

ASSETS

Cash in Bank	\$	153,882
Petty Cash		150
Investments		12,151
Accounts Receivable		<u>1,067</u>

TOTAL ASSETS \$ 167,250

LIABILITIES AND FUND BALANCE

Due to Student and Other School Groups	\$	109,776
Accounts Payable		3,358
Funds Held in Trust		4,160
Due to Other Funds		<u>49,956</u>

TOTAL LIABILITIES AND FUND BALANCE \$ 167,250

PRIVATE-PURPOSE TRUST FUNDS

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2011

	M. LOVE SCHOLARSHIP & BOOK SCHOLARSHIP
RECEIPTS	<u>\$ 501</u>
DISBURSEMENTS	<u>-</u>
Excess Receipts	501
FUNDS HELD IN TRUST, Beginning	<u>3,659</u>
FUNDS HELD IN TRUST, Ending	<u>\$ 4,160</u>

WESTWOOD COMMUNITY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

AGENCY FUNDS

SCHEDULE OF RECEIPTS AND DISBURSEMENTS AND CHANGES IN LIABILITY

JULY 1, 2010 THROUGH JUNE 30, 2011

DUE TO STUDENT GROUPS - July 1, 2010	\$ 99,542
Receipts	<u>123,346</u>
Sub-Total	222,888
Disbursements	<u>113,112</u>
DUE TO STUDENT GROUPS - June 30, 2011	<u>\$ 109,776</u>

WESTWOOD COMMUNITY SCHOOL DISTRICT
REPORT ON EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011

WESTWOOD COMMUNITY SCHOOL DISTRICT

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JUNE 30, 2011

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A Professional Corporation

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

Board of Education
Westwood Community School District
Dearborn Heights, Michigan 48125

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Westwood Community School District as of and for the year ended June 30, 2011, which collectively comprise Westwood Community School District's basic financial statements and have issued our report thereon dated November 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Westwood Community School District's 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 Westwood Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Westwood Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Item 2011-4 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Items 2011-1, 2011-2 and 2011-5 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Westwood Community School District's 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as Item 2011-3.

We noted certain matters that we reported to the management of Westwood Community School District, in a separate letter dated November 11, 2011.

Westwood Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Westwood Community School District's response and, accordingly, we express no opinion on it.

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

Hungerford & Co.

November 11, 2011

A Professional Corporation

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

Board of Education
Westwood Community School District
Dearborn Heights, Michigan 48125

Compliance

We have audited Westwood Community School District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Westwood Community School District's major federal programs for the year ended June 30, 2011. Westwood Community School District's 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 Westwood Community School District's management. Our responsibility is to express an opinion on Westwood Community School District's 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 Westwood Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Westwood Community School District's compliance with those requirements.

In our opinion, Westwood Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Items 2011-6 and 2011-7.

Internal Control Over Compliance

Management of Westwood Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Westwood Community School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Westwood Community School District's internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Westwood Community School District as of and for the year ended June 30, 2011, and have issued our report thereon dated November 11, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The 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 not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Westwood Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Westwood Community School District's responses and, accordingly, we express no opinion on the responses.

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

Hungerford & Co.

November 11, 2011

WESTWOOD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JULY 1, 2010	ADJUSTMENTS AND TRANSFERS	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JUNE 30, 2011
U.S. DEPARTMENT OF AGRICULTURE								
Passed Through Michigan Department of Education Child Nutrition Cluster								
Non-Cash Assistance								
National School Lunch Program	10.555*	\$ 41,950	-	\$ -	\$ -	\$ 41,950	\$ 41,950	\$ -
Entitlement Commodities 2010-2011								
Cash Assistance								
National School Breakfast Program	10.553*	290,141	265,860	-	-	24,281	24,281	-
Project Number: 101970		254,632	-	-	-	254,632	254,632	-
Project Number: 111970								
Total National School Breakfast Program		544,773	265,860	-	-	278,913	278,913	-
National School Lunch Program	10.555*	52,892	47,762	-	-	5,130	5,130	-
Project Number: 101950		421,543	382,197	-	-	39,346	39,346	-
Project Number: 101960		3,675	3,511	-	-	164	164	-
Project Number: 101980		48,741	-	-	-	48,741	48,741	-
Project Number: 111950		385,249	-	-	-	385,249	385,249	-
Project Number: 111960		4,641	-	-	-	4,641	4,641	-
Project Number: 111980								
Total National School Lunch Program		916,741	433,470	-	-	483,271	483,271	-
Summer Food Service Program for Children	10.559*	11,674	2,819	2,819	-	11,674	8,855	-
Operating Program #100900		945	-	-	-	-	945	945
Operating Program #110900		293	293	293	-	1,215	922	-
Administrative Program #101900		293	-	-	-	-	99	99
Administrative Program #111900								
Total Summer Food Service Program for Children		13,205	3,112	3,112	-	12,889	10,821	1,044
Total Cash Assistance		1,474,719	702,442	3,112	-	775,073	773,005	1,044
Total U.S. Department of Agriculture		1,516,669	702,442	3,112	-	817,023	814,955	1,044

WESTWOOD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JULY 1, 2010	ADJUSTMENTS AND TRANSFERS	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JUNE 30, 2011
U.S. DEPARTMENT OF EDUCATION								
Passed Through the Michigan Department of Education								
Title I, Part A - Improving Basic Programs								
84.010*		\$ 1,130,518	\$ 337,132	\$ 3,391	\$ -	\$ 359,994	\$ 356,603	\$ -
		1,617,139	-	-	-	603,893	902,848	298,955
		<u>2,747,657</u>	<u>337,132</u>	<u>3,391</u>	<u>-</u>	<u>963,887</u>	<u>1,259,451</u>	<u>298,955</u>
Total Title I, Part A								
ARRA - Title I								
84.389*		566,718	566,718	566,718	-	566,718	-	-
		143,246	-	-	-	99,078	143,246	44,168
		<u>709,964</u>	<u>566,718</u>	<u>566,718</u>	<u>-</u>	<u>665,796</u>	<u>143,246</u>	<u>44,168</u>
Total ARRA - Title I								
Title II, Part D - Enhancing Education Through Technology								
84.318		305,000	8,518	8,518	-	44,596	36,078	-
		7,834	5,197	5,197	-	5,197	-	-
		<u>312,834</u>	<u>13,715</u>	<u>13,715</u>	<u>-</u>	<u>49,793</u>	<u>36,078</u>	<u>-</u>
Total Title II, Part D								
ARRA - Title II, Part D								
84.386		24,090	-	-	-	24,090	24,090	-
Project Number: 104295-0910								
Title II, Part A - Teacher and Principal Training and Recruiting								
84.367		329,910	139,609	127,860	-	149,956	22,096	-
		401,758	11,324	11,324	(143)	146,582	234,641	99,240
		<u>731,668</u>	<u>150,933</u>	<u>139,184</u>	<u>(143)</u>	<u>296,538</u>	<u>256,737</u>	<u>99,240</u>
Total Title II, Part A								
Striving Readers								
84.371A		160,000	-	-	-	112,888	153,457	40,569
Project Number: 112970-SRF201								
Education Jobs Fund								
84.410A*		421,452	-	-	-	325,795	421,452	95,657
Project Number: 112545-10-11								
ARRA School Improvement Grant								
84.388		179,000	-	-	-	-	133,062	133,062
Project Number: 101555-0910								

WESTWOOD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2011
 (Continued)

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JULY 1, 2010	ADJUSTMENTS AND TRANSFERS	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JUNE 30, 2011
U.S. DEPARTMENT OF EDUCATION (Continued)								
Passed Through the Michigan Department of Education (Continued)								
ARRA Education Stabilization Fund	84.394							
Project Number: 102525-0910		\$ 283,375	-	\$ -	\$ -	\$ 283,375	\$ 283,375	\$ -
Total Passed Through Michigan Department of Education		5,570,040	1,068,498	723,008	(143)	2,722,162	2,710,948	711,651
Passed Through Wayne County Regional Educational Service Agency Special Education Cluster								
IDEA Flowthrough (P.L. 94-142)	84.027A*							
Project Number: 100450-0910		513,153	487,737	97,451	-	122,491	25,040	-
Project Number: 110450-1011		576,212	-	-	-	372,734	550,996	178,262
Total IDEA Flowthrough		1,089,365	487,737	97,451	-	495,225	576,036	178,262
Positive Behavior Support Grant								
Project Number: 2009-2010	84.027A*	2,500	2,500	2,500	-	2,500	-	-
Project Number: 2010-2011		1,917	-	-	-	1,917	1,917	-
Total Positive Behavior Support Grant		4,417	2,500	2,500	-	4,417	1,917	-
Preschool Incentive								
Project Number: 100460-0910	84.173A*	12,480	12,480	1,655	-	1,655	-	-
Project Number: 100460-0910		17,777	-	-	-	-	17,777	17,777
Total Preschool Incentive		30,257	12,480	1,655	-	1,655	17,777	17,777
ARRA Flowthrough								
Project Number: 100455-0910	84.391A*	540,954	503,350	142,083	-	197,689	62,820	7,214
ARRA Preschool Incentive								
Project Number: 100465-0910	84.392A*	17,660	17,660	8,996	-	8,996	-	-
Total Special Education Cluster		1,682,653	1,023,727	252,685	-	707,982	658,550	203,253

WESTWOOD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JULY 1, 2010	ADJUSTMENTS AND TRANSFERS	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JUNE 30, 2011
U.S. DEPARTMENT OF EDUCATION (Continued)								
Passed Through Wayne County Regional Educational Service Agency (Continued)								
Drug-Free Schools and Communities Project Number: 2009-2010	84.186	\$ 5,995	\$ -	\$ -	\$ -	\$ -	\$ 5,995	\$ 5,995
Total Passed Through Wayne County Regional Educational Service Agency		1,688,648	1,023,727	252,685	-	707,982	664,545	209,248
Passed Through the Monroe Intermediate School District Vocational Education Tech Prep Project Number: 083540/8014-25	84.243A	3,777	3,648	(130)	130	-	-	-
Passed Through the Washtenaw Intermediate School District Title II, Part D - Enhancing Education Through Technology Project Number: 104240-Cat 01-8	84.318	200,000	-	-	-	189,250	189,250	-
Passed Through Dearborn Heights School District #7 Carl D. Perkins Project Number: 2008-2009 Project Number: 2009-2010 Project Number: 2010-2011	84.048A	5,211 8,050 8,050	- 9,500 -	395 (1,450) -	- 1,450 -	- - -	- - 8,050	395 - 8,050
Total Carl D. Perkins		21,311	9,500	(1,055)	1,450	-	8,050	8,445
Total U.S. Department of Education		7,483,776	2,105,373	974,508	1,437	3,619,394	3,572,793	929,344

WESTWOOD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JULY 1, 2010	ADJUSTMENTS AND TRANSFERS	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JUNE 30, 2011
U.S. DEPARTMENT OF DEFENSE								
R.O.T.C. Program 2009-2010 J.R.O.T.C.	12.002	\$ 63,715	\$ -	\$ 5,466	\$ -	\$ 5,466	\$ -	\$ -
R.O.T.C. Program 2010-2011 J.R.O.T.C.		65,649	-	-	-	60,174	65,649	5,475
Total U.S. Department of Defense		129,364	-	5,466	-	65,640	65,649	5,475
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Passed Through Wayne County Regional Educational Service Agency								
Medicaid Outreach								
October 1, 2009 through September 30, 2010	93.778	40,559	40,559	2,815	-	2,815	-	-
October 1, 2010 through September 30, 2011		40,559	-	-	-	6,951	6,951	-
Total U.S. Department of Health and Human Services		81,118	40,559	2,815	-	9,766	6,951	-
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 9,210,927	\$ 2,848,374	\$ 985,901	\$ 1,437	\$ 4,511,823	\$ 4,460,348	\$ 935,863

*See Accompanying Notes to Schedule of Expenditures of Federal Awards.

WESTWOOD COMMUNITY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 -

The accompanying Schedule of Expenditures of Federal Awards includes federal grant activity of Westwood Community School District and is presented on the accrual basis of accounting. 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".

NOTE 2 -

*Designates Major Program

NOTE 3 -

The programs with total funds expended of \$300,000 or more (Type A programs) were the Title I Cluster, the Special Education Cluster, the Education Jobs Fund and the Child Nutrition Cluster. The Child Nutrition Cluster was considered low-risk. The remaining three Type A programs were not considered low-risk and were tested as major programs. None of the Type B programs that exceeded the small program floor of \$100,000 were considered high-risk. The School District did not qualify as a low-risk auditee due to prior year audit findings. Therefore, 50% of total federal awards expended were required to be tested as major programs. The Title I Cluster, the Education Jobs Fund, the Child Nutrition Cluster and the Special Education Cluster, satisfied this requirement.

NOTE 4 -

Expenditures in this schedule are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grant Auditor Report reconcile with this schedule.

NOTE 5 -

The amounts reported on the Recipient Entitlement Balance Report (PAL Report) agree with this schedule of USDA donated food commodities and are reported in the cash receipts column. Expenditures include spoilage or pilferage.

NOTE 6 -

The adjustment of \$1,437 on the Schedule of Expenditures of Federal Awards represents \$1,580 refunded to funders and other adjustments of \$143 for monies that will not be reimbursed to the School District.

WESTWOOD COMMUNITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 7 -

Reconciliation to financial statements:

Federal Revenue per Financial Statements:	
General Fund	\$ 3,648,776
Special Revenue Funds	815,018
Revenue From Federal Sources Reported Differently on the Financial Statements:	
Cafeteria Fund Revenue	(63)
General Fund Revenue (Medicaid Outreach)	<u>(3,383)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 4,460,348</u>

WESTWOOD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: (unqualified, qualified, adverse, or disclaimer)

Internal control over financial reporting:

- Material weakness(es) identified? x yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? x yes none reported
- Noncompliance material to financial statements noted? x yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes x no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes x none reported

Type of auditor’s report issued on compliance for major programs: (unqualified, qualified, adverse, or disclaimer)

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? x yes no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.010, 84.389	Title I Cluster
84.027A, 84.173A, 84.391A, 84.392A	Special Education Cluster
84.410A	Education Jobs Fund
10.553, 10.555, 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? yes x no

WESTWOOD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

Section II – Financial Statement Findings

Reference Number	Findings
2011-1	<p>Finding Type – Significant Deficiency in Internal Control Over Financial Reporting</p> <p>Condition – Bank reconciliations are not prepared on a timely basis</p> <p>Description – During the year ended June 30, 2011, the School District did not follow the School District's policy which requires that bank reconciliations be prepared promptly following the end of each month. Bank reconciliations for June 30, 2011 were not prepared until September, 2011.</p>
2011-2	<p>Finding Type – Significant Deficiency in Internal Control Over Financial Reporting.</p> <p>Condition – Lack of some of the written procedures for federal awards.</p> <p>Description – As a precondition to receive federal funds, prospective recipients must have effective administrative and financial internal controls. As described in 34 CFR Part 80, 2 CFR Part 215 and OMB Circular A-133 Compliance Supplement Part 6, school districts must have written procedures for the following:</p> <ul style="list-style-type: none"> • Financial Management Systems • Payments • Allowable Costs • Period of Availability • Matching or Cost Sharing (if applicable) • Program Income (if applicable) • Procurement • Equipment and Real Property (if applicable) • Supplies • Copyrights (if applicable) • Subawards to Debarred and Suspended Parties • Monitoring and Reporting Program Performance (if applicable) • Financial Reporting • Retention and Access Requirements for Records <p>In addition, districts should also have written procedures for:</p> <ul style="list-style-type: none"> • Cash Management • Conflict of Interest • Payroll • Federal Timekeeping <p>These written procedures should include provisions for training and consequences for compliance failures. Policies do not take the place of procedures.</p> <p>The School District's written procedures include required procedures which would be applicable to federal awards; however, the School District does not have all the written procedures in place for the above list.</p>

WESTWOOD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

Section II – Financial Statement Findings (Continued)

- 2011-3 **Finding Type** – Material Weakness - Noncompliance with Certain Provisions of Laws, Regulations, Contracts and Grant Agreements
- Condition** – Operating Deficit
- Description** – Due to operating deficits incurred in the General Fund during the years ended June 30, 2009, 2010 and 2011, the School District has a cumulative deficit in the General Fund of \$6,172,284 as of June 30, 2011. The School District is in violation of Public Act 621. The School District is in the process of developing additional cost cutting and revenue enhancement alternatives that will be implemented during the next year to eliminate the deficit.
- In accordance with Public Act 621 of 1978, a plan to eliminate the deficit is required to be submitted to the Michigan Department of Education
- 2011-4 **Finding Type** – Material Weakness in Internal Control Over Financial Reporting
- Condition** – Management’s Inability to Prepare Full Disclosure Financial Statements and Schedule of Expenditures of Federal Awards
- Description** – Generally accepted accounting principles and government auditing standards require that financial statements be prepared and presented on the accrual basis of accounting for the District-Wide statements and on the modified accrual basis of accounting for the Fund-Based statements. In addition, management should prepare the Schedule of Expenditures of Federal Awards. Inquiry of management indicated basic knowledge of these requirements but improvement is necessary in the future.
- 2011-5 **Finding Type** – Significant Deficiency in Internal Control Over Financial Reporting
- Condition** – Lack of Accounting Controls Over Allocation of Payroll Expenditures.
- Description** – The School District prepared two versions of “balance of contract” amounts to be recorded in the financial records. These two versions are not in agreement and there is reason to believe neither is entirely accurate, but each is evidently materially accurate.

WESTWOOD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

Section III – Federal Award Findings and Questioned Costs

<u>Reference Number</u>	<u>Findings</u>
2011-6	<p>Program Names – Special Education Cluster, Title I Cluster</p> <p>CFDA Number – 84.027A, 84.173A, 84.391A, 84.010, 84.389</p> <p>Pass-Through Entities – Wayne County Regional Educational Service Agency, Michigan Department of Education</p> <p>Finding Type – Noncompliance</p> <p>Criteria – Cash reimbursement requests are required to be based upon actual expenditures that have occurred prior to the date of the request being made.</p> <p>Condition – For certain reimbursement requests, the School District requested funds in excess of actual expenditures.</p> <p>For example, the request made December 3, 2010 requested reimbursement of \$257,286 for Title I Part A which included \$100,000 for expenditures that had already been requested October 29, 2010. (The School District evidently did not use the general ledger account balances for reimbursement.)</p> <p>Questioned Costs – None, since excess reimbursement requests were eventually corrected by the School District.</p> <p>Cause – The School District evidently used payroll earnings records to request reimbursement rather than general ledger balances, causing excess reimbursement requests.</p> <p>Effect – Not using a properly prepared general ledger for reimbursement requests can more easily cause clerical errors in expenditure reimbursement requests.</p> <p>Recommendation – We recommend that the School District consistently use properly recorded general ledger balances for expenditures reimbursement requests rather than payroll records.</p>

WESTWOOD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

Section III – Federal Award Findings and Questioned Costs

<u>Reference Number</u>	<u>Findings</u>
2011-7	<p>Program Name – Title I</p> <p>CFDA Number – 84.010</p> <p>Pass-Through Entity – Michigan Department of Education</p> <p>Finding Type – Noncompliance</p> <p>Criteria – For co-funded employees who work on more than one federal award or cost objective, such as teachers, directors, secretaries and counselors, their salaries must be supported by written schedules that are documented by personnel activity reports (PARs) confirming that the schedules were followed. The PARs must be prepared at least monthly, be signed and dated by the employee and account for the employee's total activity.</p> <p>Condition – Employees who worked on more than one federal award or cost objective prepared PARs, but they were not used in the accounting system.</p> <p>Questioned Costs – None</p> <p>Cause – The School District did not use PARs for accounting records.</p> <p>Effect – The School District's charges for salaries under these grants are not properly documented, and therefore, are not in compliance with OMB Circular A-87, Attachment B, Item 8h.</p> <p>Recommendation – The School District must obtain after-the-fact PARs for employees who work on more than one federal award or cost objective and use them for accounting records.</p>

WESTWOOD COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Reference Number</u>	<u>Findings</u>
2010-1 Finding:	The School District did not follow the School District's policy which requires that bank reconciliations be prepared promptly following the end of each month.
Status:	This condition still existed during the year ended June 30, 2011. See Finding 2011-1.
2010-2 Finding:	Due to an operating deficit incurred in the General Fund during the years ended June 30, 2009 and 2010, the School District has a cumulative deficit in the General Fund of \$5,472,776 as of June 30, 2010. The School District is in violation of Public Act 621.
Status:	This condition still existed during the year ended June 30, 2011. See Finding 2011-3.
2010-3 Finding:	There is lack of expertise in financial reporting under generally accepted accounting principles by management and historical reliance on auditors to prepare full disclosure financial statements.
Status:	This condition still existed during the year ended June 30, 2011. See Finding 2011-4.
2010-4 Finding:	Cash reimbursement requests were not based on actual expenditures occurring prior to date of request.
Status:	This condition still existed during the year ended June 30, 2011. See Finding 2011-6.
2010-5 Finding:	General ledger accounts code structure did not adequately provide for separating costs for two different grant periods within one fiscal year.
Status:	This condition was corrected for the year ended June 30, 2011. Individual grants use unique four-digit account codes.
2010-6 Finding:	Vocational Education Tech Prep claim for reimbursement exceeded actual expenditures.
Status:	For the year ended June 30, 2011, amount claimed for reimbursement did not exceed actual expenditures.
2010-7 Finding:	Carl D. Perkins claim for reimbursement exceeded actual expenditures.
Status:	For the year ended June 30, 2011, amount claimed for reimbursement did not exceed actual expenditures.



Brian C. Jones
Director of Finance

CORRECTIVE ACTION PLAN JUNE 30, 2011

Reference No. 2011-1 – Bank Reconciliations are not prepared on a timely basis

A new procedure has been implemented that will ensure that bank reconciliations will be completed within two weeks of every month-end.

Reference No. 2011-2 – Lack of some of the written procedures for federal awards

Per the new requirement stated in OMB Circular A-133, the District will document existing procedures for all federal awards.

Reference No. 2011-3 – Operating Deficit

The Superintendent, Director of Finance and Board of Education accept their responsibility to balance the budget of the District. The deficit elimination plan will be updated as of June 30, 2011 and submitted to MDE. MDE will require an amendment to the deficit elimination plan in 2011-12.

Reference No. 2011-4 – Managements Inability to Prepare Full Disclosure Financial Statements and Schedule of Expenditures of Federal Awards

The Business Office has developed a template and implemented new procedures that will enable the preparation of the Full Disclosure Financial Statements as well as a Schedule of Expenditures of Federal Awards on a monthly basis.

Reference No. 2011-5 – Lack of Accounting Controls over Allocation of Payroll Expenditures

The Business Office has developed a process and has implemented procedures to ensure that personnel are coded to the appropriate general ledger expenditure account(s) through the payroll system.

Reference No. 2011-6 – Cash Reimbursement requests are to be Based on Actual Expenditures

The Business Office has developed a procedure to ensure that cash reimbursement requests will be based on and supported by appropriate accounting records as opposed to other supporting documentation.

Reference No. 2011-7 – Co-funded Employees

The Business Office will ensure that the District maintains and references Personnel Activity Reports (PARS) for employees that are assigned to more than one program.

A Professional Corporation

November 11, 2011

To the Board of Education
Westwood Community School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Westwood Community School District for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 19, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Westwood Community School District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, Westwood Community School District changed accounting policies related to fund balance classifications by adopting and implementing Statement of Governmental Accounting Standards (GASB Statement) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended June 30, 2011. Accordingly, the cumulative effect of the accounting changes as of the beginning of the year is reflected on the balance sheets throughout the financial report. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the depreciation expense is based on the estimated useful life of each asset using the straight-line method of depreciation. We evaluated the key factors and assumptions used to develop the depreciation expense (and the related accumulated depreciation) in determining that it is reasonable in relation to the financial statements taken as a whole.

Management does not record estimated uncollectible property taxes (primarily personal property taxes); instead, management records uncollectible property taxes in the following fiscal year. This accounting treatment is not generally accepted; however, management has determined that this departure from generally accepted accounting principles is immaterial. We evaluated this departure determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate for the allocation of certain expenditures among federal and state grants is based on management's assessment of the percentage amount to be allocated to each expenditure category within each program. We evaluated the key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

The completion of our audit was delayed because of a lack of availability of certain schedules and expected information pertinent to our testing procedures. (We understand the reason for delay is substantially due to the turnover of personnel in the business office.) A critical delayed procedure related to the lack of timely preparation of bank reconciliations.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management:

- Record long-term debt activity and ending balances
- Eliminate inaccurate accounts payable balances
- Record Durant Bond Payment (principal and interest, as reflected on Financial Status Report)
- Adjustment to accounts receivable and deferred revenue accounts for Durant Bonds
- Adjustment to balance sheet tax accounts
- Record Wayne County Delinquent Tax Revolving Fund receivable
- Reclassify various receivables accounts
- Record use of federal commodities and adjust inventory balances
- Reverse prior year accrual and set up current year accrual for short-term notes
- Break out amounts for manual fixed asset additions not recorded in the general ledger
- Record accounts receivable amounts identified by review of subsequent receipts
- Record portion of construction funded by TIFA
- Record e-rate transactions
- Record liabilities identified by review of subsequent disbursements

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 11, 2011.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Internal Control Matters

Schedule of Expenditures of Federal Awards

The Report on Expenditures of Federal Awards enumerates several findings not repeated in this letter. Please refer to that report.

Bank Account Addressee

The address of the School District for a bank account includes the name of a former employee of the School District. We recommend this misinformation be corrected as soon as possible.

Child Nutrition Cluster

For the Child Nutrition Cluster, the School District is required to maintain an alphabetical roster of the status of all students in the School District by school building, reporting whether they are eligible for free or reduced-price meals served by the School District. We believe the School District maintains this roster. However, once a month has passed, it is no longer possible to retrieve the roster for that month. (The status of any given student may change from month to month depending on the level of income and size of family.) It is important for the School District to maintain a record of which students qualified for what level of benefit to fully comply with grant requirements.

Public Act 4 of 2011

We know that the Board of Education is aware of Public Act 4 of 2011, also known as the Local Government and School District Fiscal Accountability Act, under which State officials are authorized to intervene in school districts that experience severe financial stress. We would like to repeat several of the 18 separate conditions specified in the Act that could trigger State intervention:

- Written request from a vendor owed more than \$10,000 that remains unpaid for six months
- Late payment of pension contributions
- A "payless" payday
- A resolution from the State Senate or the House of Representatives
- A breach in a district's deficit elimination plan
- Other facts or circumstances that in the sole discretion of the Superintendent of Public Instruction are indicative of financial stress

New Accounting Pronouncement

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

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Board of Education and management of Westwood Community School District and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Hungerford & Co