

# **Redford Union School District # 1**

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**Financial Report  
with Supplementary Information  
June 30, 2009**

# Redford Union School District #1

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## Independent Auditor's Report

To the Board of Education  
Redford Union School District #1

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redford Union School District #1 as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Redford Union School District #1's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Redford Union School District #1 as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

To the Board of Education  
Redford Union School District #1

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Redford Union School District #1's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplementary information is presented for the purpose of additional analysis. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated October 5, 2009 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

October 5, 2009

# Redford Union School District #1

## Management's Discussion and Analysis

This section of Redford Union School District #1's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2009. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Redford Union School District #1 financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, the Special Education Center Program Special Revenue Fund, and the Capital Projects 2009 Bond Issue Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

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

### Basic Financial Statements

Government-wide Financial Statements      Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplementary Information)  
Budgetary Information for Major Funds

Other Supplementary Information

### ***Reporting the School District as a Whole - Government-wide Financial Statements***

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

# Redford Union School District #1

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## Management's Discussion and Analysis (Continued)

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

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

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

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved 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.

# Redford Union School District #1

## Management's Discussion and Analysis (Continued)

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

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

### The School District as a Whole

#### Summary of Net Assets

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2009 and 2008:

TABLE I

	Governmental Activities	
	June 30	
	2009	2008
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 24.6	\$ 12.8
Capital assets	24.4	26.3
Total assets	49.0	39.1
<b>Liabilities</b>		
Current liabilities	14.3	14.9
Long-term liabilities	34.0	24.0
Total liabilities	48.3	38.9
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	3.5	2.7
Restricted	0.9	0.9
Unrestricted	(3.7)	(3.4)
Total net assets	<u>\$ 0.7</u>	<u>\$ 0.2</u>

# Redford Union School District #1

## Management's Discussion and Analysis (Continued)

The above analysis focuses on the net assets (see Table 1). The change in net assets of the School District's governmental activities is discussed below (see Table 2). The School District's net assets were \$.7 million and \$.2 million at June 30, 2009 and 2008, respectively. Capital assets net of related debt, totaling \$3.5 million, compares the original cost less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets of \$.9 million are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining net deficit, \$3.7 million, was unrestricted.

The \$3.7 million unrestricted net deficit of governmental activities represents the accumulated results of all past years' operations. The unrestricted net deficit reflects the School District's long-term operating commitments in excess of current resources, specifically compensated absences, early retirement incentives, and risk liabilities. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities, which shows the changes in net assets for fiscal years 2009 and 2008 (see Table 2).

TABLE 2

	Governmental Activities	
	2009	2008
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 0.8	\$ 0.9
Operating grants and contributions	19.7	19.5
General revenue:		
Property taxes	6.2	6.1
State foundation allowance	20.0	22.0
Other	0.3	0.5
Total revenue	47.0	49.0



# Redford Union School District #1

## Management's Discussion and Analysis (Continued)

TABLE 2 (Continued)

	Governmental Activities	
	2009	2008
	(in millions)	
<b>Functions/Program Expenses</b>		
Instruction	\$ 28.4	\$ 28.3
Support services	12.8	13.2
Athletics	0.4	1.1
Food services	1.1	0.4
Community services	0.4	0.5
Interest on long-term debt	1.4	1.0
Depreciation (unallocated)	2.0	2.5
Total functions/program expenses	46.5	47.0
<b>Increase in Net Assets</b>	0.5	2.0
<b>Net Assets (Deficit) - Beginning of year</b>	\$ 0.2	\$ (1.8)
<b>Net Assets - End of year</b>	\$ 0.7	\$ 0.2

As reported in the statement of activities, the cost of all of our governmental activities this year was \$46.5 million. Certain activities were partially funded from those who benefited from the programs (\$0.8 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$19.7 million). We paid for the remaining "public benefit" portion of our governmental activities with \$6.2 million in taxes, \$20.0 million in State foundation allowance, and with our other revenues, i.e., interest and general entitlements totaling \$0.3 million.

The School District experienced an increase in net assets of \$.7 million. The key reason for the increase in net assets was continued cost containment realized through the deficit reduction plan that was implemented in 2006.

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

# **Redford Union School District #1**

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## **Management's Discussion and Analysis (Continued)**

### **The School District's Funds**

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$13.4 million, which is an overall increase of \$12.7 million from the previous year.

In the General Fund, our principal operating fund, the fund balance deficit of \$0.3 million was reduced by \$.7 million to show a fund balance of \$0.4 million. This is the first year-end fund balance the School District has incurred since 2005.

The Special Education Center Program Special Revenue Fund had a reduction in fund balance of \$0.3 million because of the timing of revenue received from state and local sources. State aid and local revenue are not reconciled and received during the year that expenditures are made. State aid is reconciled and paid during the spring of the following year. Local revenue is received the following year after the state aid revenue is finalized. If expenditures exceed estimated revenues, then a deficit condition can be created for that year. The deficit will be eliminated as the revenues are received but not within the 60-day requirement to be recorded as current revenue.

The combined Special Revenue Funds (Athletics and Food Services) showed a fund balance increase of approximately \$25,000. The increase was primarily due to additional revenue from the state and federal governments and reduced expenditures.

The Debt Service Funds showed a fund balance increase of approximately \$15,000. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Durant debt obligations are funded by annual state appropriation, and no fund balance exists at year end. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

The Original Capital Projects Funds fund balance decreased as the School District continued to repair existing facilities. The Capital Projects Fund for the 2009 Bond Issue was established in June 2009 after the voters approved the sale of \$12.5 million in bonds during the current year. These bonds were issued in accordance with State law and will be used for improvements to all of the School District's buildings.

# Redford Union School District #1

## Management's Discussion and Analysis (Continued)

### General Fund Budgetary Highlights

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

There were revisions made to the 2008-2009 General Fund original budget. Budgeted revenues had no significant change in total on an individual source basis. A change between state to federal revenue was reflected for the use of federal stimulus funds replacing a portion of the state foundation allowance.

Budgeted expenditures and other financing uses were increased by approximately \$0.7 million to account for the allocation of grant expenditures.

There were no significant variances between the final budget and actual amounts.

### Capital Assets and Debt Administration

#### *Capital Assets*

As of June 30, 2009, the School District had \$24,381,098 invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment, net of accumulated depreciation. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$1.9 million, or 7 percent, from last year.

	<u>2009</u>	<u>2008</u>
Land	\$ 30,123	\$ 30,123
Buildings and building improvements	44,971,700	44,956,388
Furniture and equipment	4,984,549	4,934,028
Buses and other vehicles	<u>2,209,819</u>	<u>2,160,082</u>
Total capital assets	52,196,191	52,080,621
Less accumulated depreciation	<u>27,815,093</u>	<u>25,776,630</u>
Net capital assets	<u><b>\$ 24,381,098</b></u>	<u><b>\$ 26,303,991</b></u>

This year's additions of approximately \$116,000 included building improvements, a vehicle, and furniture and equipment. No new debt was issued for these purchases.

Several major capital projects are planned for the 2009-2010 fiscal year. We will begin capital projects related to the 2009 Bond Issue. Projects will continue for the next few years.

# Redford Union School District #1

## Management's Discussion and Analysis (Continued)

### Debt

At the end of this year, the School District had \$33,537,171 in bonds outstanding versus \$23,628,847 in the previous year - a change of 41.9 percent. Those bonds consisted of the following:

	<u>2009</u>	<u>2008</u>
1997 issue - General obligation bonds	\$ 16,550,000	\$ 16,550,000
2007 Refunding obligation bonds	3,460,000	5,925,000
Durant Non-Plaintiff Bonds (Series 1998)	997,171	1,153,847
2009 issue - General obligation bonds	<u>12,530,000</u>	<u>-</u>
Total	<u><b>\$ 33,537,171</b></u>	<u><b>\$ 23,628,847</b></u>

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

Other obligations include accrued vacation pay, sick leave, self-insurance (workers' compensation and partial medical), and bus notes. We present more detailed information about our long-term liabilities in the notes to the financial statements.

# **Redford Union School District #1**

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## **Management's Discussion and Analysis (Continued)**

### **Economic Factors and Next Year's Budgets and Rates**

The Redford Union School District Deficit Elimination Plan (DEP), adopted by the Board of Education and approved by the State Department of Education, was implemented commencing with the 2005-2006 fiscal year. This plan has eliminated the budget deficit this year from its peak of \$3.5 million on 2005-2006 to a positive fund balance of \$390,337 as of June 30, 2009.

Our elected officials and administration consider many factors when setting the School District's 2009-2010 fiscal year budget to ensure that the positive fund balance that was achieved with the implementation of the DEP will continue. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2010 fiscal year is expected to be 25 percent and 75 percent of the February 2009 and September 2009 student counts, respectively. The 2009-2010 budget was adopted in June 2009, based on an estimate of students that will be enrolled in September 2009. Approximately 69 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2009-2010 school year, we anticipate that the fall student count will be close to estimates used in creating the 2009-2010 budget. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. As of this printing, the State continues to negotiate a balanced budget and the effect that it will have on the School Aid Fund. Any reduction in the foundation allowance or other revenue sources without a continued cost containment plan jeopardizes the existing positive fund balance on a going forward basis.

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

# Redford Union School District #1

## Statement of Net Assets June 30, 2009

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 3)	\$ 5,379,289
Receivables:	
Property taxes	7,482
Accounts and interest	50,506
Due from other governmental units	6,358,583
Inventories	31,201
Prepaid costs and other	310,330
Restricted assets (Note 1)	12,511,103
Capital assets - Net (Note 5)	<u>24,381,098</u>
Total assets	49,029,592
<b>Liabilities</b>	
Accounts payable	381,241
Accrued payroll and other liabilities	3,047,206
State aid anticipation note (Note 10)	8,000,000
Accrued interest	280,182
Due to other governmental units	307
Deferred revenue (Note 4)	348,499
Noncurrent liabilities (Note 7):	
Due within one year	2,275,322
Due in more than one year	<u>33,959,673</u>
Total liabilities	<u>48,292,430</u>
<b>Net Assets</b>	
Invested in capital assets - Net of related debt	3,470,938
Restricted:	
Debt service	898,568
Capital projects	40,816
Unrestricted deficit	<u>(3,673,160)</u>
Total net assets	<u><u>\$ 737,162</u></u>

# Redford Union School District #1

## Statement of Activities Year Ended June 30, 2009

Functions/Programs	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities Net (Expense) Revenue and Changes in Net Assets
Primary government - Governmental activities:				
Instruction	\$ 28,365,542	\$ -	\$ 12,905,699	\$ (15,459,843)
Support services	12,784,078	3,826	5,958,365	(6,821,887)
Athletics	434,358	92,953	-	(341,405)
Food services	1,093,619	385,282	837,027	128,690
Community services	353,566	288,207	-	(65,359)
Interest on long-term debt	1,364,647	-	-	(1,364,647)
Depreciation (unallocated)	2,038,463	-	-	(2,038,463)
Total governmental activities	<u>\$ 46,434,273</u>	<u>\$ 770,268</u>	<u>\$ 19,701,091</u>	(25,962,914)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				2,599,974
Property taxes, levied for debt service				3,570,340
State aid not restricted to specific purposes				18,667,934
Federal sources - Unrestricted				1,332,725
Interest and investment earnings				86,985
Other				214,684
Total general revenues				<u>26,472,642</u>
<b>Change in Net Assets</b>				509,728
<b>Net Assets - Beginning of year</b>				<u>227,434</u>
<b>Net Assets - End of year</b>				<u><b>\$ 737,162</b></u>

# Redford Union School District #1

## Governmental Funds Balance Sheet June 30, 2009

	General Fund	Special Education Center Program	Capital Projects 2009 Bond Issue	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments (Note 3)	\$ 5,284,032	\$ -	\$ -	\$ 95,257	\$ 5,379,289
Receivables:					
Property taxes	6,682	-	-	800	7,482
Accounts and interest	50,497	-	-	9	50,506
Due from other governmental units	5,935,771	422,812	-	-	6,358,583
Due from other funds (Note 6)	-	-	-	879,899	879,899
Inventories	3,277	-	-	27,924	31,201
Prepaid costs and other	310,330	-	-	-	310,330
Restricted assets (Note 1)	-	-	12,399,400	111,703	12,511,103
	<u>\$ 11,590,589</u>	<u>\$ 422,812</u>	<u>\$ 12,399,400</u>	<u>\$ 1,115,592</u>	<u>\$ 25,528,393</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 276,629	\$ 12,494	\$ 91,151	\$ 967	\$ 381,241
Accrued payroll and other liabilities	2,036,979	-	-	10,227	2,047,206
State aid anticipation note (Note 10)	8,000,000	-	-	-	8,000,000
Interest payable	116,733	-	-	-	116,733
Due to other governmental units	-	-	-	307	307
Due to other funds (Note 6)	421,412	410,318	1,000	47,169	879,899
Deferred revenue (Note 4)	348,499	335,573	-	-	684,072
	<u>11,200,252</u>	<u>758,385</u>	<u>92,151</u>	<u>58,670</u>	<u>12,109,458</u>
<b>Fund Balances</b>					
Reserved:					
Inventories and prepaid costs	313,607	-	-	27,924	341,531
Capital projects	-	-	12,307,249	40,816	12,348,065
Debt service	-	-	-	898,568	898,568
Unreserved - Undesignated, reported in:					
General Fund	76,730	-	-	-	76,730
Special Revenue Funds	-	(335,573)	-	89,614	(245,959)
	<u>390,337</u>	<u>(335,573)</u>	<u>12,307,249</u>	<u>1,056,922</u>	<u>13,418,935</u>
Total liabilities and fund balances	<u>\$ 11,590,589</u>	<u>\$ 422,812</u>	<u>\$ 12,399,400</u>	<u>\$ 1,115,592</u>	<u>\$ 25,528,393</u>



# Redford Union School District #1

## Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2009

**Fund Balance Reported in Governmental Funds** \$ 13,418,935

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 governmental funds:

Cost of capital assets	\$ 52,196,191	
Accumulated depreciation	<u>(27,815,093)</u>	24,381,098

Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	335,573
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Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds and notes payable including premium, discount, and deferred charges	(33,276,711)	
Compensated absences	(960,463)	
Self-insurance	<u>(1,997,821)</u>	(36,234,995)

Accrued interest payable is not included as a liability in governmental funds	(163,449)
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Arbitration provision liability is not included as a liability in governmental funds	<u>(1,000,000)</u>
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**Net Assets of Governmental Activities** **\$ 737,162**

# Redford Union School District #1

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2009

	General Fund	Special Education Center Program	Capital Projects 2009 Bond Issue	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>					
Local sources	\$ 3,257,573	\$ -	\$ -	\$ 4,058,979	\$ 7,316,552
State sources	22,019,829	3,536,894	-	268,243	25,824,966
Federal sources	3,298,473	494,700	-	766,482	4,559,655
Interdistrict sources	360,657	8,620,899	-	-	8,981,556
Total revenue	28,936,532	12,652,493	-	5,093,704	46,682,729
<b>Expenditures</b>					
Current:					
Instruction	16,262,092	-	-	-	16,262,092
Support services	12,816,511	-	-	-	12,816,511
Special Education Center Program	-	11,137,704	-	-	11,137,704
Athletics	-	-	-	434,358	434,358
Food service	-	-	-	1,093,619	1,093,619
Community services	353,566	-	-	-	353,566
Debt service:					
Principal	89,700	-	-	2,621,676	2,711,376
Interest	218,362	-	-	1,122,572	1,340,934
Other	-	-	-	18,189	18,189
Capital outlay	64,742	40,990	-	51,261	156,993
Total expenditures	29,804,973	11,178,694	-	5,341,675	46,325,342
<b>Excess of Revenue Over (Under) Expenditures</b>					
	(868,441)	1,473,799	-	(247,971)	357,387
<b>Other Financing Sources (Uses)</b>					
Transfers in (Note 6)	1,869,372	-	-	3,043,405	4,912,777
Transfers out (Note 6)	(341,405)	(1,809,372)	-	(2,762,000)	(4,912,777)
Face value of debt issued (Note 7)	-	-	12,530,000	-	12,530,000
Discount on debt issued (Note 7)	-	-	(53,850)	-	(53,850)
Debt issuance costs (Note 7)	-	-	(168,901)	-	(168,901)
Total other financing sources (uses)	1,527,967	(1,809,372)	12,307,249	281,405	12,307,249
<b>Net Change in Fund Balances</b>	659,526	(335,573)	12,307,249	33,434	12,664,636
<b>Fund Balances (Deficit) - Beginning of year</b>	(269,189)	-	-	1,023,488	754,299
<b>Fund Balances (Deficit) - End of year</b>	<u>\$ 390,337</u>	<u>\$ (335,573)</u>	<u>\$ 12,307,249</u>	<u>\$ 1,056,922</u>	<u>\$ 13,418,935</u>

# Redford Union School District #1

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2009

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	12,664,636
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Depreciation expense	\$ (2,038,463)	
Capitalized capital outlay	<u>115,570</u>	(1,922,893)
Revenue is reported in the statement of activities when earned - they are not reported in the funds until collected or collectible within 60 days of year end		315,121
Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of activities		(12,530,000)
Debt issuance costs are reported as expenditures in the funds and amortized in the statement of activities		168,901
Deferred charges are reported as revenue in the funds and amortized in the statement of activities		(20,707)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		2,711,376
Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid		15,183
Compensated absences, as well as estimated self-insured liability claims, are recorded when earned in the statement of activities. In the current year, more was paid out than was earned		108,111
Arbitration allowance recorded in the statement of activities		<u>(1,000,000)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>509,728</u></b>

# Redford Union School District # 1

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## Fiduciary Funds Statement of Fiduciary Assets and Liabilities June 30, 2009

	<u>Agency Funds</u>
<b>Assets</b> - Cash and cash equivalents	<u>\$ 263,203</u>
<b>Liabilities</b> - Due to student groups	<u>\$ 263,203</u>

# Redford Union School District #1

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## Notes to Financial Statements June 30, 2009

### Note I - Summary of Significant Accounting Policies

The accounting policies of Redford Union School District #1 (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

#### **Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

#### **Government-wide and Fund Financial Statements**

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

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

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

# Redford Union School District #1

## Notes to Financial Statements June 30, 2009

### Note I - Summary of Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

The School District reports the following major governmental funds:

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

# Redford Union School District #1

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## Notes to Financial Statements June 30, 2009

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Special Education Center Program Special Revenue Fund** - The Special Education Center Program Special Revenue Fund is used by the School District to account for proceeds that are restricted to expenditure within the Special Education Center Program.

**Capital Projects 2009 Bond Issue Fund** - The Capital Projects 2009 Bond Issue Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for the purpose of partially remodeling, furnishing and refurbishing, equipping and re-equipping school facilities, in part, for energy conservation improvements and developing and improving sites. The fund operates until the purpose for which it was created is accomplished.

Additionally, the School District reports the following fund types:

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's Special Revenue Funds include the Food Services and Athletics Funds. Any operating deficit generated by these activities is the responsibility of the General Fund.

**Debt Service Funds** - Debt Service Funds are used to record tax, interest, and other revenue for payments of interest, principal, and other expenditures of the various bond issues.

**Capital Projects Funds** - Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for remodeling of buildings and equipment. The funds operate until the purpose for which they were created is accomplished.

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

#### **Assets, Liabilities, and Net Assets or Equity**

**Cash and Investments** - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Investment income is recorded in the fund for which the investment account was established.

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

# Redford Union School District #1

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## Notes to Financial Statements June 30, 2009

### Note 1 - Summary of Significant Accounting Policies (Continued)

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on 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. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

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

**Restricted Assets** - The unspent bond proceeds and related interest of the Capital Projects Funds require amounts to be set aside for construction. These amounts have been classified as restricted assets.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. 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 building improvements	20 to 50 years
Buses and other vehicles	7 to 8 years
Furniture and equipment	5 to 20 years



# Redford Union School District #1

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## Notes to Financial Statements June 30, 2009

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Compensated Absences (Vacation and Sick Leave)** - The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated vacation and sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

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

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

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

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

### Note 2 - Stewardship, Compliance, and Accountability

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund, Debt Service, Capital Projects and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

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

# Redford Union School District #1

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## Notes to Financial Statements June 30, 2009

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

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. outstanding at year end are immaterial and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The School District did not have significant expenditure budget variances. Minor variances in the General Fund are disclosed in the budgetary comparison schedule in the required supplemental information.

**Fund Deficit** - The School District has a Special Education Center Program Fund deficit at June 30, 2009 of approximately \$336,000. The fund deficit is a result of current year expenditures exceeding amounts that were currently reimbursed by the state and federal government. These amounts will be reimbursed in the future.

### **Note 3 - Deposits and Investments**

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

The School District has designated six banks for the deposit of its funds.

The investment policy adopted by the board in accordance with state statutes has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above.

# Redford Union School District #1

## Notes to Financial Statements June 30, 2009

### Note 3 - Deposits and Investments (Continued)

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District's deposit balance of \$936,768 had \$11,690 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Custodial Credit Risk of Investments** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment policy does not address custodial credit risk. The School District had no investments subject to custodial credit risk at June 30, 2009.

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not address interest rate risk.

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pooled funds	\$17,351,376	N/A	Not rated	Not applicable

**Concentration of Credit Risk** - The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy does not address concentration of credit risk. More than 5 percent of the School District's investments are in pooled funds; these investments are 100 percent of the School District's total investments.

# Redford Union School District #1

## Notes to Financial Statements June 30, 2009

### Note 3 - Deposits and Investments (Continued)

**Foreign Currency Risk** - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

### Note 4 - Deferred Revenue

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

	<u>Unavailable</u>	<u>Unearned</u>
Special Education Center Program revenue not received within period of availability	\$ 335,573	\$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	<u>-</u>	<u>348,499</u>
Total	<u>\$ 335,573</u>	<u>\$ 348,499</u>

# Redford Union School District #1

## Notes to Financial Statements June 30, 2009

### Note 5 - Capital Assets

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

	Balance July 1, 2008	Additions	Disposals	Balance June 30, 2009
Capital assets not being depreciated - Land	\$ 30,123	\$ -	\$ -	\$ 30,123
Capital assets being depreciated:				
Buildings and improvements	44,956,388	15,312	-	44,971,700
Furniture and equipment	4,934,028	50,521	-	4,984,549
Buses and other vehicles	2,160,082	49,737	-	2,209,819
Subtotal	52,050,498	115,570	-	52,166,068
Accumulated depreciation:				
Buildings and improvements	19,732,076	1,707,966	-	21,440,042
Furniture and equipment	4,421,353	152,866	-	4,574,219
Buses and other vehicles	1,623,201	177,631	-	1,800,832
Subtotal	25,776,630	2,038,463	-	27,815,093
Net capital assets being depreciated	26,273,868	(1,922,893)	-	24,350,975
Net capital assets	\$26,303,991	\$ (1,922,893)	\$ -	\$24,381,098

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

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From				Total
	General Fund	Special Education Center Program	Capital Projects 2009 Bond Issue	Nonmajor Governmental Funds	
Nonmajor governmental funds	\$ 421,412	\$ 410,318	\$ 1,000	\$ 47,169	\$ 879,899

# Redford Union School District #1

## Notes to Financial Statements June 30, 2009

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Transfers in	Transfers Out			Total
	General Fund	Special Education Center Program	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 1,809,372	\$ 60,000	\$ 1,869,372
Nonmajor governmental funds	341,405	-	2,702,000	3,043,405
Total	<u>\$ 341,405</u>	<u>\$ 1,809,372</u>	<u>\$ 2,762,000</u>	<u>\$ 4,912,777</u>

Transfers from the General Fund provided funding for the Athletics Fund. Transfers from the Special Education Center Program and the Food Services Fund to the General Fund represent reimbursement of indirect costs paid by the General Fund during the current 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. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Notes and installment purchase agreements are also general obligations of the School District. Other long-term obligations include compensated absences, claims and judgments, and certain risk liabilities.

# Redford Union School District #1

## Notes to Financial Statements June 30, 2009

### Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Balance <u>July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2009</u>	Due Within <u>One Year</u>
<b>Governmental Activities</b>					
Bonds	\$23,628,847	\$12,530,000	\$ 2,621,676	\$ 33,537,171	\$ 2,286,404
Deferred charges (interest) from refunding bonds	(157,109)	-	(15,711)	(141,398)	(15,711)
Bond issuance costs	<u>(49,957)</u>	<u>(168,901)</u>	<u>(4,996)</u>	<u>(213,862)</u>	<u>(19,071)</u>
Total bonds payable	23,421,781	12,361,099	2,600,969	33,181,911	2,251,622
Bus installment notes	184,500	-	89,700	94,800	23,700
Other obligations	<u>3,066,395</u>	<u>5,262,578</u>	<u>5,370,689</u>	<u>2,958,284</u>	<u>-</u>
Total governmental activities	<u>\$26,672,676</u>	<u>\$17,623,677</u>	<u>\$ 8,061,358</u>	<u>\$ 36,234,995</u>	<u>\$ 2,275,322</u>

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

Years Ending <u>June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,286,404	\$ 1,884,933	\$ 4,171,337
2011	2,161,946	1,847,823	4,009,769
2012	2,335,123	1,735,161	4,070,284
2013	2,518,698	1,618,835	4,137,533
2014	2,015,000	1,493,350	3,508,350
2015-2019	10,835,000	5,586,875	16,421,875
2020-2024	<u>11,385,000</u>	<u>2,121,825</u>	<u>13,506,825</u>
Total	<u>\$ 33,537,171</u>	<u>\$ 16,288,802</u>	<u>\$ 49,825,973</u>

# Redford Union School District #1

## Notes to Financial Statements June 30, 2009

### Note 7 - Long-term Debt (Continued)

#### Governmental Activities

General obligation bonds consist of the following:

1997 Issue - \$35,575,000 serial and term bonds due in annual installments of \$1,155,000 to \$2,330,000 through May 1, 2022; interest at 4.75 percent to 5.5 percent	\$ 16,550,000
2007 Refunding Issue - \$6,590,000 serial and term bonds due in annual installments of \$485,000 to \$1,830,000 through May 1, 2018; interest at 4.0 percent	3,460,000
School Improvement Bond, Series 1998 - \$2,815,220 bond due in annual installments beginning May 15, 2009 of \$171,947 to \$456,404 through May 15, 2013; interest at 4.76 percent	997,171
2009 Issue - \$12,530,000 serial and term bonds due in annual installments beginning May 1, 2014 of \$630,000 to \$1,730,000 through May 1, 2024; interest at 6.50 percent to 7.75 percent	<u>12,530,000</u>
Total bonded debt	<u>\$ 33,537,171</u>

**Durant Non-Plaintiff Bond** - Included in governmental activities general obligation bonds is the \$2.8 million Durant Non-Plaintiff Bond. Annual total payments (principal and interest) associated with this bond are funded by the State of Michigan via specifically appropriated state aid and will not require any School District debt levy or utilization of any other School District financial resources.

**Bus Installment Notes** - Bus installment notes consist of the following:

Date	Original Amount	Due Date	Interest Rate	Remaining to Maturity	
				Interest	Principal
08/01/07	\$ 142,490	05/01/13	4.24%	\$ 10,049	\$ 94,800

Other governmental activities long-term obligations include the following:

Employee compensated absences	\$ 960,463
Self-insurance	<u>1,997,821</u>
Total	<u>\$ 2,958,284</u>



# Redford Union School District #1

## Notes to Financial Statements June 30, 2009

### Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property loss, torts, and errors and omissions claims; the School District is uninsured for workers' compensation and is partially uninsured for medical benefit claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The School District estimates the liability for workers' compensation and health insurance claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded as a liability in the General Fund to the extent they are considered due at June 30, with the remainder included in the government-wide statements. Changes in the estimated liability for the past two fiscal years were as follows:

	<u>2009</u>	<u>2008</u>
Estimated liability - Beginning of year	\$ 2,095,072	\$ 1,753,985
Estimated claims incurred - Including changes in estimates	5,173,457	5,870,714
Claim payments	<u>(5,270,708)</u>	<u>(5,529,627)</u>
Unpaid claims - End of year	<u>\$ 1,997,821</u>	<u>\$ 2,095,072</u>

### Note 9 - Defined Benefit Pension Plan and Postemployment 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 governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

# Redford Union School District #1

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## Notes to Financial Statements June 30, 2009

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

**Pension Benefits** - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate was 10.17 percent of covered payroll for the period from July 1, 2008 through September 30, 2008 and 9.73 percent for the period from October 1, 2008 through June 30, 2009. Basic plan members make no contributions, but member investment plan or MIP plus members contribute at rates ranging from 3 percent to 6.4 percent of gross wages depending on the plan. The School District's required and actual contributions to the plan for the years ended June 30, 2009, 2008, and 2007 were \$2,262,068, \$2,617,693, and \$2,726,935, respectively.

**Postemployment Benefits** - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.55 percent of covered payroll for the period from July 1, 2008 through September 30, 2008 and 6.81 percent for the period from October 1, 2008 through June 30, 2009. The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2009, 2008, and 2007 were \$1,550,620, \$1,655,960, and \$1,725,065, respectively.

### **Note 10 - State Aid Anticipation Note**

On August 20, 2008 the School District borrowed \$8,000,000 in a state aid anticipation note. The note bears interest at 1.70 percent and was paid August 20, 2009. At June 30, 2009, the School District has accrued interest of approximately \$117,000 on this note.

### **Note 11 - Subsequent Events**

On August 20, 2009, the School District borrowed \$9,500,000 at 0.85 percent (with an effective rate of 2.96 percent) annual interest on a state aid anticipation note. The note, plus interest, is due on August 20, 2010.

# **Redford Union School District # 1**

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## **Notes to Financial Statements June 30, 2009**

### **Note 12 - Contingent Liabilities**

The School District is a defendant in numerous grievance arbitration cases. All cases are currently awaiting arbitration decisions. In addition, there are two pending unfair labor practice cases. The total potential exposure is approximately \$1 million (excluding interest) for payment of past healthcare contributions and healthcare costs. It is not possible to predict with certainty whether the School District will ultimately be successful in any of the legal matters, or, if not, what the impact will be based on current information. A liability of \$1 million has been included in these financial statements at the government-wide level as a provision for potential losses related to these matters. Notwithstanding this provision, management believes that it should and will prevail in these matters and is hopeful that this liability will ultimately be reversed once the matters have run their legal course.

## **Required Supplementary Information**

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# Redford Union School District #1

## Required Supplementary Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 3,375,050	\$ 3,145,966	\$ 3,257,573	\$ 111,607
State sources	23,296,978	22,317,394	22,019,829	(297,565)
Federal sources	1,883,000	3,652,262	3,298,473	(353,789)
Interdistrict sources	647,000	351,287	360,657	9,370
Total revenue	29,202,028	29,466,909	28,936,532	(530,377)
<b>Expenditures</b>				
Current:				
Instruction:				
Basic program	11,164,210	11,235,878	11,115,580	(120,298)
Added needs	5,354,073	5,200,249	5,184,777	(15,472)
Adult/Continuing education	-	4,190	4,167	(23)
Support services:				
Pupil	2,155,716	2,401,959	2,325,738	(76,221)
Instructional staff	345,899	560,068	549,915	(10,153)
General administration	428,608	437,967	479,968	42,001
School administration	1,626,590	1,720,870	1,673,227	(47,643)
Business	1,013,508	1,040,727	1,014,473	(26,254)
Operations and maintenance	4,388,334	4,582,265	4,725,435	143,170
Pupil transportation services	1,696,618	1,825,756	1,712,880	(112,876)
Central	574,472	669,806	665,247	(4,559)
Community services	479,714	373,219	353,566	(19,653)
Payments to other public schools	106,029	-	-	-
Total expenditures	29,333,771	30,052,954	29,804,973	(247,981)
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,400,000	1,538,399	1,869,372	330,973
Transfers out	(437,051)	(371,702)	(341,405)	30,297
Total other financing sources	962,949	1,166,697	1,527,967	361,270
<b>Net Change in Fund Balance</b>	831,206	580,652	659,526	78,874
<b>Fund Balance (Deficit) - Beginning of year</b>	(269,189)	(269,189)	(269,189)	-
<b>Fund Balance - End of year</b>	<u>\$ 562,017</u>	<u>\$ 311,463</u>	<u>\$ 390,337</u>	<u>\$ 78,874</u>

# Redford Union School District #1

## Required Supplementary Information Budgetary Comparison Schedule Special Revenue Fund - Special Education Center Program Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
State sources	\$ 3,261,973	\$ 3,459,848	\$ 3,536,894	\$ 77,046
Federal sources	462,000	494,700	494,700	-
Interdistrict sources	8,766,413	8,764,255	8,620,899	(143,356)
Total revenue	12,490,386	12,718,803	12,652,493	(66,310)
<b>Expenditures</b>				
Salaries	6,767,788	7,156,510	7,144,450	(12,060)
Fringe benefits	3,395,180	3,441,734	3,399,367	(42,367)
Other	927,418	617,160	634,877	17,717
Total expenditures	11,090,386	11,215,404	11,178,694	(36,710)
<b>Other Financing Uses - Transfers out</b>	(1,400,000)	(1,503,399)	(1,809,372)	305,973
<b>Net Change in Fund Balance</b>	-	-	(335,573)	(335,573)
<b>Fund Balance - Beginning of year</b>	-	-	-	-
<b>Fund Balance (Deficit) - End of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (335,573)</b>	<b>\$ (335,573)</b>

## **Other Supplementary Information**

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# Redford Union School District #1

## Other Supplementary Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2009

	Special Revenue Funds		Debt Service Funds		Capital Projects Fund	Total
	Food Services	Athletics	1997 Issue	2007 Refunding Issue		
<b>Assets</b>						
Cash and investments	\$ -	\$ 37,521	\$ -	\$ -	\$ 57,736	\$ 95,257
Receivables:						
Property taxes	-	-	800	-	-	800
Accounts and interest	-	-	9	-	-	9
Due from other funds	93,843	-	786,056	-	-	879,899
Inventories	27,924	-	-	-	-	27,924
Restricted assets	-	-	111,703	-	-	111,703
	<u>\$ 121,767</u>	<u>\$ 37,521</u>	<u>\$ 898,568</u>	<u>\$ -</u>	<u>\$ 57,736</u>	<u>\$ 1,115,592</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 743	\$ 224	\$ -	\$ -	\$ -	\$ 967
Accrued payroll and other liabilities	3,179	7,048	-	-	-	10,227
Due to other governmental units	307	-	-	-	-	307
Due to other funds	-	30,249	-	-	16,920	47,169
	<u>4,229</u>	<u>37,521</u>	<u>-</u>	<u>-</u>	<u>16,920</u>	<u>58,670</u>
<b>Fund Balances</b>						
Reserved:						
Inventories	27,924	-	-	-	-	27,924
Capital projects	-	-	-	-	40,816	40,816
Debt service	-	-	898,568	-	-	898,568
Unreserved - Undesignated, reported in Special Revenue Funds	<u>89,614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,614</u>
	<u>117,538</u>	<u>-</u>	<u>898,568</u>	<u>-</u>	<u>40,816</u>	<u>1,056,922</u>
Total liabilities and fund balances	<u>\$ 121,767</u>	<u>\$ 37,521</u>	<u>\$ 898,568</u>	<u>\$ -</u>	<u>\$ 57,736</u>	<u>\$ 1,115,592</u>



# Redford Union School District #1

## Other Supplementary Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2009

	Special Revenue Funds		Debt Service Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Services	Athletics	1997 Issue	2007 Refunding Issue		
<b>Revenue</b>						
Local sources	\$ 385,282	\$ 92,953	\$ 3,580,226	\$ -	\$ 518	\$ 4,058,979
State sources	70,545	-	197,698	-	-	268,243
Federal sources	766,482	-	-	-	-	766,482
Total revenue	1,222,309	92,953	3,777,924	-	518	5,093,704
<b>Expenditures</b>						
Current:						
Athletics	-	434,358	-	-	-	434,358
Food service	1,093,619	-	-	-	-	1,093,619
Debt service:						
Principal	-	-	156,676	2,465,000	-	2,621,676
Interest	-	-	885,572	237,000	-	1,122,572
Other	-	-	18,189	-	-	18,189
Capital outlay	43,650	-	-	-	7,611	51,261
Total expenditures	1,137,269	434,358	1,060,437	2,702,000	7,611	5,341,675
<b>Excess of Revenue Over (Under) Expenditures</b>	85,040	(341,405)	2,717,487	(2,702,000)	(7,093)	(247,971)
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	341,405	-	2,702,000	-	3,043,405
Transfers out	(60,000)	-	(2,702,000)	-	-	(2,762,000)
Total other financing sources (uses)	(60,000)	341,405	(2,702,000)	2,702,000	-	281,405
<b>Net Change in Fund Balances</b>	25,040	-	15,487	-	(7,093)	33,434
<b>Fund Balances - Beginning of year</b>	92,498	-	883,081	-	47,909	1,023,488
<b>Fund Balances - End of year</b>	<b>\$ 117,538</b>	<b>\$ -</b>	<b>\$ 898,568</b>	<b>\$ -</b>	<b>\$ 40,816</b>	<b>\$ 1,056,922</b>

# Redford Union School District #1

## Other Supplementary Information Schedule of Bonded Indebtedness Year Ended June 30, 2009

June 30	Durant		1997 Issue		2007 Refunding Issue		2009 Issue	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 456,404	\$ 136,644	\$ -	\$ 844,550	\$ 1,830,000	\$ 138,400	\$ -	\$ 765,339
2011	171,947	25,747	1,990,000	844,550	-	65,200	-	912,325
2012	180,123	17,561	2,155,000	740,075	-	65,200	-	912,325
2013	188,697	8,984	2,330,000	632,325	-	65,200	-	912,325
2014	-	-	1,155,000	515,825	-	65,200	860,000	912,325
2015	-	-	1,260,000	452,300	-	65,200	900,000	856,425
2016	-	-	-	383,000	485,000	65,200	1,500,000	795,675
2017	-	-	-	383,000	540,000	45,800	1,560,000	694,425
2018	-	-	-	383,000	605,000	24,200	1,640,000	585,225
2019	-	-	1,715,000	383,000	-	-	630,000	470,425
2020	-	-	1,845,000	297,250	-	-	640,000	421,600
2021	-	-	1,980,000	205,000	-	-	660,000	372,000
2022	-	-	2,120,000	106,000	-	-	700,000	320,850
2023	-	-	-	-	-	-	1,730,000	266,600
2024	-	-	-	-	-	-	1,710,000	132,525
<b>Total</b>	<b>\$ 997,171</b>	<b>\$ 188,936</b>	<b>\$ 16,550,000</b>	<b>\$ 6,169,875</b>	<b>\$ 3,460,000</b>	<b>\$ 599,600</b>	<b>\$ 12,530,000</b>	<b>\$ 9,330,389</b>
Principal payments due	May 15		May 1		May 1		May 1	
Interest payments due	May		May/November		May/November		May/November	
Interest rate	4.76 percent		4.75 percent to 5.50 percent		4.0 percent		6.50 percent to 7.75 percent	
Original issue	<b>\$2,815,220</b>		<b>\$35,575,000</b>		<b>\$6,590,000</b>		<b>\$12,530,000</b>	