



Redford Union School District #1

Audited Financial Statements

June 30, 2012

Prepared by Taylor & Morgan, P.C.

2302 Stonebridge Drive, Bldg. D | Flint, MI 48532 | 810.230.8200

3150 Livernois Road, Suite 150 | Troy, MI 48083 | 248.688.9399

www.tmcpa.com

REDFORD UNION SCHOOL DISTRICT #1
TABLE OF CONTENTS

	<u>Page</u>
<u>Financial Section</u>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet-Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Fiduciary Net Assets - Fiduciary Funds	17
Notes to the Basic Financial Statements	18-31
Required Supplemental Information:	
Budgetary Comparison Schedule-General Fund	32
Budgetary Comparison Schedule-Special Revenue Fund- Special Education Center Program	33
Other Supplemental Information:	
Schedule of Revenues and Other Financing Sources-General Fund	34
Schedule of Expenditures and Other Financing Uses-General Fund	35
Combining Balance Sheet-Non-major Governmental Funds	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Non-major Governmental Funds	37

REDFORD UNION SCHOOL DISTRICT #1
TABLE OF CONTENTS

	<u>Page</u>
Detail of Durant Resolution Bonds	38
Detail of 1997 Bond Issue	39
Detail of 2007 Bond Refunding Issue	40
Detail of 2009 Bond Issue	41
Detail of 2007 Installment Loan	42
Detail of 2009 Installment Loan	43-44
Detail of 2011 Installment Loan	45
 <u>A-133 Information</u>	
Independent Auditors' Report On Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	46-47
Independent Auditors' 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	48-49
Schedule of Expenditures of Federal Awards	50
Notes/Reconciliation to Schedule of Expenditures of Federal Awards	51
Reconciliation of Grant Auditor Report to the Schedule of Expenditures of Federal Awards	52
Schedule of Findings and Questioned Costs	53-54

INDEPENDENT AUDITOR'S REPORT

November 12, 2012

Board of Education
Redford Union School District #1

We have audited the accompanying basic financial statements of Redford Union School District #1 as of and for the year ended June 30, 2012 as listed in the table of contents. These basic financial statements are the responsibility of the school's management. Our responsibility is to express an opinion on these basic 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 amount 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Redford Union School District #1 as of June 30, 2012 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Redford Union School District #1 will continue as a going concern. As discussed in Note 14 to the financial statements, the District has a general fund deficit of approximately \$4.1 million as of June 30, 2012, and general fund equity decreased approximately \$2.3 million during the year then ended. These conditions raise substantial doubt about the District's ability to continue as a going concern. Management's plans regarding those matters are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2012 on our consideration of Redford Union School District #1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 read in conjunction with this report in considering 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 32-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 performed for the purpose of forming opinions on the basic financial statements of Redford Union School District #1, taken as a whole. The accompanying information identified in the table of contents as combining financial statements and other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were 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.

Sincerely,

Taylor & Morgan P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

Redford Union School District #1, Redford, Michigan
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The Redford Union School District #1 has implemented Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. Our discussion and analysis of Redford Union School District #1's financial performance, a GASB 34 requirement, provides an overview of the School District's financial activities for the fiscal year ended June 30, 2012.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June, 2000.

GASB 34 requires the reporting of two types of financial statements: fund financial statements and district-wide financial statements.

FUND FINANCIAL STATEMENTS

The School District's fund financial statements provide detailed information about the School District's most significant funds, not the school district as a whole. The fund level statements are reported on a modified accrual basis of accounting. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's Accounting Manual. The District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including the Debt Service Fund, the Capital Projects Fund, the Special Education Center Program Fund and the Special Revenue Fund which is comprised of Food Service.

In the fund financial statements, capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The payments of principal and interest on long-term debt are recorded as expenditures in the year paid. Future years' debt obligations are not recorded.

DISTRICT-WIDE FINANCIAL STATEMENTS

The district-wide financial statements are prepared using the full accrual basis of accounting. They report all of the District's assets and liabilities, both short-term and long-term, regardless of whether they are currently available or not. The two district-wide financial statements are the Statement of Net Assets and the Statement of Activities.

The District's *net assets* – the difference between assets and liabilities, as reported in the Statement of Net Assets, is one way to measure the School District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets, as reported in the Statement of Activities, is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses indicates the School District's *operating results*. However, the School District's goal is to provide services to its students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the schools, must also be considered when assessing the *overall health* of the School District.

Redford Union School District #1, Redford, Michigan
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The School District's net assets totaled \$(3,041,232) at June 30, 2012. Of this amount, \$3,674,876 was restricted. Restricted net assets are reported separately to show legal constraints from debt covenants and legislation that limits the School District's ability to use those net assets for day-to-day operations. The following is a summary of the District's net assets at June 30, 2012, with comparative totals for June 30, 2011:

Assets	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Current assets	\$ 14,785,526	\$ 22,003,634
Capital assets net of depreciation	26,572,867	25,983,311
Deferred charges for debt issue discounts and other debt issue costs	<u>250,914</u>	<u>285,696</u>
 Total assets	 41,609,307	 48,272,641
 Liabilities		
Current liabilities	17,933,658	19,052,644
Long-term liabilities	<u>25,801,322</u>	<u>28,840,466</u>
 Total liabilities	 43,734,980	 47,893,110
 Net Assets		
Invested in capital assets, net of related debt	(515,917)	(3,436,981)
Restricted for capital projects	3,466,486	7,207,864
Restricted for debt service	208,390	245,409
Unrestricted	<u>(5,284,632)</u>	<u>(3,636,761)</u>
 Total net assets	 <u>\$ (2,125,673)</u>	 <u>\$ 379,531</u>

The \$(5,284,632) in unrestricted net assets of governmental activities represents the 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. Total net assets decreased \$2,505,204 in 2011-12.

Net capital assets increased approximately \$590,000 in 2011-12. The major components of the increase in net capital assets are as follows:

➤ Depreciation expense

The provisions of GASB 34 require districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation is a reduction in net assets. Depreciation expense is recorded using a straight-line method over the estimated useful lives of the assets. In accordance with generally accepted accounting principles, depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. For the year ended June 30, 2012 the net increase in accumulated depreciation was \$2,008,458.

➤ Capital acquisitions

Capital outlay (net) for the year ended June 30, 2012 totaled \$3,560,380.

Redford Union School District #1, Redford, Michigan
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

➤ Capital disposals

A building was demolished with a net book value of \$962,366, decreasing capital assets by this amount.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-wide results of operations for the years ended June 30, 2012 and 2011 are as follows:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
General revenue		
Property taxes	\$ 6,136,212	\$5,614,405
State of Michigan aid, unrestricted	16,203,145	16,977,013
Investment earnings	3,820	36,640
Other – federal, state and local	<u>223,666</u>	<u>223,666</u>
Total general revenue	22,566,843	22,851,724
Program revenue		
Charges for services – local	1,106,545	952,242
Operating grants – federal and state	<u>17,700,468</u>	<u>19,871,049</u>
Total revenues	41,373,856	43,675,015
Expenses		
Instruction	26,660,041	26,449,868
Support services	10,899,329	11,330,285
Food services	1,146,405	1,054,683
Athletics	294,827	328,997
Capital outlay	270,863	162,036
Interest on long-term debt	1,764,174	1,857,422
Depreciation (unallocated)	1,881,055	1,873,771
Loss on disposal of building	<u>962,366</u>	<u>1,873,771</u>
Total expenses	<u>43,879,060</u>	<u>43,057,062</u>
Increase/(Decrease) in net assets	(2,505,204)	617,953
Net assets – July 1	<u>379,531</u>	<u>(238,422)</u>
Net assets – June 30	<u>\$(2,125,673)</u>	<u>\$379,531</u>

Redford Union School District #1, Redford, Michigan
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The School District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments and resultant staffing requirements are known. Typically, all budgets are amended in late fall. If material changes occur in anticipated revenue or expenditures after the budget is amended in the fall, it is amended again in early spring. Currently, the most significant budgeted funds are the General Fund, the Special Education Center Program Fund and the Capital Projects Fund. During the fiscal year ended June 30, 2012, the School District amended the budgets of these major governmental funds twice.

General Fund

In the general fund, the actual revenue was \$24.9 million. This is below the original budget estimate of \$26.2 million and above final amended budgeted amount of \$24.89 million, a variance of .06%. The variance between the actual revenue and the original revenue budget is primarily due to the district losing more students than anticipated.

The actual expenditures of the general fund were \$27.9 million. This is above the original budget estimate of \$27.3 million and above the final amended budgeted amount of \$26.8 million, a variance of 4%. The variance between the actual expenditures and the original and final expenditure budgets is due primarily to the increase in health insurance costs and claims made during the fiscal year as well as concessions included in the budgets that did not materialize.

The fund balance was a deficit of \$4.1 million at June 30, 2012, which is a decrease of \$2.3 million over the previous year. The District will be required to submit a revised Deficit Elimination Plan by December 14, 2012 showing how they plan to eliminate this deficit in future years.

Capital Projects Fund

The Capital Projects Fund receives revenues from building and site bond issues used for the purposes approved by the voters for each issue, as well as interest income from investment of bond proceeds.

The district issued \$12.5 million in bonds in June 2009 to renovate all school buildings. Projects funded during the school year included demolition of Roosevelt School, roof replacement, building renovations and site improvements at Hilbert Middle School, roof replacement and building renovations at Redford Union High School, and site improvements at MacGowan Elementary.

The Original Capital Projects Fund fund balance increased during the school year only by the small amount of interest earned in the investment account.

Redford Union School District #1, Redford, Michigan
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2012

GOVERNMENTAL FUND EXPENDITURES

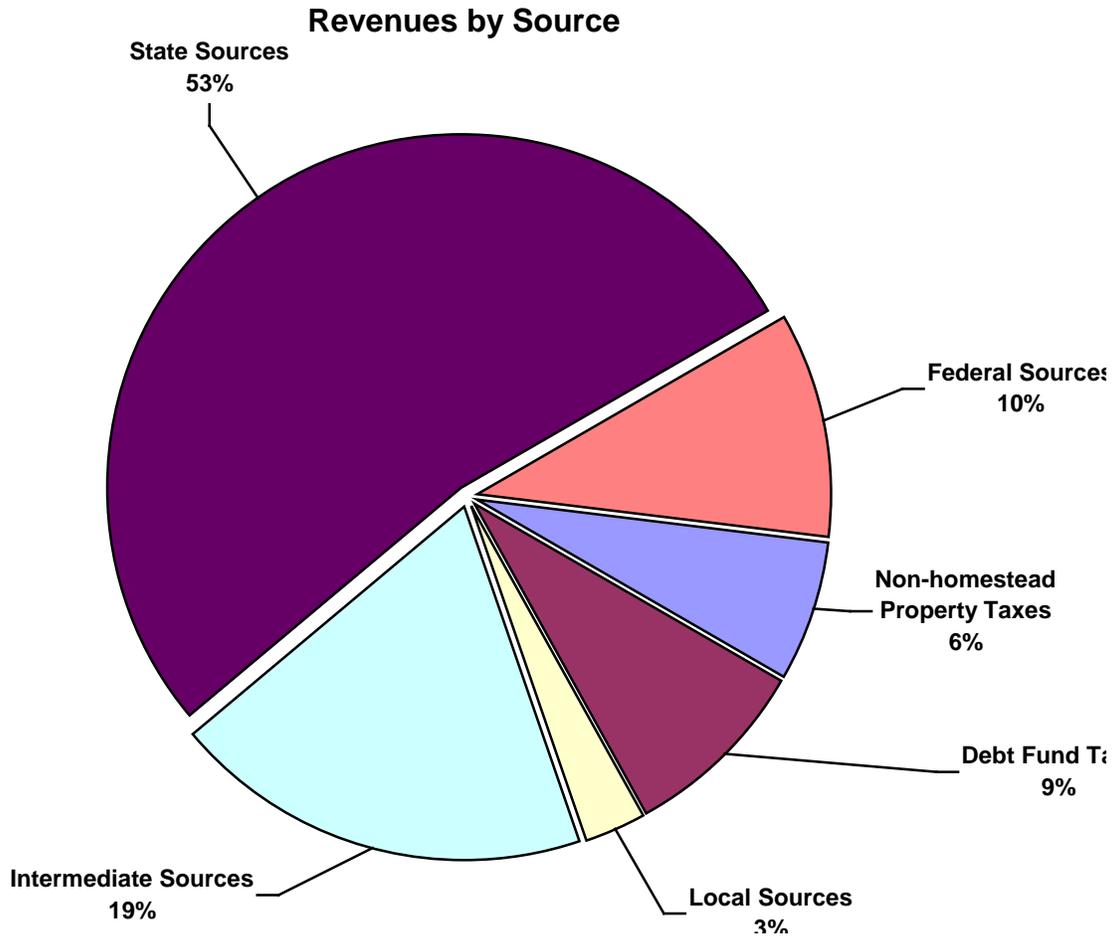
The following chart illustrates that the General Fund comprises 59% of all the expenditures within the governmental funds of the School District. As of June 30, 2012, expenditures totaled \$47.4 million for all District programs. The ending fund balance for all funds was equal to \$(37,256). The General Fund had a \$(4.11) million deficit fund balance as of June 30, 2012.

	Expenditures June 30, 2012 <u>(in millions)</u>	<u>% of Total</u>	Fund Balance June 30, 2012 <u>(in millions)</u>
General Fund	\$27.9	59%	\$ (4.11)
Special Education Center Program Fund	10.6	22%	.
Capital Projects Fund	3.7	8%	3.44
Other Non-major Funds	<u>5.2</u>	<u>11%</u>	<u>.63</u>
Total	<u>\$47.4</u>	100%	<u>\$ (.04)</u>

Redford Union School District #1, Redford, Michigan
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

TOTAL REVENUES

Revenues for all governmental funds totaled \$41 million. The following graph illustrates the District revenues by source as a percentage of total revenue:



Unrestricted State Aid

The district's operating costs are predominantly funded by State Aid. The per-pupil allowance was reduced by \$470 for the 2011-12 school year; however, districts could lower the amount of the reduction by approximately \$190 per student given certain conditions set by the state were met. The district met the criteria and received the additional funding as Best practice Incentive and MPSERS Cost Offset categoricals. State Aid membership was computed in 2011-12 with a blended count of 10% of the February and 90% of the September counts.

Redford Union School District #1, Redford, Michigan
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Property Taxes

The District levies 18 mills of property taxes on all non-homestead property and 6 mills on all commercial personal property located within the District for General Fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable value of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value. The 2011-12 Non-Homestead property tax levy totaled approximately \$2.6 million.

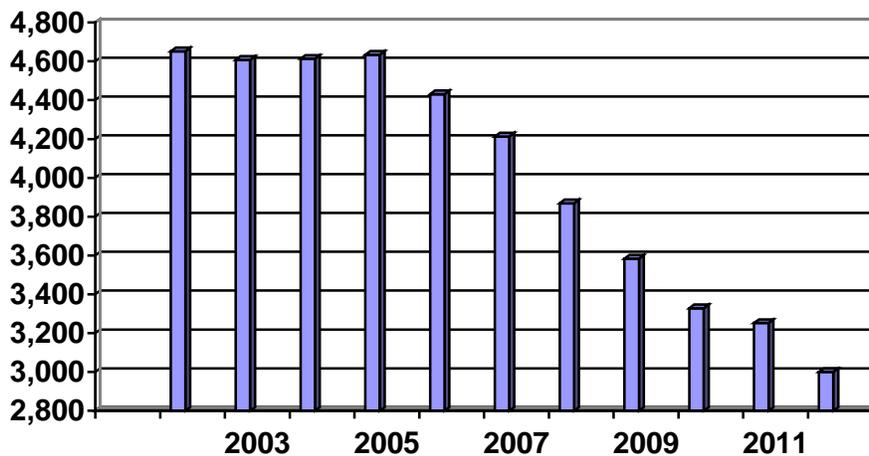
The District levies 8.45 mills of property taxes on all classes of property located within the district for bonded debt retirement. This levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations. The total amount levied for debt retirement in the current year was \$3.5 million.

ENROLLMENT

One of the most important factors affecting the District's revenue is student enrollment. Enrollment is important to the financial health of the District because State funding is based on a per-pupil allowance or Foundation Allowance was \$6,861. For the fiscal year ended June 30, 2012, the gross per-pupil allowance or Foundation Allowance was \$6,861. The District's 2011-12 enrollment totaled 3,000 students. This is a decrease in enrollment of 252 students from the prior year. The District's enrollment has decreased over the past few years.

Student enrollment over the last ten years can be illustrated as follows:

Student Enrollment



Redford Union School District #1, Redford, Michigan
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012, the School District had \$58.6 million invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$32 million has been depreciated. Net book value totals \$26.6 million. Total additions (net) for the year were approximately \$3.6 million and were comprised of building and site improvements and equipment. The district's buildings range in years of construction from 1925 to 1967. Building additions and improvements have been made over the years to most buildings. The district is committed to the timely repairs and maintenance of its facilities.

Capital Assets at Year End (Net of Depreciation) (in millions)		Governmental <u>Activities</u>
Buildings and Additions		\$ 26.0
Furniture and Equipment		.2
Vehicles & Buses		<u>.4</u>
 Total		 <u>\$ 26.6</u>

Outstanding debt at year-end

The District had the following outstanding debt at June 30, 2012:

1997 issue – General Obligation Bonds	\$ 12,405,000
2007 Refunding Obligation Bonds	1,630,000
Durant Non-Plaintiff Bonds (Series 1998)	188,697
2009 issue – General Obligation Bonds	12,530,000
Installment Loan Contract on Two School Buses (2007)	24,691
Installment Loan Contract on Four School Buses (2009)	162,976
Installment Loan Contract on One School Bus (2009)	49,619
Installment Loan Contract on Insurance Settlement	<u>97,801</u>
Total	\$ <u>27,088,784</u>

More detailed information regarding capital assets and debt administration can be obtained by reviewing the Notes to the Basic Financial Statements located in the financial section of this report.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to give an overview of the financial conditions of the Redford Union School District #1. Additional financial information can be obtained by contacting Central Office, Redford Union School District #1, 19990 Beech Daly Rd., Redford, MI 48240.

BASIC FINANCIAL STATEMENTS

REDFORD UNION SCHOOL DISTRICT #1
STATEMENT OF NET ASSETS
JUNE 30, 2012

		Governmental Activities
Assets		
Current Assets		
Cash, cash equivalents and investments	\$	10,367,174
Accounts receivable		154,914
Due from fiduciary fund		7,894
Due from other governmental units (net)		3,956,525
Inventory		17,166
Prepaid costs		281,853
Total current assets		14,785,526
Non-Current Assets		
Land		30,123
Buildings and improvements		46,302,086
Equipment and furniture		5,068,375
Vehicles		2,642,085
Construction in progress		4,550,172
Less: accumulated depreciation		(32,019,974)
Net capital assets		26,572,867
Deferred bond interest		94,265
Deferred bond issuance costs		156,649
Total non-current assets		26,823,781
Total assets		41,609,307
Liabilities		
Current Liabilities		
Accounts payable		377,041
Accrued payroll and other liabilities		3,012,107
State aid anticipation note		11,400,000
Accrued interest		276,873
Deferred revenue		3,203
Current portion of accumulated unpaid benefits		236,546
Current portion of long-term obligations		2,627,888
Total current liabilities		17,933,658
Non-Current Liabilities		
Non-current portion of accumulated unpaid benefits		1,340,426
Non-current portion of long-term obligations		24,460,896
Total non-current liabilities		25,801,322
Total liabilities		43,734,980
Net Assets		
Net Assets		
Invested in capital assets, net of related debt		(515,917)
Restricted for:		
Debt service		208,390
Capital projects		3,466,486
Unrestricted		(5,284,632)
Total net assets	\$	(2,125,673)

See accompanying notes to basic financial statements

REDFORD UNION SCHOOL DISTRICT #1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions		Net (Expense) Revenue and Changes in Net Assets
Functions/Programs					
Governmental Activities					
Instruction	\$ 26,660,041	\$ 215,508	\$ 16,148,996		\$ (10,295,537)
Support services	10,899,329	580,806	516,998		(9,801,525)
Food services	1,146,405	284,338	1,034,474		172,407
Athletics	294,827	25,893	-		(268,934)
Capital outlay	270,863	-	-		(270,863)
Interest and other costs on long-term debt	1,764,174	-	-		(1,764,174)
Unallocated depreciation	1,881,055	-	-		(1,881,055)
Loss on disposal of building	962,366	-	-		(962,366)
	<u>\$ 43,879,060</u>	<u>\$ 1,106,545</u>	<u>\$ 17,700,468</u>		<u>(25,072,047)</u>
General Purpose Revenues					
Property tax					6,136,212
State school aid					16,203,145
Investment earnings					3,820
Miscellaneous					223,666
				Total general revenue	22,566,843
				Change in net assets	(2,505,204)
				Net assets - July 1	379,531
				Net assets - June 30	\$ (2,125,673)

REDFORD UNION SCHOOL DISTRICT #1
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2012

	General Fund	Special Education Center Program	Capital Projects 2009 Bond Issue	Non-major Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 3,084,633	\$ -	\$ 4,210,402	\$ 3,072,139	\$ 10,367,174
Accounts receivable	142,098	-	-	12,816	154,914
Due from other governmental units	3,616,358	584,873	-	18,775	4,220,006
Inventory	3,277	-	-	13,889	17,166
Due from other funds	7,452,759	-	-	357,547	7,810,306
Prepaid expenses	281,853	-	-	-	281,853
Total Assets	\$ 14,580,978	\$ 584,873	\$ 4,210,402	\$ 3,475,166	\$ 22,851,419
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 279,290	\$ 2,177	\$ 94,875	\$ 699	\$ 377,041
Due to other funds	3,973,610	316,012	671,958	2,840,832	7,802,412
Due to other governmental units	-	263,481	-	-	263,481
State aid anticipation loan	11,400,000	-	-	-	11,400,000
Accrued interest	30,431	-	-	-	30,431
Accrued payroll and other liabilities	3,012,107	-	-	-	3,012,107
Deferred revenue	-	3,203	-	-	3,203
Total Liabilities	18,695,438	584,873	766,833	2,841,531	22,888,675
Fund Balance					
Non-spendable	285,130	-	-	13,889	299,019
Restricted for:					
Capital projects	-	-	3,443,569	22,917	3,466,486
Debt service	-	-	-	208,390	208,390
Unassigned	(4,399,590)	-	-	388,439	(4,011,151)
Total Fund Balance	(4,114,460)	-	3,443,569	633,635	(37,256)
Total liabilities and fund balance	\$ 14,580,978	\$ 584,873	\$ 4,210,402	\$ 3,475,166	\$ 22,851,419

REDFORD UNION SCHOOL DISTRICT #1
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total Governmental Fund Balances \$ (37,256)

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

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

Cost of capital assets	\$ 58,592,841	
Accumulated depreciation	(32,019,974)	

Total Net Capital assets	26,572,867
--------------------------	------------

Non-current assets related to bond refundings are not included as assets in governmental funds.

Deferred bond interest	\$ 94,265	
Deferred bond costs	156,649	

Total Non-Current Assets	250,914
--------------------------	---------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable	\$ (26,753,697)	
Installment loans payable	(335,087)	
Employee benefit liability	(962,518)	
Compensated absences payable	(614,454)	

Total Long-Term Liabilities	(28,665,756)
-----------------------------	--------------

In the Statement of Net Assets, interest has been accrued on long-term debt as of June 30, 2012	(246,442)	
---	-----------	--

Total net assets - governmental activities	\$ <u>(2,125,673)</u>
--	-----------------------

REDFORD UNION SCHOOL DISTRICT #1
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Special Education Center Program	Capital Projects 2009 Bond Issue	Non-major Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 3,451,760	\$ -	\$ 1,251	\$ 3,801,724	\$ 7,254,735
State sources	18,636,907	2,783,362	-	235,802	21,656,071
Federal sources	2,287,853	583,794	-	1,315,670	4,187,317
Interdistrict sources	<u>528,429</u>	<u>7,747,304</u>	<u>-</u>	<u>-</u>	<u>8,275,733</u>
Total revenues	24,904,949	11,114,460	1,251	5,353,196	41,373,856
Expenditures					
Instruction					
Basic programs	11,550,906	-	-	-	11,550,906
Added needs	<u>4,504,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,504,404</u>
Total instruction	16,055,310	-	-	-	16,055,310
Support services					
Pupil services	2,036,508	-	-	-	2,036,508
Instructional staff services	354,999	-	-	-	354,999
General administration	408,149	-	-	-	408,149
School administration	1,606,866	-	-	-	1,606,866
Business services	885,975	-	-	-	885,975
Operation and maintenance	3,653,215	-	-	-	3,653,215
Pupil transportation	1,490,126	-	-	-	1,490,126
Central services	575,460	-	-	-	575,460
Athletics	294,827	-	-	-	294,827
Food Service	-	-	-	1,142,519	1,142,519
Community services	363,404	-	-	-	363,404
Capital outlay	83,725	-	3,742,673	4,845	3,831,243
Special education center program	<u>-</u>	<u>10,604,731</u>	<u>-</u>	<u>-</u>	<u>10,604,731</u>
Total support services	11,753,254	10,604,731	3,742,673	1,147,364	27,248,022
Debt retirement					
Principal payments	104,700	-	-	2,335,123	2,439,823
Interest payments and other fees	<u>13,049</u>	<u>-</u>	<u>-</u>	<u>1,736,236</u>	<u>1,749,285</u>
Total debt retirement	<u>117,749</u>	<u>-</u>	<u>-</u>	<u>4,071,359</u>	<u>4,189,108</u>
Total expenditures	<u>27,926,313</u>	<u>10,604,731</u>	<u>3,742,673</u>	<u>5,218,723</u>	<u>47,492,440</u>
Excess of Revenues Over/(Under) Expenditures	(3,021,364)	509,729	(3,741,422)	134,473	(6,118,584)
Other Financing Sources/(Uses)					
Loan proceeds	108,301	-	-	-	108,301
Operating transfers out	(84,455)	(509,729)	-	(45,894)	(640,078)
Operating transfers in	<u>640,078</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>640,078</u>
Total Other Financing Sources/(Uses)	<u>663,924</u>	<u>(509,729)</u>	<u>-</u>	<u>(45,894)</u>	<u>108,301</u>
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	(2,357,440)	-	(3,741,422)	88,579	(6,010,283)
Fund balance - July 1	<u>(1,757,020)</u>	<u>-</u>	<u>7,184,991</u>	<u>545,056</u>	<u>5,973,027</u>
Fund balance - June 30	<u>\$ (4,114,460)</u>	<u>\$ -</u>	<u>\$ 3,443,569</u>	<u>\$ 633,635</u>	<u>\$ (37,256)</u>

REDFORD UNION SCHOOL DISTRICT #1
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2012

Total net change in fund balances - governmental funds	\$	(6,010,283)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Capital Outlay	\$ 3,560,380	
Depreciation Expense	<u>(2,008,458)</u>	1,551,922
Loss on disposal of assets is recorded as an expenditure in the Statement of Activities. It is not reported in the governmental funds statements.		(962,366)
Deferred charges are reported as revenue in the funds and amortized in the Statement of Activities.		(34,782)
Repayment of long-term bonds and notes is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Assets.		2,439,809
Interest expense is recorded in the Statement of Activities when incurred; it is not reported in the governmental funds until paid.		19,907
Proceeds from loans are an Other Financing Source in the governmental funds, but not in the Statement of Activities (where they are Long-Term Debt).		(108,301)
Accumulated unpaid benefits are recorded as liabilities in the Statement of Net Assets, but are not recorded in the governmental funds statement. The amount reflects the decrease in accumulated unpaid benefits at June 30, 2012.		<u>598,890</u>
Change in net assets of governmental activities	\$	<u><u>(2,505,204)</u></u>

REDFORD UNION SCHOOL DISTRICT #1
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>256,750</u>
Liabilities	
Due to student and other groups	\$ 248,856
Due to other funds	<u>7,894</u>
Total liabilities	\$ <u>256,750</u>

NOTES TO FINANCIAL STATEMENTS

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Redford Union School District #1 conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued *Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.
- Financial statements prepared with full accrual accounting for all of the District’s activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

Reporting Entity

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

Basic Financial Statements – Government-wide Statements

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

Basic Financial Statements - Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into seven generic fund types in two broad fund categories as follows:

Governmental Funds

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

General Fund - The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

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

Special Revenue Funds - Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District's only Special Revenue Fund includes the School Lunch Fund. Any operating deficit generated by these activities is the responsibility of the General Fund.

Debt Service Funds - The Debt Service Funds are used to record tax and interest revenue and the payment of general long-term debt principal, interest and related costs of the various bond issues.

Capital Projects Funds - The Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of monies specifically designed for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The fund is retained until the purpose for which the fund was created has been accomplished.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent.

Activities (Agency) Funds - Agency Funds are used to account for assets held by the School District as an Agent, are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Accounting/Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt are recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Cash and Investments

Cash and cash equivalents include amounts in demand deposits, sweep accounts, and certificate of deposits with original maturities less than 180 days. The District reports its investments in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40 Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair values when quoted market prices are not available.

The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Investments (continued)

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), or National Credit Union Administration (NCUA), respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptance of U.S. banks, and mutual funds composed of investments outlined above.

Inventories - Items purchased for future use are recorded as inventory and charged to expenditure accounts when requisitioned for use. Food Service Fund inventory consists of food and paper goods recorded at cost and commodity inventory recorded at fair market value as determined by the USDA. General Fund inventories consist of paper goods and other non-perishable type items for future use.

Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. The District has adopted a \$5,000 capitalization threshold for recording capital assets. Donated fixed assets are valued at their estimated fair market value on the date received.

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

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

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

Property Taxes

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the District's boundaries. The District's entire tax base is within Wayne County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 15. Collections are forwarded to the District as collected by the assessing municipality. Real property taxes uncollected as of March 1 are purchased by Wayne County and remitted to the District by June 30.

Property taxes are recognized in the accounting period when they become measurable and available to finance operations. Available means when due or past due and receivable within the current period and collected no longer than 60 days after the current period.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

Compensated Absences – 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 the 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.

Vacation/sick time earned but not used and the accrued retirement incentive at June 30, 2012 and 2011 amounted to \$614,454 and \$713,656.

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 uses. Issuance costs are reported as debt service expenditures.

Economic Dependency - The district receives approximately 65% of its operating revenue through the foundation allowance from the State of Michigan.

Concentrations - Substantially all employees of the District are covered under collective bargaining agreements that expire June 30, 2013.

Note 2 - Budget and Budgetary Accounting

The State of Michigan adopted a Uniform Budgeting and Accounting Act (The Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for the General and Special Revenue Funds and an informational study of Capital Project Funds of school districts prior to the expenditure of monies in a fiscal year.

The Board of Education adopts appropriations utilizing the modified accrual basis of accounting for all governmental funds. The appropriation level adopted by the Board is the level of control authorized by the Act. The Act requires expenditures to be budgeted on a functional basis. A district is not considered to be in violation of the Act if reasonable procedures are in use by the district to detect violations.

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

1. The District's superintendent submits to the Board of Education a proposed budget by July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.

REDFORD UNION SCHOOL DISTRICT #1
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

Note 2 - Budget and Budgetary Accounting (continued)

3. The superintendent is authorized to transfer budgeted amounts between functions within any fund with the approval of the Budget and Finance Committee; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
4. Budgets for the General, Capital Projects, and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations, which were amended.
6. Appropriations lapse at year-end and, therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund and the Special Education Center Program Special Revenue Fund is presented as required supplementary information.

Excess of expenditures over appropriations in budgeted funds

During the year, the District incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

<u>Budget item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Basic Programs	\$11,152,601	\$11,550,906	\$(398,305)
Added Needs	\$4,383,038	\$4,504,404	\$(121,366)
Pupil Services	\$2,002,280	\$2,036,508	\$(34,228)
School Administration	\$1,552,155	\$1,606,866	\$(54,711)
Business Services	\$866,063	\$885,975	\$(19,912)
Operation and Maintenance	\$3,372,800	\$3,653,215	\$(280,415)
Transportation	\$1,245,316	\$1,490,126	\$(244,810)
Community Services	\$307,447	\$363,404	\$(55,957)
Capital Outlay	\$2,046	\$83,725	\$(81,679)
Debt Service	\$107,853	\$117,749	\$(9,896)

During the year, the District incurred expenditures in the Special Education Center Program Fund which were in excess of the amounts appropriated, as follows:

<u>Budget item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Salaries	\$5,450,785	\$6,174,363	\$(723,578)
Fringe Benefits	\$3,331,502	\$3,876,804	\$(545,302)
Other Expenses	\$527,878	\$553,564	\$(25,686)

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 3 - Deposits and Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities and are invested primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. Cumulatively, portfolios of the District may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total District portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities and 2a7-like investment pools are excluded from these restrictions.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits this exposure by mandating that the District's investments in commercial paper and corporate bonds be limited to those with a prime rating or better issued by nationally recognized statistical rating organizations (NRSROs). At June 30, 2012, the District had the following investments in commercial paper/corporate bonds:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pooled funds	\$4,370,728	Not applicable	Not rated	Not applicable

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities, if any, in the possession of an outside party. At June 30, 2012, the District had \$332,087 of its deposit balances insured and \$5,750,460 of its deposit balances uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. This risk is minimized by the District through limiting investments to those of a prime or better rating and pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The District is not authorized to invest in investments that would be subject to this type of risk.

REDFORD UNION SCHOOL DISTRICT #1
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

Note 4 - Changes in Capital Assets

Summary of capital asset transactions:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2012</u>
Capital assets not being depreciated:				
Land	\$ 30,123	\$ -	\$ -	\$ 30,123
Construction in progress	1,575,743	3,449,688	475,259	4,550,172
Capital assets being depreciated:				
Buildings and improvements	48,498,135	541,091	2,737,140	46,302,086
Furniture and equipment	5,031,686	36,689	-	5,068,375
Buses and other vehicles	<u>2,633,914</u>	<u>8,171</u>	<u>-</u>	<u>2,642,085</u>
Subtotal	57,769,601	4,035,639	3,212,399	58,592,841
Less: Accumulated depreciation:				
Buildings and improvements	24,913,302	1,788,664	1,774,774	24,927,192
Furniture and equipment	4,787,885	96,277	-	4,884,162
Buses and other vehicles	<u>2,085,103</u>	<u>123,517</u>	<u>-</u>	<u>2,208,620</u>
Subtotal	<u>31,786,290</u>	<u>2,008,458</u>	<u>1,774,774</u>	<u>32,019,974</u>
Net Capital Assets	<u>\$25,983,311</u>	<u>\$ 2,027,181</u>	<u>\$1,437,625</u>	<u>\$26,572,867</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated." Depreciation was recorded on the statement of activities as follows:

Support Services-Transportation	\$ 123,517
Food Service	3,886
Unallocated	<u>1,881,055</u>
Total Depreciation Expense	<u>\$2,008,458</u>

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 5 - Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2012:

	<u>Bonds</u>	<u>Installment Notes</u>	<u>Compensated Absences</u>	<u>Employee Benefit Liability</u>	<u>Total</u>
Balance July 1, 2011	\$ 29,088,820	\$ 331,472	\$ 713,656	\$1,462,206	\$31,596,154
Additions	-	108,301	-	4,297,886	4,406,187
Retirements & payments	<u>(2,335,123)</u>	<u>(104,686)</u>	<u>(99,202)</u>	<u>(4,797,574)</u>	<u>(7,336,585)</u>
Balance June 30, 2012	26,753,697	335,087	614,454	962,518	28,665,756
Less: current portion	<u>2,518,697</u>	<u>109,191</u>	<u>92,168</u>	<u>144,378</u>	<u>2,864,434</u>
Total due after one year	<u>\$ 24,235,000</u>	<u>\$ 225,896</u>	<u>\$ 522,286</u>	<u>\$ 818,140</u>	<u>\$ 25,801,322</u>

Future principal and interest requirements for the bonded debt and installment notes are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,627,888	\$ 1,628,815	\$4,256,703
2014	2,099,500	1,499,181	3,598,681
2015	2,245,595	1,376,863	3,622,458
2016	1,990,000	1,243,875	3,233,875
2017	2,114,000	1,123,225	3,237,225
2018-2022	12,571,801	3,568,250	16,140,051
2023-2024	<u>3,440,000</u>	<u>399,125</u>	<u>3,839,125</u>
Total	<u>\$27,088,784</u>	<u>\$10,839,334</u>	<u>\$37,928,118</u>

The payment dates of compensated absences and the employee benefit liability are indeterminable.

Interest expenditures for the year ended June 30, 2012 totaled \$13,049 in the General Fund and \$1,735,161 in the Debt Retirement Funds.

Note 6 - Durant Resolution Bonds

Redford Union School District #1, a non-plaintiff district, received from the State of Michigan a two-part settlement under the Durant/Headlee Underfunding litigation as follows:

Bonded Debt

The District issued Durant Resolution bonds on November 24, 1998 in the amount of \$2,800,000, which represents one-half of the settlement amounts. They are payable in annual installments (principal and interest) through the year 2013 and have an annual interest rate of 4.761353%. The proceeds are restricted in use as outlined in Section 1351(a) of the Revised School Code. Although these bonds are a legal obligation of the District, the only revenue source available for making the annual debt service requirements are appropriations

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 6 - Durant Resolution Bonds (continued)

made annually by The State of Michigan. If the State Legislature fails to appropriate funds for the bond payments, the District is under no obligation for payment and will write off the debt service requirement for that year only. In March of 2003, the State of Michigan refinanced this obligation deferring all required payments until May of 2006. The balance payable at June 30, 2012 was \$188,697.

Annual Installments

On November 15, 1998, the State of Michigan began making ten annual payments to the District. The sum of these payments comprises the other half of the settlement amount. The District is obligated to restrict these funds to expenditures outlined in 11f(6) of the Revised School Code.

Note 7 – Defined Benefit Pension Plan

Plan Description

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

Funding Policy

Retirement system funding is based on a tiered plan. Employees participate in one of three plans: the Basic Plan, the Member Investment Plan (MIP), or the Pension Plus Plan.

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

Member Investment Plan members enrolled in MIP prior to January 1, 1990 (MIP Fixed) contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired after January 1, 1990 but before July 1, 2010 and returning members who did not work between January 1, 1987 and December 31, 1989 (MIP Graded) contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000. New members to the retirement system who first worked July 1, 2008 or later (MIP Plus) contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 6.4% of all wages over \$15,000.

REDFORD UNION SCHOOL DISTRICT #1
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

Note 7 – Defined Benefit Pension Plan (continued)

All members who first worked on or after July 1, 2010 participate in the Pension Plus Plan. The Pension Plus Plan combines a defined benefit plan and a defined contribution plan and includes member and employer contributions towards both plans. For the defined contribution portion of the plan, members are automatically enrolled to contribute 2% of their gross wages. Members have the option of increasing or decreasing the amount of the contribution. The district matches fifty percent of the member contribution up to a maximum of 1%. Members make contributions as illustrated by the following table:

Pension Plus Plan		
<u>Benefit Structure</u>	<u>Member Contribution Rate</u>	
<u>Defined Benefit</u>	<u>Retiree Health Care Fund</u>	<u>Pension Fund</u>
\$0 - \$5,000	3.0%	3.0%
\$5,001 - \$15,000	3.0%	3.6%
Over \$15,000	3.0%	6.4%
 <u>Defined Contribution</u>		 2.0%

The District is required to contribute the full actuarial funding contribution amounts to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. Employer contribution rates are tiered between wages earned by members who first worked before July 1, 2010 and the wages of members who first worked on July 1, 2010 and later. The rates for the years ended June 30, 2012 and 2011 were as follows:

	First Worked Before July 1, 2010	First Worked On or After July 1, 2010
July 1, 2010 – September 30, 2010	16.94%	15.44%
October 1, 2010 – October 31, 2010	19.41%	17.91%
November 1, 2010 – October 31, 2011	20.66%	19.16%
November 1, 2011-June 30, 2012	24.46%	23.23%

The contribution requirements of the plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District employer contributions to MPSERS for the years ended June 30, 2012, 2011 and 2010 were \$4,966,702, \$3,898,543, and \$4,202,763, respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits. Retirement benefit payments are the responsibility of the State of Michigan.

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 who have 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. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 8 – Inter-fund Transactions

The District made the following inter-fund transfers during the year:

	<u>General Fund</u>	<u>Special Education Center Program</u>	<u>Non-major Governmental Funds</u>	<u>Totals</u>
To:	\$ 640,078	\$ -0-	\$ -0-	\$ 640,078
From:	\$ 84,455	\$ 509,729	\$ 45,894	\$ 640,078

Transfers from the Special Education Center Program and the School Lunch Fund to the General Fund represent reimbursement of indirect costs paid by the General Fund during the current year.

The composition of interfund balances is as follows:

	<u>Due to Other Funds</u>	<u>Due From Other Funds</u>
General Fund	\$ 3,973,610	\$ 7,452,759
Special Education Center Program	316,012	-
Capital Projects 2009 Bond Issue	671,958	-
Non-major Governmental Funds	2,840,832	357,547
Fiduciary Funds	7,894	-
Total	<u>\$ 7,810,306</u>	<u>\$ 7,810,306</u>

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

Note 9 - Contingencies and Commitments

The District has received federal and state grants for specific purposes. These grants are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Note 10 - Fund Balance

Non-spendable, Restricted, Committed, Assigned and Unassigned

The Board of Education adopts a budget each year that includes the appropriation of fund balance. Non-spendable fund balance represents assets that are not available in spendable form and are not expected to be converted to cash.

Non-spendable:

Inventory	\$ 17,166
Prepaid expenses	<u>281,853</u>
Total Non-spendable	<u>\$299,019</u>

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 10 - Fund Balance-(continued)

Restricted net assets are reported separately to show legal constraints from debt covenants and legislation that limits the School District's ability to use those net assets for day-to-day operations.

Restricted:

Debt service	\$ 208,390
Capital projects	<u>3,466,486</u>
Total Restricted	<u>\$3,674,876</u>

Committed fund balance represents constrained amounts imposed by school board resolution. The District had no amounts committed at June 30, 2012.

Assigned fund balance represents amounts intended to be used for specific purposes expressed by the Board of Education, Finance Committee, or the official authorized by the governing body. Residual amounts in governmental funds other than the General Fund are also assigned. The District had no amounts assigned at June 30, 2012.

Unassigned fund balance is reported only in the General Fund and represents the remaining fund balance after non-spendable, restrictions, and assignments have been made.

The District applies restricted resources first for applicable expenditures. Assigned fund equity is applied when expenditures are incurred for the assigned purpose, followed by unassigned fund equity for budgeted expenditures.

Note 11 – Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District has purchased commercial insurance for property loss, torts, and errors and omissions claims; the 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 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 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 year ended June 30, 2012 are as follows:

Estimated liability - Beginning of year	\$ 1,462,206
Estimated claims incurred-Including changes in estimates	4,297,886
Claim payments	<u>(4,797,574)</u>
Estimated unpaid claims - End of year	<u>\$ 962,518</u>

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 12 – State Aid Anticipation Note

On August 22, 2011, the District borrowed \$11,232,147 at 0.6 percent annual interest on a state aid anticipation note. The note was paid in full on August 22, 2012. At June 30, 2012, the District has accrued interest of \$30,431 on this note.

Note 13 – Subsequent Events

On August 20, 2012, the District borrowed \$10,819,050 on a state aid anticipation note at interest rates of .27 percent and 1.46 percent. The note, including interest, is due August 20, 2013.

On July 16, 2012, the District sold its entire school bus fleet consisting of 36 buses for \$486,900.

Subsequent events have been reviewed through the date of the auditor's opinion, which is the date the financial statements were available to be issued.

Note 14 – Going Concern

As noted in the independent auditor's report, the District has an accumulated general fund deficit of approximately \$4.1 million, and general fund equity decreased by \$2.3 million during the 2011-12 fiscal year. The preliminary 2012-13 budget as approved by the Board of Education projects an additional increase to the deficit of approximately \$335,000 as of June 30, 2013. In addition to these factors, the District is facing the prospect of flat or declining State per-pupil revenues, a significant increase in retirement payments, and declining enrollment.

These factors raise substantial doubt about the District's ability to continue as a going concern. Management is addressing this situation by working with the Board of Education to analyze the District's financial condition and develop a deficit elimination plan to reduce their deficit within two to five years. A deficit elimination plan was submitted to the Michigan Department of Education on December 15, 2011. A new deficit elimination plan is required to be submitted to the Michigan Department of Education by December 14, 2012.

REQUIRED SUPPLEMENTAL INFORMATION

REDFORD UNION SCHOOL DISTRICT #1
 REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2012

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Local sources	\$ 3,282,533	\$ 3,200,528	\$ 3,451,760	\$ 251,232
State sources	19,806,844	18,702,621	18,636,907	(65,714)
Federal sources	2,594,250	2,440,542	2,287,853	(152,689)
Interdistrict sources	474,945	547,076	528,429	(18,647)
Total revenues	26,158,572	24,890,767	24,904,949	14,182
Expenditures				
Education				
Instruction				
Basic programs	11,120,059	11,152,601	11,550,906	(398,305)
Added needs	4,807,283	4,383,038	4,504,404	(121,366)
Supporting services	-			
Pupil services	2,258,152	2,002,280	2,036,508	(34,228)
Instructional staff	576,101	444,476	354,999	89,477
General administration	416,354	415,251	408,149	7,102
School administration	1,576,155	1,552,155	1,606,866	(54,711)
Business services	954,085	866,063	885,975	(19,912)
Operation and maintenance	2,915,971	3,372,800	3,653,215	(280,415)
Transportation	1,310,365	1,245,316	1,490,126	(244,810)
Central services	628,181	584,835	575,460	9,375
Athletics	323,094	325,971	294,827	31,144
Community services	327,286	307,447	363,404	(55,957)
Capital outlay	-	2,046	83,725	(81,679)
Debt service	107,853	107,853	117,749	(9,896)
Total expenditures	27,320,939	26,762,132	27,926,313	(1,164,181)
Excess of Revenues Over/(Under) Expenditures	(1,162,367)	(1,871,365)	(3,021,364)	(1,149,999)
Other Financing Sources/(Uses)				
Loan proceeds	-	-	108,301	108,301
Transfers in	1,302,598	1,147,018	640,078	(506,940)
Transfers out	(65,654)	(65,654)	(84,455)	(18,801)
Total Other Financing Sources/(Uses)	1,236,944	1,081,364	663,924	(417,440)
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	74,577	(790,001)	(2,357,440)	(1,567,439)
Fund balance - July 1	(1,757,020)	(1,757,020)	(1,757,020)	-
Fund balance - June 30	\$ (1,682,443)	\$ (2,547,021)	\$ (4,114,460)	\$ (1,567,439)

REDFORD UNION SCHOOL DISTRICT #1
 REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - SPECIAL EDUCATION CENTER PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2012

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
State sources	\$ 3,469,410	\$ 3,469,410	\$ 2,783,362	\$ (686,048)
Federal sources	699,106	699,106	583,794	(115,312)
Interdistrict sources	<u>6,301,274</u>	<u>6,301,274</u>	<u>7,747,304</u>	<u>1,446,030</u>
Total revenues	10,469,790	10,469,790	11,114,460	644,670
Expenditures				
Salaries	5,450,785	5,450,785	6,174,363	(723,578)
Fringe benefits	3,331,502	3,331,502	3,876,804	(545,302)
Other expenses	<u>527,878</u>	<u>527,878</u>	<u>553,564</u>	<u>(25,686)</u>
Total expenditures	<u>9,310,165</u>	<u>9,310,165</u>	<u>10,604,731</u>	<u>(1,294,566)</u>
Excess of Revenues Over/(Under) Expenditures	1,159,625	1,159,625	509,729	(649,896)
Other Financing Sources/(Uses)				
Transfers out	<u>(1,159,625)</u>	<u>(1,159,625)</u>	<u>(509,729)</u>	<u>649,896</u>
Total Other Financing Sources/(Uses)	<u>(1,159,625)</u>	<u>(1,159,625)</u>	<u>(509,729)</u>	<u>649,896</u>
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	-	-	-	-
Fund balance - July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

OTHER SUPPLEMENTAL INFORMATION

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2012
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	June 30, 2012	June 30, 2011
Local sources		
Property taxes	\$ 2,619,730	\$ 2,750,451
Earnings on investments	1,665	5,824
Tuition	315,007	321,721
Athletics	25,893	34,960
Other	489,465	464,467
	<hr/>	<hr/>
Total revenues from local sources	3,451,760	3,577,423
State sources		
Grants - unrestricted		
State school aid	16,203,145	16,977,013
Grants - restricted		
Special education	1,335,808	1,842,064
At risk	899,622	747,774
Vocational/adult education	35,117	26,951
Great start readiness program	97,920	108,800
Declining enrollment	-	78,879
Headlee obligation data collection	65,295	52,659
CEPI teacher student data link	-	17,490
	<hr/>	<hr/>
Total revenues from state sources	18,636,907	19,851,630
Federal sources		
Grants - restricted		
ARRA stabilization	-	386,556
Education jobs fund	55,198	730,698
Special education - I.D.E.A.	886,572	1,025,049
Special education - I.D.E.A.-ARRA	-	365,860
Title I	1,080,653	720,919
Title I-ARRA	11,787	88,790
Perkins	34,931	28,237
Medicaid outreach	18,559	13,523
Title II	200,153	172,506
Title II-ARRA	-	2,802
Other	-	17,456
	<hr/>	<hr/>
Total revenues from federal sources	2,287,853	3,552,396
Interdistrict sources		
Act 18	311,259	282,668
Medicaid fee for service	179,970	46,632
Medicaid transportation	35,538	-
Other interdistrict sources	1,662	1,127
	<hr/>	<hr/>
Total revenues from interdistrict sources	528,429	330,427
Other financing sources		
Transfers in	640,078	1,339,179
Loan proceeds	108,301	-
	<hr/>	<hr/>
Total other financing sources	748,379	1,339,179
	<hr/>	<hr/>
Total revenues and other financing sources	\$ 25,653,328	\$ 28,651,055

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2012
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	Salaries & Benefits	Purchased Services	Supplies & Materials	Other Expenses	TOTALS	
					June 30, 2012	June 30, 2011
Instruction						
Basic Programs:						
Elementary	\$ 2,862,820	\$ 48,778	\$ 49,922	\$ -	\$ 2,961,520	\$ 2,961,928
Middle School	1,826,631	31,806	18,851	-	1,877,288	1,845,743
High School	2,578,996	79,871	38,956	-	2,697,823	2,847,722
Other Basic Programs	111,953	2,413	2,601	-	116,967	99,827
Employee Benefits	3,897,308	-	-	-	3,897,308	3,443,886
Added Needs:						
Special Education	1,854,932	47,295	13,810	-	1,916,037	2,246,207
Compensatory Education	530,850	85,117	152,792	-	768,759	715,965
Vocational Education	157,063	5,136	36,725	83,813	282,737	253,684
Employee Benefits	1,536,871	-	-	-	1,536,871	1,532,203
Total Instruction	15,357,424	300,416	313,657	83,813	16,055,310	15,947,165
Support Services:						
Pupil:						
Guidance Services	416,974	53	720	-	417,747	502,948
Nurse Services	24,607	12,461	311	-	37,379	42,780
Psychologist	8,370	65,400	4,968	-	78,738	154,162
Speech Services	385,929	39,650	6,640	-	432,219	454,473
Social Worker Services	324,558	6,137	1,527	-	332,222	401,140
Other Pupil Services	76,951	36,605	7,993	(3,000)	118,549	67,883
Employee Benefits	619,654	-	-	-	619,654	698,404
Instructional Staff:						
Improvement of Instruction	42,107	119,958	27,173	1,320	190,558	242,937
Library	16,213	1,417	-	608	18,238	55,940
Technology	-	-	-	-	-	17
Supervision	65,861	2,523	10,361	603	79,348	75,628
Employee Benefits	66,855	-	-	-	66,855	92,150
General Administration:						
Board of Education	2,577	88,974	3,223	7,357	102,131	173,872
Executive Administration	196,018	200	322	2,535	199,075	203,923
Employee Benefits	106,943	-	-	-	106,943	94,094
School Administration:						
Office of Principal	1,048,062	21,143	5,952	1,660	1,076,817	1,006,145
Employee Benefits	530,049	-	-	-	530,049	467,022
Business:						
Fiscal Services	301,448	58,575	592	30,310	390,925	373,387
Other Business Services	-	28,209	-	206,474	234,683	327,611
Employee Benefits	260,367	-	-	-	260,367	233,722
Operations & Maintenance:						
Operating & Maintenance of Plant	1,194,626	1,018,641	631,231	1,873	2,846,371	3,312,337
Security	-	43,285	-	-	43,285	186,000
Employee Benefits	763,559	-	-	-	763,559	782,226
Pupil Transportation:						
Pupil Transportation Services	561,857	141,248	204,388	3,326	910,819	1,015,812
Employee Benefits	579,307	-	-	-	579,307	444,069
Central Services:						
Human Resources	128,551	31,049	131	1,330	161,061	241,084
Other Central Services	135,827	105,619	15,558	4,046	261,050	220,873
Employee Benefits	153,349	-	-	-	153,349	166,569
Athletics:						
Athletic Services	73,390	156,054	24,713	10,150	264,307	291,385
Employee Benefits	30,520	-	-	-	30,520	37,612
Community Services:						
Community Services/Misc Grants	101,524	170,689	11,542	364	284,119	227,347
Employee Benefits	79,285	-	-	-	79,285	110,629
Total Support Services	8,295,338	2,147,890	957,345	268,956	11,669,529	12,704,181
Capital Outlay:						
Instruction	-	-	-	5,481	5,481	-
Support Services	-	-	-	78,244	78,244	954
Total Capital Outlay	-	-	-	83,725	83,725	954
Total Expenditures	23,652,762	2,448,306	1,271,002	436,494	27,808,564	28,652,300
Other Financing Uses:						
Interest and Principal Payments	-	-	-	117,749	117,749	111,723
Interfund Transfers	-	-	-	84,455	84,455	70,261
Total Other Financing Uses	-	-	-	202,204	202,204	181,984
Total Expenditures & Other Financing Uses	\$ 23,652,762	\$ 2,448,306	\$ 1,271,002	\$ 638,698	\$ 28,010,768	\$ 28,834,284

REDFORD UNION SCHOOL DISTRICT #1
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>Special Revenue Fund</u>	<u>Debt Service Funds</u>			Capital Projects Fund	Total Non-major Governmental Funds
	School Lunch Fund	1997 Bond Issue	2007 Refunding Issue	2009 Bond Issue		
Assets						
Cash and investments	\$ -	\$ 3,049,222	\$ -	\$ -	\$ 22,917	\$ 3,072,139
Accounts receivable	12,816	-	-	-	-	12,816
Due from other governmental units	18,775	-	-	-	-	18,775
Due from other funds	357,547	-	-	-	-	357,547
Inventory	13,889	-	-	-	-	13,889
Total assets	\$ <u>403,027</u>	\$ <u>3,049,222</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>22,917</u>	\$ <u>3,475,166</u>
Liabilities						
Accounts payable	\$ 699	\$ -	\$ -	\$ -	\$ -	\$ 699
Accrued payroll and other liabilities	-	-	-	-	-	-
Due to other funds	-	2,840,832	-	-	-	2,840,832
Total liabilities	699	2,840,832	-	-	-	2,841,531
Fund balances						
Non-spendable	13,889	-	-	-	-	13,889
Restricted for:						
Capital projects	-	-	-	-	22,917	22,917
Debt service	-	208,390	-	-	-	208,390
Unassigned	388,439	-	-	-	-	388,439
Total fund balances	<u>402,328</u>	<u>208,390</u>	<u>-</u>	<u>-</u>	<u>22,917</u>	<u>633,635</u>
Total liabilities and fund balance	\$ <u>403,027</u>	\$ <u>3,049,222</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>22,917</u>	\$ <u>3,475,166</u>

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Special Revenue Fund</u>		<u>Debt Service Funds</u>		Capital Projects Fund	Total Non-major Governmental Funds
	School Lunch Fund	1997 Bond Issue	2007 Refunding Issue	2009 Bond Issue		
Revenues						
Local sources	\$ 284,338	\$ 3,517,342	\$ -	\$ -	\$ 44	\$ 3,801,724
State sources	38,118	197,684	-	-	-	235,802
Federal sources	996,356	319,314	-	-	-	1,315,670
Total revenues	<u>1,318,812</u>	<u>4,034,340</u>	-	-	44	5,353,196
Expenditures						
Salaries	213,634	-	-	-	-	213,634
Employee benefits	103,992	-	-	-	-	103,992
Purchased services	200,141	-	-	-	-	200,141
Supplies and materials	623,370	-	-	-	-	623,370
Capital outlay	4,845	-	-	-	-	4,845
Principal payments	-	2,335,123	-	-	-	2,335,123
Interest on long-term debt	-	757,636	65,200	912,325	-	1,735,161
Other	1,382	300	325	450	-	2,457
Total expenditures	<u>1,147,364</u>	<u>3,093,059</u>	<u>65,525</u>	<u>912,775</u>	-	<u>5,218,723</u>
Excess of Revenues Over/(Under) Expenditures	171,448	941,281	(65,525)	(912,775)	44	134,473
Other Financing Sources/(Uses):						
Operating Transfers	(45,894)	(978,300)	65,525	912,775	-	(45,894)
Total Other Financing Sources/(Uses)	<u>(45,894)</u>	<u>(978,300)</u>	<u>65,525</u>	<u>912,775</u>	-	<u>(45,894)</u>
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	125,554	(37,019)	-	-	44	88,579
Fund balance - July 1	<u>276,774</u>	<u>245,409</u>	-	-	<u>22,873</u>	<u>545,056</u>
Fund balance - June 30	<u>\$ 402,328</u>	<u>\$ 208,390</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,917</u>	<u>\$ 633,635</u>

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 DETAIL SCHEDULE OF BONDED INDEBTEDNESS
 DURANT RESOLUTION BONDS
 JUNE 30, 2012

Amount: \$ 2,815,220
 Date Issued: November 24, 1998, refinanced March 25, 2003
 Purpose: Durant Resolution Bonds

<u>Due Date</u>	<u>Annual Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
5/15/2013	4.76%	\$ 188,697	\$ 8,984	\$ 197,681
		\$ 188,697	\$ 8,984	\$ 197,681

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 DETAIL SCHEDULE OF BONDED INDEBTEDNESS
 1997 BOND ISSUE
 JUNE 30, 2012

Amount: \$ 35,575,000

 Year Issued: 1997

 Purpose: School improvement

Due Date	Annual Interest Rate	Principal	Interest	Total
11/1/2012	4.75% to 5.5%	\$ -	\$ 316,118	\$ 316,118
5/1/2013		2,330,000	316,117	2,646,117
11/1/2013		-	257,912	257,912
5/1/2014		1,155,000	257,913	1,412,913
11/1/2014		-	226,150	226,150
5/1/2015		1,260,000	226,150	1,486,150
11/1/2015		-	191,500	191,500
5/1/2016		-	191,500	191,500
11/1/2016		-	191,500	191,500
5/1/2017		-	191,500	191,500
11/1/2017		-	191,500	191,500
5/1/2018		-	191,500	191,500
11/1/2018		-	191,500	191,500
5/1/2019		1,715,000	191,500	1,906,500
11/1/2019		-	148,625	148,625
5/1/2020		1,845,000	148,625	1,993,625
11/1/2020		-	102,500	102,500
5/1/2021		1,980,000	102,500	2,082,500
11/1/2021		-	53,000	53,000
5/1/2022		2,120,000	53,000	2,173,000
		<u>\$ 12,405,000</u>	<u>\$ 3,740,610</u>	<u>\$ 16,145,610</u>

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 DETAIL SCHEDULE OF BONDED INDEBTEDNESS
 2007 BOND REFUNDING ISSUE
 JUNE 30, 2012

Amount: \$ 6,590,000
 Year Issued: 2007
 Purpose: School improvement

Due Date	Annual Interest Rate	Principal	Interest	Total
11/1/2012	4.00%	\$ -	\$ 32,600	\$ 32,600
5/1/2013		-	32,600	32,600
11/1/2013		-	32,600	32,600
5/1/2014		-	32,600	32,600
11/1/2014		-	32,600	32,600
5/1/2015		-	32,600	32,600
11/1/2015		-	32,600	32,600
5/1/2016		485,000	32,600	517,600
11/1/2016		-	22,900	22,900
5/1/2017		540,000	22,900	562,900
11/1/2017		-	12,100	12,100
5/1/2018		605,000	12,100	617,100
		\$ 1,630,000	\$ 330,800	\$ 1,960,800

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 DETAIL SCHEDULE OF BONDED INDEBTEDNESS
 2009 BOND ISSUE
 JUNE 30, 2012

Amount: \$ 12,530,000

Year Issued: 2009

Purpose: School improvement

Due Date	Annual Interest Rate	Principal	Interest	Total
11/1/2012	6.5% to 7.75%	\$ -	\$ 456,163	\$ 456,163
5/1/2013		-	456,162	456,162
11/1/2013		-	456,163	456,163
5/1/2014		860,000	456,162	1,316,162
11/1/2014		-	428,212	428,212
5/1/2015		900,000	428,213	1,328,213
11/1/2015		-	397,838	397,838
5/1/2016		1,500,000	397,837	1,897,837
11/1/2016		-	347,212	347,212
5/1/2017		1,560,000	347,213	1,907,213
11/1/2017		-	292,612	292,612
5/1/2018		1,640,000	292,613	1,932,613
11/1/2018		-	235,213	235,213
5/1/2019		630,000	235,212	865,212
11/1/2019		-	210,800	210,800
5/1/2020		640,000	210,800	850,800
11/1/2020		-	186,000	186,000
5/1/2021		660,000	186,000	846,000
11/1/2021		-	160,425	160,425
5/1/2022		700,000	160,425	860,425
11/1/2022		-	133,300	133,300
5/1/2023		1,730,000	133,300	1,863,300
11/1/2023		-	66,263	66,263
5/1/2024		1,710,000	66,262	1,776,262
		<u>\$ 12,530,000</u>	<u>\$ 6,740,400</u>	<u>\$ 19,270,400</u>

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 2007 INSTALLMENT LOAN
 JUNE 30, 2012

Amount: \$ 142,490
 Date Issued: August 1, 2007
 Purpose: School bus purchase

Due Date	Annual Interest Rate	Principal	Interest	Total
5/1/2013	4.24%	\$ 24,691	\$ 1,047	\$ 25,738
		\$ 24,691	\$ 1,047	\$ 25,738

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 2009 INSTALLMENT LOAN
 JUNE 30, 2012

Amount: \$ 324,976
 Date Issued: August 11, 2009
 Purpose: Four school buses

Due Date	Annual Interest Rate	Principal	Interest	Total
5/1/2013	4.29%	\$ 54,000	\$ 6,992	\$ 60,992
5/1/2014		54,000	4,675	58,675
5/1/2015		54,976	2,358	57,334
		<u>\$ 162,976</u>	<u>\$ 14,025</u>	<u>\$ 177,001</u>

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 2009 ADDITIONAL INSTALLMENT LOAN
 JUNE 30, 2012

Amount: \$ 99,119

Date Issued: October 7, 2009

Purpose: New School Bus

Due Date	Annual Interest Rate	Principal	Interest	Total
8/1/2012	3.49%	\$ -	\$ 433	\$ 433
11/1/2012		-	433	433
2/1/2013		-	433	433
5/1/2013		16,500	433	16,933
8/1/2013		-	289	289
11/1/2013		-	289	289
2/1/2014		-	289	289
5/1/2014		16,500	289	16,789
8/1/2014		-	145	145
11/1/2014		-	145	145
2/1/2015		-	145	145
5/1/2015		16,619	145	16,764
		<u>\$ 49,619</u>	<u>\$ 3,468</u>	<u>\$ 53,087</u>

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 2011 INSTALLMENT LOAN
 JUNE 30, 2012

Amount: \$ 108,301

Date Issued: July 29, 2011

Purpose: Insurance Settlement

Due Date	Principal
7/1/2012	\$ 3,500
10/1/2012	3,500
1/1/2013	3,500
4/1/2013	3,500
7/1/2013	3,500
10/1/2013	3,500
1/1/2014	3,500
4/1/2014	3,500
7/1/2014	3,500
10/1/2014	3,500
1/1/2015	3,500
4/1/2015	3,500
7/1/2015	3,500
10/1/2015	3,500
1/1/2016	3,500
4/1/2016	3,500
7/1/2016	3,500
10/1/2016	3,500
1/1/2017	3,500
4/1/2017	3,500
7/1/2017	3,500
10/1/2017	3,500
1/1/2018	3,500
4/1/2018	3,500
7/1/2018	3,500
10/1/2018	3,500
1/1/2019	3,500
4/1/2019	3,301
	<hr/>
	\$ 97,801
	<hr/> <hr/>

A-133 INFORMATION

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

November 12, 2012

To the Board of Education
Redford Union School District #1

We have audited the basic financial statements of Redford Union School District #1 as of and for the year ended June 30, 2012, and have issued our report thereon dated November 12, 2012. 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

Management of Redford Union School District #1 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Redford Union School District #1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Redford Union School District #1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Redford Union School District #1's internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified finding 2012-1 as a deficiency in internal control over financial reporting that we consider to be a material weakness as defined above.

Our audit procedures included making material audit adjustments to various account classes, including grants receivable, revenues, expenses, and prepaid expenses. Without these adjustments, the financial statements would have been materially misstated. The nature and amounts of these adjustments indicate the District needs additional controls in place, including a review of interim statements to help ensure the financial statements are reported in accordance with generally accepted accounting principles as they apply to school districts.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Redford Union School District #1's basic 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Redford Union School District #1, in a separate letter dated November 19, 2012.

This report is intended solely for the information and use of management, the Michigan Department of Education, 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.

Taylor & Morgan P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

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

November 12, 2012

To the Board of Education
Redford Union School District #1

Compliance

We have audited Redford Union School District #1's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of its major federal programs for the year ended June 30, 2012. Redford Union School District #1'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 Redford Union School District #1's management. Our responsibility is to express an opinion on Redford Union School District #1'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 Redford Union School District #1'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 on Redford Union School District #1's compliance with those requirements.

In our opinion, Redford Union School District #1 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, 2012.

Internal Control over Compliance

The management of Redford Union School District #1 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Redford Union School District #1's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Redford Union School District #1'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, 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 a material weakness as defined above.

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

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

REDFORD UNION SCHOOL DISTRICT #1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AMOUNT	ACCRUED (DEFERRED) REVENUE JUNE 30, 2011	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JUNE 30, 2012
<u>U.S. DEPARTMENT OF EDUCATION</u>							
<u>Passed Through Michigan Department of Education</u>							
Title I Grants Regular:							
111530 1011	84.010	\$ 986,284	\$ 236,009	\$ 693,840	\$ 429,002	\$ 192,993	\$ -
121530 1112	84.010	973,352	-	-	973,352	887,660	(85,692)
		1,959,636	236,009	693,840	1,402,354	1,080,653	(85,692)
ARRA Title I, Part A 111535 1011	84.389	442,215	50,934	430,131	62,721	11,787	-
Title II A - Improving Teacher Quality							
110520 1011	84.367	272,251	58,275	145,725	93,863	35,588	-
120520 1112	84.367	241,472	-	-	178,713	164,565	(14,148)
		513,723	58,275	145,725	272,576	200,153	(14,148)
Education Jobs Fund							
112545 1011	84.410A	730,698	176,804	730,698	176,804	-	-
112545 1112	84.410A	55,199	-	-	55,198	55,198	-
		785,897	176,804	730,698	232,002	55,198	-
Education Stabilization Fund ARRA							
112525 1011	84.394	386,556	101,213	386,566	101,213	-	-
Total Passed Through Michigan Department of Education		4,088,027	623,235	2,386,960	2,070,866	1,347,791	(99,840)
<u>Passed through Wayne RESA</u>							
Special Ed. Flow Through							
IDEA Flowthrough 10-11	84.027	952,966	277,377	952,966	277,377	-	-
IDEA Flowthrough 11-12	84.027	1,009,620	-	-	694,698	834,499	139,801
IDEA Flowthrough CPE 10-11	84.027	519,224	194,244	519,224	194,244	-	-
IDEA Flowthrough CPE 11-12	84.027	519,820	-	-	503,369	519,820	16,451
		3,001,630	471,621	1,472,190	1,669,688	1,354,319	156,252
IDEA Preschool Incentive 09-10	84.173	59,904	10,778	56,904	10,778	-	-
IDEA Preschool Incentive 10-11	84.173	49,653	15,741	49,653	15,741	-	-
IDEA Preschool Incentive 11-12	84.173	58,608	-	-	45,397	52,073	6,676
		168,165	26,519	106,557	71,916	52,073	6,676
ARRA IDEA Flowthrough 09-11	84.391A	980,096	292,431	980,096	292,431	-	-
ARRA IDEA Flowthrough CPE 09-11	84.391A	702,280	132,308	638,306	196,282	63,974	-
		1,682,376	424,739	1,618,402	488,713	63,974	-
ARRA Preschool Incentive 09-11	84.392A	84,768	73,429	84,768	73,429	-	-
Vocational Education							
CTE Perkins Grant 10-11	84.048A	39,985	27,868	28,237	27,868	-	-
CTE Perkins Grant 10-11	84.048A	34,931	-	-	12,117	34,931	22,814
Total Passed Through Wayne RESA		4,971,870	996,308	3,281,917	2,315,863	1,505,297	185,742
Total U.S. Department of Education		9,059,897	1,619,543	5,668,877	4,386,729	2,853,088	85,902
<u>U.S. DEPARTMENT OF AGRICULTURE</u>							
<u>Passed Through Michigan Department of Education</u>							
National School Lunch Program	10.555	652,416	-	-	652,416	652,416	-
National School Lunch - Breakfast	10.553	263,149	-	-	263,149	263,149	-
		915,565	-	-	915,565	915,565	-
<u>U.S.D.A. Food Distributions</u>							
Entitlement Commodities	10.550	80,791	-	-	80,791	80,791	-
Total U.S. Department of Agriculture		996,356	-	-	996,356	996,356	-
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>							
<u>Passed through Wayne RESA</u>							
Medical Assistance Program	93.778	18,559	-	-	18,559	18,559	-
Total Passed Through Wayne RESA		18,559	-	-	18,559	18,559	-
Total Department of Health & Human Services		18,559	-	-	18,559	18,559	-
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>		<u>\$ 10,074,812</u>	<u>\$ 1,619,543</u>	<u>\$ 5,668,877</u>	<u>\$ 5,401,644</u>	<u>\$ 3,868,003</u>	<u>\$ 85,902</u>

REDFORD UNION SCHOOL DISTRICT #1
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	\$ <u>3,868,003</u>
FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS PURPOSE	
General Fund	\$ 2,287,853
Special Education Center Program	583,794
Non-major Governmental Funds	1,315,670
Less: ARRA Build America Bond Revenue	<u>(319,314)</u>
TOTAL	\$ <u>3,868,003</u>

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Grant Auditor Report have been reconciled in the attached reconciliation on page 52 of this report.
- 3) The deferred revenue amounts reported for Title I and Title IIA as of June 30, 2012 were remitted to the State of Michigan in August 2012.

REDFORD UNION SCHOOL DISTRICT #1
RECONCILIATION OF THE GRANT AUDITOR REPORT TO THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Current Payments Per the Grant Auditor Report	\$ 2,986,431
<u>Add:</u> Grants Passed Through Wayne RESA	2,334,422
Entitlement and Bonus Commodities (CFDA 10.550)	<u>80,791</u>
 TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	 \$ <u><u>5,401,644</u></u>

REDFORD UNION SCHOOL DISTRICT #1
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Qualified*

Internal control over financial reporting:

Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

Identification of major programs:

CFDA Number(s)	Name of Federal Program of Cluster
84.027, 84.173	IDEA Special Education Cluster
84.391, 84.392	ARRA IDEA Special Education Cluster

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

Auditee qualified as low-risk auditee? Yes

REDFORD UNION SCHOOL DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section II Financial Statement Findings

Finding 2012-1

Condition:

The District provided unadjusted trial balances for its General Fund and Special Education Center Program Fund that were not in accordance with generally accepted accounting principles.

Criteria:

Generally Accepted Accounting Principles include "closing" procedures at intervals throughout the fiscal year; generally month and year-end. Our audit procedures included proposing a significant number of material audit adjustments, indicating that these "closing" procedures had not been performed.

Cause:

The District had some turnover in its key accounting personnel during the fiscal year.

Effect:

This condition resulted in financial statements that were less timely than desired. In addition, the accuracy of interim financial statements was affected.

Recommendation

Additional controls are required that include a review of interim financial statements to ensure they are reported in accordance with generally accepted accounting principles.

Management Response:

Management is aware of this issue and will work with current accounting staff to implement controls that will ensure complete and accurate financial data.

Section III Questioned Costs

None



19990 Beech Daly Road Redford Michigan 48240
Telephone (313) 242-6000
Fax (313) 242-6025

Internet address: <http://www.redfordu.k12.mi.us>

CORRECTIVE ACTION PLAN
November 12, 2012

Redford Union School District #1 respectfully submits the following corrective action plan for the year ended June 30, 2012.

Name and address of independent public accounting firm:

Taylor & Morgan, P.C.
G-2302 Stonebridge Drive, Bldg. D
Flint, MI 48532

Audit Period: July 1, 2011 - June 30, 2012

The finding from the June 30, 2012 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

Financial Statement Finding

Finding 2012-1

Recommendation:

Additional accounting controls are required that include a review of the interim financial statements to ensure they are reported in accordance with generally accepted accounting principles.

Action Taken:

Management is aware of this issue and is working with current accounting staff to implement controls that will ensure complete and accurate financial data.

If the Federal Audit Clearinghouse has questions regarding this plan, please contact Greg McIntyre at (313) 242-6009.

Sincerely,

Greg McIntyre
Assistant Superintendent of Business Services
Redford Union Schools
313 242-6009
mcintyg@redfordu.k12.mi.us

November 19, 2012

To the Board of Education of
Redford Union School District #1

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Redford Union School District #1 for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *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 August 22, 2012. 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 Redford Union School District #1 are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012. We noted no transactions entered into by Redford Union School District #1 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.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Our audit procedures included making material audit adjustments to various account classes, including grants receivable, revenues, expenses, and prepaid expenses. Without these adjustments, the financial statements the financial statements would have been materially misstated. The nature and amounts of these adjustments indicate the District needs additional controls in place, including a review of interim statements to help ensure the financial statements are reported in accordance with generally accepted accounting principles as they apply to school districts. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 12, 2012.

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 a certain situation. If a consultation involves application of an accounting principle to the District'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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Budget Variances and General Fund Deficit

There were several significant budget variances in the General Fund for the year ended June 30, 2012. The District budgeted expenditures to exceed revenues by \$790,001. Actual expenditures exceeded revenues by \$2,357,440, a total budget variance of \$1,567,439.

The District will need to file a deficit elimination plan with the State of Michigan that incorporates realistic assumptions about funding levels, enrollment, and expenditure reductions in order to successfully eliminate the fund balance deficit.

Payroll Compliance

During our payroll testing, we noted that many employees were missing completed Employment Eligibility and Verification Form I-9s in their files. The Immigration Reform and Control Act of 1986 (IRCA) requires employees and employers to complete an I-9 form for every employee hired after November 6, 1986.

We recommend that all personnel files be reviewed to ensure that they contain a completed Form I-9, if applicable, and all other required employment forms.

Student Activity Accounts

The District is fiduciary for numerous student activity accounts. Each group of accounts has a separate bank account that is reconciled monthly. However, not all of the accounts use the computer system to record receipts and disbursements.

We recommend the District utilize the module in the current software package to reconcile the activity in these accounts.

Computer Controls

The District requested and received funds for its Title I and Title IIA programs in excess of expenditures. The request was inadvertently made by the District's former assistant superintendent of business services after she left employment. While the District suffered no financial loss as a result of this transaction, we recommend that procedures be updated to ensure former employees no longer have access to District computer systems and data.

Other Matters

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 the Board of Education of Redford Union School District #1 and its management and should not be used for any other purpose.

Taylor & Morgan, P.C.

Taylor & Morgan, CPAs, P.C.
Flint, MI