

South Redford School District

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

South Redford School District

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Independent Auditor's Report

To the Board of Education
South Redford School District

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

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

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

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

To the Board of Education
South Redford School District

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

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated October 6, 2009 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

October 6, 2009

South Redford School District

Management's Discussion and Analysis

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

Using this Annual Report

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

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

Basic Financial Statements

District-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplementary Information)
Budgetary Information for Major Funds

Other Supplementary Information

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

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

South Redford School District

Management's Discussion and Analysis (Continued)

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

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

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

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

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

South Redford School District

Management's Discussion and Analysis (Continued)

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

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

The School District as a Whole

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

TABLE I

| | Governmental Activities | |
|--|-------------------------|---------------|
| | 2009 | 2008 |
| | (in millions) | |
| Assets | | |
| Current and other assets | \$ 11.8 | \$ 12.4 |
| Capital assets | <u>57.3</u> | <u>58.2</u> |
| Total assets | 69.1 | 70.6 |
| Liabilities | | |
| Current liabilities | 7.7 | 5.7 |
| Long-term liabilities | <u>54.9</u> | <u>57.6</u> |
| Total liabilities | <u>62.6</u> | <u>63.3</u> |
| Net Assets | | |
| Invested in property and equipment - Net of related debt | (0.2) | (3.1) |
| Restricted | 3.0 | 6.7 |
| Unrestricted | <u>3.7</u> | <u>3.7</u> |
| Total net assets | <u>\$ 6.5</u> | <u>\$ 7.3</u> |

South Redford School District

Management's Discussion and Analysis (Continued)

The preceding analysis focuses on the net assets (see Table 1). The change in net assets of the School District's governmental activities is discussed below (see Table 2). The School District's net assets were \$6.5 million and \$7.3 million at June 30, 2009 and 2008, respectively. Capital assets, net of related debt totaling (\$0.2) million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets, \$3.7 million, is unrestricted.

The unrestricted net assets of governmental activities represent the accumulated results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities, which shows the changes in net assets for fiscal years ended June 30, 2009 and 2008 (see Table 2):

TABLE 2

| | Governmental Activities | |
|----------------------------|-------------------------|--------|
| | 2009 | 2008 |
| | (in millions) | |
| Revenue | | |
| Program revenue: | | |
| Charges for services | \$ 1.0 | \$ 1.0 |
| Operating grants | 5.4 | 3.8 |
| General revenue: | | |
| Property taxes | 8.6 | 9.3 |
| State foundation allowance | 22.3 | 22.6 |
| Other | 0.1 | 0.4 |
| Total revenue | 37.4 | 37.1 |

South Redford School District

Management's Discussion and Analysis (Continued)

TABLE 2 (Continued)

| | Governmental Activities | |
|-----------------------------------|-------------------------|-----------------|
| | 2009 | 2008 |
| | (in millions) | |
| Functions/Program Expenses | | |
| Instruction | \$ 18.3 | \$ 18.0 |
| Support services | 12.2 | 12.9 |
| Community services | 0.2 | 0.2 |
| Food services | 1.2 | 1.2 |
| Athletics | 0.5 | 0.5 |
| Interest on long-term debt | 2.8 | 2.6 |
| Depreciation (unallocated) | 3.0 | 2.4 |
| | <u>38.2</u> | <u>37.8</u> |
| Total functions/program expenses | | |
| | <u>\$ (0.8)</u> | <u>\$ (0.7)</u> |

As reported in the statement of activities, the cost of all of our governmental activities was \$38.2 million. Certain activities were partially funded from those who benefited from the programs (\$1.0 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5.4 million). We paid for the remaining "public benefit" portion of our governmental activities with \$8.6 million in taxes, \$22.3 million in state foundation allowance, and with our other revenues, i.e., interest and general entitlements that totaled \$0.1 million.

The School District experienced a decrease in net assets of \$0.8 million.

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

The School District's Funds

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

South Redford School District

Management's Discussion and Analysis (Continued)

At June 30, 2009, the governmental funds reported a combined fund balance of approximately \$6.0 million, a decrease of \$2.1 million from last year. Significant changes by fund are as follows:

In the General Fund, our principal operating fund, the fund balance remained relatively consistent compared to last year, decreasing approximately \$32,000 to \$4.0 million. The administration at the direction of the Board of Education focused on keeping costs in line with the approved budget.

The Special Revenue Funds, which consist of food services and athletics, remained stable from the prior year. The reliance on the General Fund decreased by approximately \$82,000 compared to last year.

The Debt Service Fund balance remained consistent at \$1.4 million compared to prior year, experiencing a slight increase from last year. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. The Debt Service Fund's fund balance is reserved since its funds can only be used to pay debt service obligations. The School District continues to benefit from the refinancing of debt.

The Capital Projects Fund balance decreased \$2.0 million due to the construction costs incurred in conjunction with the 2005 bond issuance. This year's costs primarily related to the roofing project at Thurston High School. Additionally, approximately \$19.9 million in bonded projects started in prior fiscal years were placed into service in the current year. The projects related to renovations at Thurston High School. As described in the notes to the financial statements, the bond project was considered to be substantially complete at December 31, 2008.

General Fund Budgetary Highlights

Over the course of the year, the School District revises the budget to periodically reflect changes in revenues and expenditures. State law requires amendments to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted before year end. A budgetary comparison schedule is provided in the required supplementary information showing the School District's original and final budget amounts compared with amounts actually paid and received.

South Redford School District

Management's Discussion and Analysis (Continued)

During the school year, the 2008-2009 General Fund budget was amended in a legally permissible manner as follows:

- Federal source revenues increased approximately \$1.6 million primarily to account for the federal stimulus funds. The federal stimulus funds for the School District were approximately \$1.3 million. The stimulus funds replaced dollars cut from the July and August 2009 state aid payments to the School District. If these funds had not been replaced by the federal stimulus package, the School District would have been forced to use a significant amount of its fund balance in order to continue operations through the end of the 2008-2009 school year. Additionally, the use of Title I and Title II funds increased approximately \$200,000 and \$83,000, respectively, compared to last year. During fiscal year end 2008, certain employees previously funded by federal grants were pulled into administrative positions to fill vacancies at the building principal and central administration levels. These positions were adequately filled for the 2008-2009 school year, which allowed for more direct spending on salaries using Title I and Title II funds, resulting in a combined budget adjustment increase of approximately \$347,000.
- Budgeted expenditures for instruction were increased approximately \$1.2 million. The increase was primarily to account for teacher salaries of approximately \$698,000. The SREA contract expired on June 30, 2008. The original budgeted figure that passed in June 2008 for fiscal year end 2008-2009 was estimated using the cost for fiscal year end 2008, less planned layoffs that did not occur. Salary step increases were also not included in the original budget. Additionally, the budget for benefits was increased approximately \$318,000 to account for the increase in salaries as described above.

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

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2009, the School District had \$90.2 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions and disposals) of approximately \$1.7 million, or 2 percent, from last year.

South Redford School District

Management's Discussion and Analysis (Continued)

| | 2009 | 2008 |
|-------------------------------------|----------------------|----------------------|
| Land | \$ 435,518 | \$ 435,518 |
| Buildings and building improvements | 83,427,688 | 63,015,457 |
| Buses and other vehicles | 1,751,858 | 2,016,167 |
| Furniture and equipment | 3,688,510 | 2,878,651 |
| Construction in progress | 945,617 | 20,162,149 |
| | <u>90,249,191</u> | <u>88,507,942</u> |
| Total capital assets | 90,249,191 | 88,507,942 |
| | <u>32,967,787</u> | <u>30,261,809</u> |
| Accumulated depreciation | 32,967,787 | 30,261,809 |
| | <u>\$ 57,281,404</u> | <u>\$ 58,246,133</u> |
| Total net assets | <u>\$ 57,281,404</u> | <u>\$ 58,246,133</u> |

Several major capital projects that began in prior fiscal years were completed during the 2008-2009 fiscal year which contributed to the increase to buildings and building improvements and related decrease to construction in progress. The projects completed and placed into service in 2008-2009 primarily related to renovations at Thurston High School. Additionally, the School District incurred expenditures for the Thurston High School roofing project in the current year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$54.7 million in bonds outstanding versus \$57.1 million in the previous year. Bonds consisted of the following:

| | 2009 | 2008 |
|-------------------------------------|----------------------|----------------------|
| 1998 Refunding Bonds | \$ 7,425,000 | \$ 9,115,000 |
| 2004 Refunding Bonds | 18,345,000 | 18,345,000 |
| 2005 School Building and Site Bonds | 28,950,000 | 29,625,000 |
| | <u>\$ 54,720,000</u> | <u>\$ 57,085,000</u> |
| Total | <u>\$ 54,720,000</u> | <u>\$ 57,085,000</u> |

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District does not have any outstanding unqualified general obligation debt. Subsequent to year end, the School District has refinanced the above 1998 Refunding Bonds.

South Redford School District

Management's Discussion and Analysis (Continued)

Other obligations include employee compensated absences and early retirement incentives. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2009-2010 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2009-2010 fiscal year is 25 percent and 75 percent of the February 2009 and September 2009 student counts, respectively. The 2009-2010 budget was adopted in June 2009, based on an estimate of students that will be enrolled in September 2009. Approximately 75 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2009-2010 school year, we anticipate that the fall student count will be slightly above (approximately 1 percent) the estimates used in creating the 2009-2010 budget. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

As mentioned above, affecting the budget is our reliance on the State's ability to collect revenues to fund its appropriation to school districts. As many of you are aware, the State of Michigan has been one of the hardest hit states in the current economic downturn. For 2009-2010, the governor and legislature continue to work through the State's worsening budget issues. Districts were asked to establish budgets for the upcoming school year without knowing the level of funding to be provided from the State. We have developed our budget using a zero change in the per pupil foundation allowance. The State is currently behind in its revenue estimates and if that trend continues, the budget plan will face further adjustments. We will continue to monitor the situation and amend our current budget accordingly.

South Redford School District

Statement of Net Assets June 30, 2009

| | <u>Primary Governmental Activities</u> |
|---|--|
| Assets | |
| Cash and investments (Note 3) | \$ 2,844,814 |
| Receivables (Note 4) | 5,753,334 |
| Prepaid costs | 194,102 |
| Bond deferred interest and prepaid costs (Note 8) | 1,488,633 |
| Restricted assets (Note 3) | 1,551,475 |
| Capital assets - Net (Note 5) | <u>57,281,404</u> |
| Total assets | 69,113,762 |
| Liabilities | |
| Accounts payable | 1,247,326 |
| Accrued payroll-related liabilities | 2,280,773 |
| Other accrued liabilities | 721,318 |
| Due to other governmental units | 54,713 |
| Retainage payable | 90,696 |
| Deferred revenue (Note 4) | 429,762 |
| Noncurrent liabilities (Note 8): | |
| Due within one year | 2,840,005 |
| Due in more than one year | <u>54,921,937</u> |
| Total liabilities | <u>62,586,530</u> |
| Net Assets | |
| Invested in capital assets - Net of related debt | (179,481) |
| Restricted: | |
| Debt service | 2,479,492 |
| Capital projects | 517,613 |
| Unrestricted | <u>3,709,608</u> |
| Total net assets | <u><u>\$ 6,527,232</u></u> |

South Redford School District

Statement of Activities Year Ended June 30, 2009

| Functions/Programs | Expenses | Program Revenues | | Governmental |
|---|----------------------|----------------------|------------------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | Activities |
| | | | | Net (Expense) Revenue and Changes in Net Assets |
| Primary government - Governmental activities: | | | | |
| Instruction | \$ 18,279,390 | \$ 57,994 | \$ 2,395,063 | \$ (15,826,333) |
| Support services | 12,246,345 | 65,147 | 1,016,853 | (11,164,345) |
| Athletics | 451,798 | 102,652 | - | (349,146) |
| Food services | 1,236,527 | 480,237 | 751,572 | (4,718) |
| Community services | 211,362 | 286,723 | - | 75,361 |
| Interest | 2,795,847 | - | - | (2,795,847) |
| Depreciation expense (unallocated) (Note 5) | 2,970,287 | - | - | (2,970,287) |
| Total primary government | <u>\$ 38,191,556</u> | <u>\$ 992,753</u> | <u>\$ 4,163,488</u> | (33,035,315) |
| General revenues: | | | | |
| Taxes: | | | | |
| Property taxes, levied for general purposes | | | | 3,632,067 |
| Property taxes, levied for debt service | | | | 5,013,258 |
| State aid not restricted to specific purposes | | | | 22,287,980 |
| Federal sources - Unrestricted | | | | 1,269,450 |
| Interest and investment earnings | | | | 72,421 |
| Gain on the sale of capital assets | | | | 17,300 |
| Total general revenues | | | | <u>32,292,476</u> |
| Change in Net Assets | | | | (742,839) |
| Net Assets - Beginning of year | | | | <u>7,270,071</u> |
| Net Assets - End of year | | | | <u>\$ 6,527,232</u> |

South Redford School District

Governmental Funds Balance Sheet June 30, 2009

| | General Fund | Debt Service Fund | 2005 Bond Capital Projects Fund | Total Governmental Funds |
|--|---------------------|----------------------|---------------------------------------|--------------------------------|
| Assets | | | | |
| Cash and investments (Note 3) | \$ 2,844,814 | \$ - | \$ - | \$ 2,844,814 |
| Receivables (Note 4) | 5,458,484 | 294,850 | - | 5,753,334 |
| Due from other funds (Note 6) | - | 760,257 | - | 760,257 |
| Prepaid costs | 194,102 | - | - | 194,102 |
| Restricted assets (Note 3) | - | 387,627 | 1,163,848 | 1,551,475 |
| | <u>\$ 8,497,400</u> | <u>\$ 1,442,734</u> | <u>\$ 1,163,848</u> | <u>\$ 11,103,982</u> |
| Total assets | | | | |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 692,712 | \$ - | \$ 554,614 | \$ 1,247,326 |
| Accrued payroll-related liabilities | 2,280,773 | - | - | 2,280,773 |
| Other accrued liabilities | 286,443 | - | - | 286,443 |
| Due to other governmental units | 54,713 | - | - | 54,713 |
| Retainage payable | - | - | 90,696 | 90,696 |
| Due to other funds (Note 6) | 759,332 | - | 925 | 760,257 |
| Deferred revenue (Note 4) | 429,762 | - | - | 429,762 |
| | <u>4,503,735</u> | <u>-</u> | <u>646,235</u> | <u>5,149,970</u> |
| Total liabilities | | | | |
| Fund Balances | | | | |
| Reserved: | | | | |
| Encumbrances | 18,540 | - | - | 18,540 |
| Capital projects | - | - | 517,613 | 517,613 |
| Debt service | - | 1,442,734 | - | 1,442,734 |
| Prepaid costs | 194,102 | - | - | 194,102 |
| Unreserved: | | | | |
| Designated fund balance: | | | | |
| Designated for Durant projects | 1,959,073 | - | - | 1,959,073 |
| Designated for 2009-2010 expenditures | 599,297 | - | - | 599,297 |
| Undesignated, reported in General Fund | 1,222,653 | - | - | 1,222,653 |
| | <u>3,993,665</u> | <u>1,442,734</u> | <u>517,613</u> | <u>5,954,012</u> |
| Total fund balances | | | | |
| Total liabilities and fund balances | <u>\$ 8,497,400</u> | <u>\$ 1,442,734</u> | <u>\$ 1,163,848</u> | <u>\$ 11,103,982</u> |

South Redford School District

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

Fund Balance Reported in Governmental Funds \$ 5,954,012

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

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

| | | |
|--------------------------|---------------------|------------|
| Cost of capital assets | \$ 90,249,191 | |
| Accumulated depreciation | <u>(32,967,787)</u> | 57,281,404 |

| | | |
|--|--|-----------|
| Bond prepaid interest and deferred costs not capitalized in governmental funds | | 1,488,633 |
|--|--|-----------|

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

| | | |
|---------------------------------|------------------|--------------|
| Bonds payable including premium | (57,026,010) | |
| Other long-term obligations | <u>(735,932)</u> | (57,761,942) |

| | | |
|---|--|------------------|
| Accrued interest payable is not included as a liability in governmental funds | | <u>(434,875)</u> |
|---|--|------------------|

Net Assets of Governmental Activities **\$ 6,527,232**

South Redford School District

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

| | General Fund | Debt Service Fund | 2005 Bond Capital Projects Fund | Other Non- Major Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------|---------------------------------------|--|--------------------------------|
| Revenue | | | | | |
| Local sources | \$ 4,127,366 | \$ 5,040,567 | \$ 10,571 | \$ 582,889 | \$ 9,761,393 |
| State sources | 23,992,735 | - | - | 62,387 | 24,055,122 |
| Federal sources | 2,690,076 | - | - | 689,185 | 3,379,261 |
| Interdistrict sources | 235,641 | - | - | - | 235,641 |
| Total revenue | 31,045,818 | 5,040,567 | 10,571 | 1,334,461 | 37,431,417 |
| Expenditures | | | | | |
| Current: | | | | | |
| Instruction | 18,247,681 | - | - | - | 18,247,681 |
| Support services | 12,239,012 | - | - | - | 12,239,012 |
| Athletics | - | - | - | 451,798 | 451,798 |
| Food services | - | - | - | 1,236,527 | 1,236,527 |
| Community services | 211,362 | - | - | - | 211,362 |
| Debt service: | | | | | |
| Principal | - | 2,365,000 | - | - | 2,365,000 |
| Interest | 3,553 | 2,651,565 | - | - | 2,655,118 |
| Other | - | 22,751 | - | - | 22,751 |
| Capital outlay | 24,610 | - | 2,050,851 | - | 2,075,461 |
| Total expenditures | 30,726,218 | 5,039,316 | 2,050,851 | 1,688,325 | 39,504,710 |
| Excess of Revenue Over (Under) Expenditures | 319,600 | 1,251 | (2,040,280) | (353,864) | (2,073,293) |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from sale of capital assets | 17,300 | - | - | - | 17,300 |
| Transfers in (Note 6) | - | - | - | 353,864 | 353,864 |
| Transfers out (Note 6) | (353,864) | - | - | - | (353,864) |
| Total other financing sources (uses) | (336,564) | - | - | 353,864 | 17,300 |
| Net Change in Fund Balances | (16,964) | 1,251 | (2,040,280) | - | (2,055,993) |
| Fund Balances - Beginning of year | 4,010,629 | 1,441,483 | 2,557,893 | - | 8,010,005 |
| Fund Balances - End of year | <u>\$ 3,993,665</u> | <u>\$ 1,442,734</u> | <u>\$ 517,613</u> | <u>\$ -</u> | <u>\$ 5,954,012</u> |

The Notes to Financial Statements are an
Integral Part of this Statement.

South Redford School District

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

Net Change in Fund Balances - Total Governmental Funds \$ (2,055,993)

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

| | | |
|----------------------------|------------------|-----------|
| Depreciation expense | \$ (2,970,287) | |
| Capitalized capital outlay | <u>2,005,558</u> | (964,729) |

| | |
|---|----------|
| Amortization of bond issuance costs is amortized in the statement of activities | (26,729) |
|---|----------|

| | |
|---|---------|
| Amortization of premium from issuance of long-term debt is amortized in the statement of activities | 130,215 |
|---|---------|

| | |
|---|-----------|
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities | 2,365,000 |
|---|-----------|

| | |
|--|-----------|
| Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid | (248,193) |
|--|-----------|

| | |
|--|---------------|
| Compensated absences and early retirement incentives are recorded when earned in the statement of activities. In the current year, more was paid out than was earned | <u>57,590</u> |
|--|---------------|

Change in Net Assets of Governmental Activities \$ (742,839)

South Redford School District

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

| | Student Activities Agency Fund |
|--|--------------------------------------|
| Assets - Cash and investments | <u>\$ 277,178</u> |
| Liabilities - Due to student groups | <u>\$ 277,178</u> |

South Redford School District

Notes to Financial Statements June 30, 2009

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

The School District is governed by an elected seven-member Board of Education.

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

District-wide and Fund Financial Statements

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

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

South Redford School District

Notes to Financial Statements June 30, 2009

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

The School District reports the following major governmental funds:

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

South Redford School District

Notes to Financial Statements June 30, 2009

Note I - Summary of Significant Accounting Policies (Continued)

Debt Service Fund - The Debt Service Fund is used to record tax, interest, other revenue for payment of interest, principal, and other expenditures on outstanding bond issues.

2005 Bond Capital Projects Fund - The 2005 Bond Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The fund operates until the purpose for which it was created is accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's Special Revenue Funds include the Food Services and Athletics Funds. Any operating deficit generated by these activities is the responsibility of the General Fund. Additionally, these funds have current year activity, but no assets, liabilities, or fund balance.

Agency Fund - The School District presently maintains an Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

Assets, Liabilities, and Net Assets or Equity

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

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

The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

South Redford School District

Notes to Financial Statements June 30, 2009

Note I - Summary of Significant Accounting Policies (Continued)

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements. Bond issuance costs are capitalized and amortized over the life of the bonds in the district-wide statements.

Restricted Assets - The unspent bond proceeds, property tax levy, and related interest earnings of the 2005 Bond Capital Projects Fund and Debt Service Fund are required to be set aside for construction and bond payments. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

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

| | |
|-------------------------------------|----------------|
| Buildings and building improvements | 25 to 50 years |
| Buses and other vehicles | 7 to 8 years |
| Furniture and other equipment | 5 to 20 years |

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

A liability for early retirement benefits is reported in the district-wide statements at the discounted present value of the expected future benefit payments using a discount rate of 3 percent in the period obligated and for future periods if the employee is required to provide service. The early termination benefits consist of early retirement incentive cash payments provided to 16 employees over a 4- to 14-year period. The cost of the obligation is reported in long-term debt.

South Redford School District

Notes to Financial Statements June 30, 2009

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums, as well as deferred interest charges, are deferred and amortized over the life of the bonds using the effective interest method.

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

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

Note 2 - Stewardship, Compliance, and Accountability

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. Federal source revenues were increased approximately \$1.6 million, to account for federal stabilization (stimulus funds). Budgeted expenditures for instruction were increased approximately \$1.2 million primarily to account for teachers recalled from layoff and to account for an increase in salaries and benefits as a result of union contracts approved subsequent to the adoption of the original budget. There were no other significant amendments to the budget during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year. As of June 30, 2009, there was \$18,540 of encumbrances related to outstanding purchase orders.

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

South Redford School District

Notes to Financial Statements June 30, 2009

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

Capital Projects Fund Compliance - The 2005 Bond Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code. The project for which the construction bonds were issued was considered substantially complete on December 31, 2008, and the cumulative expenditures recognized for the construction period through December 31, 2008 were \$33,710,643.

Note 3 - Deposits and Investments

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

The School District has designated five banks, credit unions, or savings and loan associations for the deposit of its funds.

The investment policy adopted by the board has authorized investments as listed in the state statutory authority as listed above.

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$463,971 (noninterest-bearing checking accounts) was fully insured and collateralized. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

South Redford School District

Notes to Financial Statements June 30, 2009

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

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

At year end, the maturities of investments and the credit quality ratings of debt securities are as follows:

| <u>Investment</u> | <u>Fair Value</u> | <u>Maturities</u> | <u>Rating</u> | <u>Rating Organization</u> |
|---|---------------------|-------------------|---------------|----------------------------|
| Michigan Liquid Asset Fund Cash Management Fund | \$ 3,137,909 | Not Required | AAAm | S&P |
| Chase School District Money Market Operating Fund | 40,556 | Not Required | Aaa | Moody's |
| Comerica Bank School Cash Investment Fund | 1,802 | Not Required | A1/PI | S&P/Moody's |
| U.S. Treasury Government Fund | 10,607 | 30 Day Avg | AAAm | S&P |
| Dreyfus Treasury Money Market Fund | 1,088,742 | Not Required | AAAm/Aaa | S&P/Moody's |
| Total investments | <u>\$ 4,279,616</u> | | | |

Concentration of Credit Risk - The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. No investment securities (other than investment pools) represent more than 5 percent of the School District's investments.

South Redford School District

Notes to Financial Statements June 30, 2009

Note 3 - Deposits and Investments (Continued)

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

Note 4 - Receivables and Deferred Revenue

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

| | General Fund | Debt Service Fund | Total |
|-------------------|---------------------|----------------------|---------------------|
| Receivables: | | | |
| Taxes receivable | \$ 285,280 | \$ 294,850 | \$ 580,130 |
| Intergovernmental | 5,129,907 | - | 5,129,907 |
| Other | 43,297 | - | 43,297 |
| Total receivables | <u>\$ 5,458,484</u> | <u>\$ 294,850</u> | <u>\$ 5,753,334</u> |

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

| | |
|--|-------------------|
| | <u>Unearned</u> |
| Grant and categorical aid payment received prior to meeting all eligibility requirements | <u>\$ 429,762</u> |

South Redford School District

Notes to Financial Statements June 30, 2009

Note 5 - Capital Assets

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

| Governmental Activities | Balance July 1, 2008 | Additions | Disposals | Transfers | Balance June 30, 2009 |
|---------------------------------------|-------------------------|--------------|-----------|--------------|--------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 435,518 | \$ - | \$ - | \$ - | \$ 435,518 |
| Construction in progress | 20,162,149 | 688,006 | - | (19,904,538) | 945,617 |
| Subtotal | 20,597,667 | 688,006 | - | (19,904,538) | 1,381,135 |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 63,015,457 | 507,693 | - | 19,904,538 | 83,427,688 |
| Furniture and equipment | 2,878,651 | 809,859 | - | - | 3,688,510 |
| Buses and other vehicles | 2,016,167 | - | (264,309) | - | 1,751,858 |
| Subtotal | 67,910,275 | 1,317,552 | (264,309) | 19,904,538 | 88,868,056 |
| Accumulated depreciation: | | | | | |
| Buildings and improvements | 28,048,030 | 2,346,268 | - | - | 30,394,298 |
| Furniture and equipment | 654,309 | 504,895 | - | - | 1,159,204 |
| Buses and other vehicles | 1,559,470 | 119,124 | (264,309) | - | 1,414,285 |
| Subtotal | 30,261,809 | 2,970,287 | (264,309) | - | 32,967,787 |
| Net capital assets being depreciated | 37,648,466 | (1,652,735) | - | 19,904,538 | 55,900,269 |
| Net capital assets | \$ 58,246,133 | \$ (964,729) | \$ - | \$ - | \$ 57,281,404 |

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

Construction Commitments - The School District has active construction projects at year end. The projects are funded by the 2005 School Building and Site bond issue. At year end, the School District's commitments with contractors are as follows:

| | Spent to Date | Remaining Commitment |
|--|---------------|-------------------------|
| 2005 School Building and Site Bond issue | \$ 34,493,291 | \$ 323,508 |

Note 6 - Interfund Transfers

The interfund balance in the Debt Service Fund represents property tax collections not transferred from the General Fund as of June 30, 2009. Transfers out of the General Fund in the amount of \$353,864 subsidized operations in the Food Service and Athletics Funds.

South Redford School District

Notes to Financial Statements June 30, 2009

Note 7 - State Aid Anticipation Note

On June 12, 2008, the School District borrowed \$850,000 on a state aid anticipation note with a bank. The note accrued interest at 70 percent of the bank's prime rate (an effective rate of 3.5 percent at July 1, 2008). The note and related interest were paid in full as of July 25, 2008.

On September 17, 2009, the School District borrowed \$1,500,000 in a state aid anticipation note. The note bears interest at 2.5 percent and is due August 24, 2010.

Note 8 - Long-term Debt

The School District issues bonds and notes to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Notes are also general obligations of the School District. Other long-term obligations include compensated absences and early retirement incentives.

Long-term debt activity can be summarized as follows:

| | Balance July 1, 2008 | Additions | Reductions | Balance June 30, 2009 | Due Within One Year |
|---|-------------------------|-----------|--------------|--------------------------|------------------------|
| Governmental Activities | | | | | |
| Bonds payable: | | | | | |
| 1998 Refunding Bond | \$ 9,115,000 | \$ - | \$ 1,690,000 | \$ 7,425,000 | \$ 1,745,000 |
| 2004 Refunding Bond | 18,345,000 | - | - | 18,345,000 | - |
| 2005 School Building and Site Bonds | 29,625,000 | - | 675,000 | 28,950,000 | 800,000 |
| Issuance premiums | 2,436,225 | - | 130,215 | 2,306,010 | 130,215 |
| Deferred interest from refunding bonds | (1,116,507) | - | (79,751) | (1,036,756) | (79,751) |
| Prepaid issuance costs | (478,606) | - | (26,729) | (451,877) | (26,729) |
| Total bonds payable | 57,926,112 | - | 2,388,735 | 55,537,377 | 2,568,735 |
| Other obligations | 793,522 | 7,376 | 64,966 | 735,932 | 164,790 |
| Total governmental activities | \$ 58,719,634 | \$ 7,376 | \$ 2,453,701 | \$ 56,273,309 | \$ 2,733,525 |

South Redford School District

Notes to Financial Statements June 30, 2009

Note 8 - Long-term Debt (Continued)

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

| Years Ending June 30 | Governmental Activities | | |
|-------------------------|-------------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2010 | \$ 2,545,000 | \$ 2,557,806 | \$ 5,102,806 |
| 2011 | 2,655,000 | 2,456,516 | 5,111,516 |
| 2012 | 2,760,000 | 2,349,151 | 5,109,151 |
| 2013 | 2,885,000 | 2,240,903 | 5,125,903 |
| 2014 | 2,990,000 | 2,120,838 | 5,110,838 |
| 2015-2019 | 16,240,000 | 8,505,788 | 24,745,788 |
| 2020-2024 | 13,945,000 | 4,487,288 | 18,432,288 |
| 2025-2029 | 8,900,000 | 1,791,250 | 10,691,250 |
| 2030 | 1,800,000 | 90,000 | 1,890,000 |
| Total | <u>\$ 54,720,000</u> | <u>\$ 26,599,540</u> | <u>\$ 81,319,540</u> |

Governmental Activities

General obligation bonds consist of the following:

| | |
|--|----------------------|
| \$9,585,000 of 1998 Refunding Bonds due in annual installments of \$10,000 to \$1,805,000 through May 1, 2022; interest at 4.20 percent to 4.75 percent | \$ 7,425,000 |
| \$19,895,000 of 2004 Refunding Bonds due in annual installments of \$1,400,000 to \$2,050,000 through May 1, 2022; interest at 3.75 percent to 5 percent | 18,345,000 |
| \$30,855,000 of 2005 School Building and Site Bonds due in annual installments of \$800,000 to \$1,800,000 through May 1, 2030; interest at 3.50 percent to 5.00 percent | <u>28,950,000</u> |
| Total bonded debt | <u>\$ 54,720,000</u> |

South Redford School District

Notes to Financial Statements June 30, 2009

Note 8 - Long-term Debt (Continued)

Other governmental activities long-term obligations include the following:

| | | |
|-------------------------------|----|-----------------------|
| Employee compensated absences | \$ | 167,117 |
| Early retirement incentives | | <u>568,815</u> |
| Total | \$ | <u><u>735,932</u></u> |

Note 9 - Risk Management

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

Note 10 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

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

Pension Benefits - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate was 10.17 percent of covered payroll for the period from July 1, 2008 through September 30, 2008 and 9.73 percent for the period from October 1, 2008 through June 30, 2009. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages, or up to 6.4 percent of gross wages for members entering the MIP Plus plan on or after July 1, 2008. The School District's required and actual contributions to the plan for the years ended June 30, 2009, 2008, and 2007 were \$1,844,700, \$1,902,600, and \$2,005,700, respectively.

South Redford School District

Notes to Financial Statements June 30, 2009

Note 10 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.55 percent of covered payroll for the period from July 1, 2008 through September 30, 2008 and 6.81 percent for the period from October 1, 2008 through June 30, 2009. The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2009, 2008, and 2007 were \$1,238,400, \$1,166,800, and \$1,252,300, respectively.

Note 11 - Subsequent Events

On September 29, 2009, the School District issued \$6,745,000 in Refunding Bonds. The proceeds of these bonds will be used to advance refund the outstanding balance of the 1998 Refunding Bonds. The bonds are due in annual installments of \$630,000 to \$1,315,000 through 2022, with interest at 2 percent to 4 percent. The advance refunding will reduce total debt service payments by approximately \$275,000, which represents an economic gain of approximately \$199,000.

Required Supplementary Information

South Redford School District

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

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Over (Under) Final Budget</u> |
|--|----------------------------|----------------------------|----------------------------|--------------------------------------|
| Revenue | | | | |
| Local sources | \$ 4,361,300 | \$ 4,310,296 | \$ 4,127,366 | \$ (182,930) |
| State sources | 24,240,700 | 24,144,342 | 23,992,735 | (151,607) |
| Federal sources | 1,127,000 | 2,756,300 | 2,690,076 | (66,224) |
| Interdistrict sources | 60,000 | 220,830 | 235,641 | 14,811 |
| Total revenue | <u>29,789,000</u> | <u>31,431,768</u> | <u>31,045,818</u> | <u>(385,950)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 17,185,600 | 18,384,135 | 18,247,681 | (136,454) |
| Support services | 12,003,600 | 12,424,135 | 12,263,622 | (160,513) |
| Community services | 161,800 | 209,963 | 211,362 | 1,399 |
| Debt service - Interest | 61,000 | 3,550 | 3,553 | 3 |
| Total expenditures | <u>29,412,000</u> | <u>31,021,783</u> | <u>30,726,218</u> | <u>(295,565)</u> |
| Excess of Revenue Over Expenditures | 377,000 | 409,985 | 319,600 | (90,385) |
| Other Financing Sources (Uses) | | | | |
| Proceeds from sale of capital assets | 1,000 | 17,300 | 17,300 | - |
| Transfers in | 40,000 | - | - | - |
| Transfers out | (418,000) | (332,000) | (353,864) | 21,864 |
| Total other financing uses | <u>(377,000)</u> | <u>(314,700)</u> | <u>(336,564)</u> | <u>21,864</u> |
| Net Change in Fund Balance | - | 95,285 | (16,964) | (112,249) |
| Fund Balance - Beginning of year | <u>4,010,629</u> | <u>4,010,629</u> | <u>4,010,629</u> | <u>-</u> |
| Fund Balance - End of year | <u>\$ 4,010,629</u> | <u>\$ 4,105,914</u> | <u>\$ 3,993,665</u> | <u>\$ (112,249)</u> |

Other Supplementary Information

South Redford School District

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

| | Special Revenue Funds | | |
|---|-----------------------|-------------|-------------|
| | Food Service | Athletics | Total |
| Revenue | | | |
| Local | \$ 480,237 | \$ 102,652 | \$ 582,889 |
| State | 62,387 | - | 62,387 |
| Federal | 689,185 | - | 689,185 |
| Total revenue | 1,231,809 | 102,652 | 1,334,461 |
| Expenditures - Current | | | |
| Athletics | - | 451,798 | 451,798 |
| Food services | 1,236,527 | - | 1,236,527 |
| Total expenditures | 1,236,527 | 451,798 | 1,688,325 |
| Excess of Expenditures Over Revenue | (4,718) | (349,146) | (353,864) |
| Other Financing Sources - Transfers in | 4,718 | 349,146 | 353,864 |
| Net Change in Fund Balances | - | - | - |
| Fund Balances - Beginning of year | - | - | - |
| Fund Balances - End of year | \$ - | \$ - | \$ - |

South Redford School District

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

| June 30 | 1998 Refunding | 2004 Refunding | 2005 School |
|------------------------|-------------------------|-------------------------|----------------------------|
| | Bonds | Bonds | Building and Site Bonds |
| | Principal | Principal | Principal |
| 2010 | \$ 1,745,000 | \$ - | \$ 800,000 |
| 2011 | 1,805,000 | - | 850,000 |
| 2012 | 10,000 | 1,875,000 | 875,000 |
| 2013 | 10,000 | 1,950,000 | 925,000 |
| 2014 | 15,000 | 2,025,000 | 950,000 |
| 2015 | 15,000 | 2,050,000 | 1,050,000 |
| 2016 | 15,000 | 2,045,000 | 1,125,000 |
| 2017 | 640,000 | 1,400,000 | 1,200,000 |
| 2018 | 635,000 | 1,400,000 | 1,275,000 |
| 2019 | 640,000 | 1,400,000 | 1,350,000 |
| 2020 | 635,000 | 1,400,000 | 1,425,000 |
| 2021 | 630,000 | 1,400,000 | 1,500,000 |
| 2022 | 630,000 | 1,400,000 | 1,575,000 |
| 2023 | - | - | 1,650,000 |
| 2024 | - | - | 1,700,000 |
| 2025 | - | - | 1,750,000 |
| 2026 | - | - | 1,775,000 |
| 2027 | - | - | 1,775,000 |
| 2028 | - | - | 1,800,000 |
| 2029 | - | - | 1,800,000 |
| 2030 | - | - | 1,800,000 |
| Total | \$ 7,425,000 | \$ 18,345,000 | \$ 28,950,000 |
| Principal payments due | May 1 | May 1 | May 1 |
| Interest payments due | May 1 and November 1 | May 1 and November 1 | May 1 and November 1 |
| Interest rate | 4.20% to 4.75% | 3.75% to 5.00% | 3.50% to 5.00% |
| Original issue | \$ 9,585,000 | \$ 19,895,000 | \$ 30,855,000 |