

# **South Redford School District**

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**Financial Report  
with Supplemental Information  
June 30, 2006**

# 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, 2006, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of South Redford School District as of June 30, 2006 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 the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Board of Education  
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 supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. The other supplemental 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 our report dated August 10, 2006 on our consideration of South Redford School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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*

August 10, 2006

# 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, 2006. 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 nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

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

### Basic Financial Statements

District-wide Financial Statements      Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for Major Funds

Other Supplemental Information

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

One of the most important questions asked about the School District is, "As a whole, 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

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## 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, 2006 and 2005:

	Governmental Activities	
	2006	2005
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 40.0	\$ 43.0
Capital assets	<u>36.0</u>	<u>28.7</u>
Total assets	76.0	71.7
<b>Liabilities</b>		
Current liabilities	6.6	5.3
Long-term liabilities	<u>62.0</u>	<u>64.3</u>
Total liabilities	<u>68.6</u>	<u>69.6</u>
<b>Net Assets</b>		
Invested in property and equipment - Net of related debt	(2.6)	(7.0)
Restricted	4.6	1.8
Unrestricted	<u>5.4</u>	<u>7.3</u>
Total net assets	<u>\$ 7.4</u>	<u>\$ 2.1</u>

# South Redford School District

## Management's Discussion and Analysis (Continued)

The above analysis focuses on the net assets (see Table 1). The change in net assets of the School District's governmental activities is discussed below (see Table 2). The School District's net assets were \$7.4 million and \$2.1 million at June 30, 2006 and 2005, respectively. Capital assets, net of related debt totaling (\$2.6) 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, \$5.4 million, is unrestricted.

The unrestricted net assets of governmental activities represents 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, 2006 and 2005 (see Table 2):

	Governmental Activities	
	2006	2005
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 1.2	\$ 1.4
Operating grants	3.4	3.4
General revenue:		
Property taxes	9.6	7.1
State foundation allowance	21.3	20.2
Other	1.1	0.1
Total revenue	36.6	32.2

# South Redford School District

## Management's Discussion and Analysis (Continued)

TABLE 2 (Continued)

	Governmental Activities	
	2006	2005
	(in millions)	
<b>Functions/Program Expenses</b>		
Instruction	\$ 16.7	\$ 15.0
Support services	12.9	12.6
Community services	0.1	0.3
Food services	1.0	1.0
Athletics	0.4	0.4
Interest on long-term debt	2.7	1.6
Depreciation (unallocated)	1.9	1.9
Total functions/program expenses	35.7	32.8
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 0.9</b>	<b>\$ (0.6)</b>

As reported in the statement of activities, the cost of all of our governmental activities was \$35.7 million. Certain activities were partially funded from those who benefited from the programs (\$1.2 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3.4 million). We paid for the remaining "public benefit" portion of our governmental activities with \$9.6 million in taxes, \$21.3 million in state foundation allowance, and with our other revenues, i.e., interest and general entitlements that totaled \$1.1 million.

The School District experienced an increase in net assets of \$.9 million. A key reason for the change in net assets was an increase in student enrollment and property tax collections.

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, 2006, the governmental funds reported a combined fund balance of approximately \$34.3 million, a decrease of \$4.1 million from last year. Significant changes by fund are as follows:

In the General Fund, our principal operating fund, the fund balance decreased \$.7 million to \$5.2 million. The change is mainly due to rising health and pension costs.

The Special Revenue Funds, which consist of food services and athletics, remained stable from the prior year.

The Debt Service Fund balance increased \$.6 million to \$.7 million. 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 Capital Projects Fund fund balance decreased \$4.0 million due to the construction costs incurred in conjunction with the 2005 bond issuance.

### **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 supplemental information showing the School District's original and final budget amounts compared with amounts actually paid and received.

Revisions were made to the 2005-2006 General Fund original budget. Budgeted revenues were increased \$.7 million due to better than anticipated delinquent property tax collections.

Budgeted expenditures were increased \$.7 million due to anticipated savings resulting from ongoing cost-cutting measures. However, there is a difference between the final budgeted and actual expenditures. Actual expenditures were over budget by \$.4 million. The primary reasons for the budget deviations were unanticipated maintenance and repairs at year end, as well as contract payroll obligations due to increased enrollment at certain grade levels and larger class sizes.

# South Redford School District

## Management's Discussion and Analysis (Continued)

### Capital Assets and Debt Administration

#### *Capital Assets*

As of June 30, 2006, the School District had \$64 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 \$4.7 million, or 8 percent, from last year.

	<u>2006</u>	<u>2005</u>
Land	\$ 435,518	\$ 434,518
Buildings and building improvements	55,503,443	54,693,805
Buses and other vehicles	1,924,779	1,889,871
Furniture and equipment	2,210,173	2,210,173
Construction in progress	<u>3,958,063</u>	<u>87,404</u>
Total capital assets	64,031,976	59,315,771
Accumulated depreciation	<u>28,083,136</u>	<u>30,581,058</u>
Total net assets	<u><b>\$ 35,948,840</b></u>	<u><b>\$ 28,734,713</b></u>

Several major capital projects began during the 2005-2006 fiscal year which contributed to an increase in construction in progress in the current year. These major capital projects are expected to continue into the 2006-2007 fiscal year. We anticipate capital additions will be approximately \$17.0 million as we continue expending the 2005 School Building and Site Bond proceeds. 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 \$61.2 million in bonds outstanding versus \$62.9 million in the previous year. Bonds consisted of the following:

	<u>2006</u>	<u>2005</u>
1996 School Building and Site Bonds	\$ 1,475,000	\$ 2,875,000
1998 Refunding Bonds	9,235,000	9,290,000
2004 Refunding Bonds	19,895,000	19,895,000
2005 School Building and Site Bonds	<u>30,550,000</u>	<u>30,885,000</u>
Total	<u><b>\$ 61,155,000</b></u>	<u><b>\$ 62,945,000</b></u>

# **South Redford School District**

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

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.

Other obligations include employee compensated absences, early retirement incentives, and equipment notes. 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 2006-2007 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 2006-2007 fiscal year is 25 percent and 75 percent of the February 2006 and September 2006 student counts, respectively. The 2006-2007 budget was adopted in June 2006, based on an estimate of students that will be enrolled in September 2006. 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 2006-2007 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2006-2007 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.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates future funding will continue to be a challenge.

# South Redford School District

## Statement of Net Assets June 30, 2006

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and investments (Note 3)	\$ 2,106,649
Receivables (Note 4)	4,950,718
Prepaid costs	1,226,258
Deferred interest	1,276,009
Restricted assets	30,455,700
Capital assets - Net (Note 5)	<u>35,948,840</u>
Total assets	75,964,174
<b>Liabilities</b>	
Accounts payable	2,763,318
Accrued payroll and withholdings	56,037
Other accrued liabilities	830,135
Due to other governmental units	44,994
Deferred revenue (Note 4)	512,087
Long-term liabilities (Note 7):	
Due within one year	2,316,468
Due in more than one year	<u>62,007,105</u>
Total liabilities	<u>68,530,144</u>
<b>Net Assets</b>	
Investment in capital assets - Net of related debt	(2,600,381)
Restricted:	
Capital projects	2,684,796
Debt service	1,955,762
Unrestricted	<u>5,393,853</u>
Total net assets	<u><u>\$ 7,434,030</u></u>

# South Redford School District

## Statement of Activities Year Ended June 30, 2006

	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants/Contributions	Net (Expense) Revenue and Changes in Net Assets
<b>Functions/Programs</b>				
Primary government - Governmental activities:				
Instruction	\$ 16,700,714	\$ 80,349	\$ 2,017,708	\$ (14,602,657)
Support services	12,861,090	230,572	864,732	(11,765,786)
Food services	958,077	587,716	474,606	104,245
Athletics	423,633	62,296	2,248	(359,089)
Community services	178,210	235,863	-	57,653
Interest on long-term debt	2,655,259	-	-	(2,655,259)
Depreciation (unallocated)	1,910,681	-	-	(1,910,681)
<b>Total primary government - Governmental activities</b>	<b>\$ 35,687,664</b>	<b>\$ 1,196,796</b>	<b>\$ 3,359,294</b>	<b>(31,131,574)</b>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				4,586,999
Property taxes, levied for debt services				5,013,014
State aid not restricted to specific purposes				21,297,137
Interest and investment earnings				1,120,135
<b>Total general revenues</b>				<b>32,017,285</b>
<b>Change in Net Assets</b>				<b>885,711</b>
<b>Net Assets - Beginning of year, as restated (Note 10)</b>				<b>6,548,319</b>
<b>Net Assets - End of year</b>				<b>\$ 7,434,030</b>

# South Redford School District

## Governmental Funds Balance Sheet June 30, 2006

	General Fund	Debt Service Fund	2005 Bond Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments (Note 3)	\$ 2,106,649	\$ -	\$ -	\$ -	\$ 2,106,649
Receivables (Note 4)	4,461,097	283,877	205,744	-	4,950,718
Due from other funds	-	446	-	-	446
Restricted assets	-	395,430	30,060,270	-	30,455,700
Prepaid costs	694,194	-	-	-	694,194
<b>Total assets</b>	<b>\$ 7,261,940</b>	<b>\$ 679,753</b>	<b>\$ 30,266,014</b>	<b>\$ -</b>	<b>\$ 38,207,707</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 941,911	\$ -	\$ 1,821,407	\$ -	\$ 2,763,318
Accrued payroll and withholdings	56,037	-	-	-	56,037
Other accrued liabilities	493,204	-	-	-	493,204
Due to other funds	446	-	-	-	446
Due to other governmental units	44,994	-	-	-	44,994
Deferred revenue (Note 4)	512,087	-	-	-	512,087
<b>Total liabilities</b>	<b>2,048,679</b>	<b>-</b>	<b>1,821,407</b>	<b>-</b>	<b>3,870,086</b>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	32,963	-	-	-	32,963
Prepays	694,194	-	-	-	694,194
Debt service	-	679,753	-	-	679,753
Capital projects	-	-	28,444,607	-	28,444,607
Unreserved:					
Designated for educational programs	300,000	-	-	-	300,000
Designated for Durant projects	1,793,461	-	-	-	1,793,461
Undesignated	2,392,643	-	-	-	2,392,643
<b>Total fund balances</b>	<b>5,213,261</b>	<b>679,753</b>	<b>28,444,607</b>	<b>-</b>	<b>34,337,621</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,261,940</b>	<b>\$ 679,753</b>	<b>\$ 30,266,014</b>	<b>\$ -</b>	<b>\$ 38,207,707</b>

# South Redford School District

## Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets Year Ended June 30, 2006

**Fund Balance - Total Governmental Funds** \$ 34,337,621

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

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

Cost of capital assets	\$ 64,031,976	
Accumulated depreciation	<u>(28,083,136)</u>	35,948,840

Bond prepaid interest and deferred costs not capitalized in governmental funds	1,808,073
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Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds payable including premium	(63,851,655)
Notes payable	(120,446)
Other long-term obligations	(351,472)

Accrued interest payable is not included as a liability in governmental funds	<u>(336,931)</u>
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**Net Assets - Governmental Activities** **\$ 7,434,030**

# South Redford School District

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2006

	General Fund	Debt Service Fund	2005 Bond Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Local sources	\$ 5,465,097	\$ 5,064,667	\$ 898,075	\$ 652,260	\$ 12,080,099
State sources	22,759,489	-	-	58,465	22,817,954
Federal sources	1,064,573	-	-	416,141	1,480,714
Interdistrict sources	194,608	-	-	-	194,608
Total revenue	29,483,767	5,064,667	898,075	1,126,866	36,573,375
<b>Expenditures</b>					
Current:					
Instruction	16,706,629	-	-	-	16,706,629
Support services	12,863,626	-	-	-	12,863,626
Community services	178,210	-	-	-	178,210
Food service	-	-	-	958,077	958,077
Athletics	-	-	-	423,633	423,633
Debt service:					
Principal	120,151	1,790,000	-	-	1,910,151
Interest	6,347	2,722,948	-	-	2,729,295
Other	-	2,376	-	-	2,376
Capital outlay	17,803	-	4,846,514	-	4,864,317
Total expenditures	29,892,766	4,515,324	4,846,514	1,381,710	40,636,314
<b>Excess of Revenue Over (Under)</b>					
<b>Expenditures</b>	(408,999)	549,343	(3,948,439)	(254,844)	(4,062,939)
<b>Other Financing Sources (Uses)</b>					
Transfers in	104,245	-	-	359,089	463,334
Transfers out	(359,089)	-	-	(104,245)	(463,334)
Total other financing sources (uses)	(254,844)	-	-	254,844	-
<b>Net Change in Fund Balances</b>	(663,843)	549,343	(3,948,439)	-	(4,062,939)
<b>Fund Balances - Beginning of year</b>	5,877,104	130,410	32,393,046	-	38,400,560
<b>Fund Balances - End of year</b>	<u>\$ 5,213,261</u>	<u>\$ 679,753</u>	<u>\$ 28,444,607</u>	<u>\$ -</u>	<u>\$ 34,337,621</u>

# 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, 2006

**Net Change in Fund Balances - Total Governmental Funds** \$ (4,062,939)

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

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

Depreciation expense	\$ (1,910,681)	
Capitalized capital outlay	<u>4,723,279</u>	2,812,598

Amortization of bond issuance costs	(26,729)
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Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	74,036
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Repayment of bond principal and note is an expenditure in the governmental funds, but not in the statement of activities	1,910,151
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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>178,594</u>
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**Change in Net Assets of Governmental Activities** **\$ 885,711**

# South Redford School District

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## Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2006

	Student Activities <u>Agency Fund</u>
<b>Assets - Cash and investments</b>	<b><u>\$ 232,200</u></b>
<b>Liabilities - Due to student groups</b>	<b><u>\$ 232,200</u></b>

# South Redford School District

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**Notes to Financial Statements  
June 30, 2006**

## **Note I - Summary of Significant Accounting Policies**

The accounting policies of the 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 district-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

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## Notes to Financial Statements June 30, 2006

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

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

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

**District-wide Statements** - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

# South Redford School District

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**Notes to Financial Statements  
June 30, 2006**

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

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.

**Debt Service Fund** - The Debt Service Fund is used to record tax, interest, and 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 deficit generated by these activities is the responsibility of the General Fund.

**Agency Fund** - The School District 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.

# South Redford School District

## Notes to Financial Statements June 30, 2006

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

**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 accounts receivable 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 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.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements. 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 debt payments. These amounts have been designated 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	25-50 years
Buses and other vehicles	7-8 years
Furniture and equipment	5-20 years

# South Redford School District

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**Notes to Financial Statements  
June 30, 2006**

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

**Compensated Absences and Early Retirement Benefits** - The liability for compensated absences reported in the district-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 termination are included.

A liability for early retirement benefits is reported in the district-wide statements at the discounted present value of the expected future benefits 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 19 employees over a 2- to 14-year period. The cost of the obligation is reported in long-term debt.

**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 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 accounting principles generally accepted in the United States of America and state law for the General, Debt Service, and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

# South Redford School District

## Notes to Financial Statements June 30, 2006

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

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. There were no significant amendments 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, 2006, there were \$32,963 of encumbrances related to outstanding purchase orders.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the School District incurred expenditures in the General Fund that were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund - Instruction	\$ 16,613,800	\$ 16,706,629
General Fund - Support services	12,561,100	12,863,626

The variances are due to unanticipated maintenance and repairs at year end, as well as contract payroll obligations due to increased enrollment at certain grade levels and larger class sizes.

**Capital Projects Fund Compliance** - The 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.

# South Redford School District

## Notes to Financial Statements June 30, 2006

### 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 a total of 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 \$1,803,223 had \$1,483,127 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### **Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's 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.

# South Redford School District

## Notes to Financial Statements June 30, 2006

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

The following investment securities were uninsured and unregistered and held in the following manner:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>How Held</u>
Money market	\$ 3,572,788	Held by the counterparty or by its trust department or agent but not in the School District's name
U.S. government Treasury notes	4,306,312	Held by the counterparty or by its trust department or agent but not in the School District's name
U.S. government agency notes	22,182,112	Held by the counterparty or by its trust department or agent but not in the School District's name

#### 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 the structuring of 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; 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.

# South Redford School District

## Notes to Financial Statements June 30, 2006

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

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

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund Cash Management Fund	\$ 2,188,999	Various	AAAm	S&P
Bank One School District Money Market Operating Fund	36,799	Various	Aaa	Moody's
Comerica Bank School Cash Investment Fund	97,152	Various	A1/PI	S&P/Moody's
U.S. Treasury Government Fund	1,546,202	30 Day Avg	Aam	S&P
Dreyfus Treasury Money Market Fund	3,572,788	Various	AAAm/Aaa	S&P/Moody's
U.S. government Treasury note	919,381	8/15/2007	Not Required	Not Required
U.S. government Treasury note	1,810,729	11/15/2007	Not Required	Not Required
U.S. government agency note	1,716,233	11/15/2006	Not Required	Not Required
U.S. government agency note	1,145,331	2/15/2007	Not Required	Not Required
U.S. government agency note	1,123,594	3/14/2008	Not Required	Not Required
U.S. government agency note	151,450	7/15/2008	Not Required	Not Required
U.S. government agency note	120,000	7/21/2008	Not Required	Not Required
U.S. government agency note	1,815,825	9/14/2007	Not Required	Not Required
U.S. government agency note	2,380,622	12/15/2006	Not Required	Not Required
U.S. government agency note	1,410,575	1/15/2008	Not Required	Not Required
U.S. government agency note	882,971	2/23/2007	Not Required	Not Required
U.S. government agency note	425,213	4/18/2008	Not Required	Not Required
U.S. government agency note	4,032,380	8/15/2006	Not Required	Not Required
U.S. government agency note	115,500	9/15/2008	Not Required	Not Required
U.S. government agency note	3,657,009	5/15/2007	Not Required	Not Required
U.S. government agency note	1,855,975	10/15/2006	Not Required	Not Required
U.S. government agency note	927,075	4/15/2007	Not Required	Not Required
U.S. government agency note	422,359	6/15/2008	Not Required	Not Required
Total investments	<u>\$ 32,354,162</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.

# South Redford School District

## Notes to Financial Statements June 30, 2006

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

The following investment securities represent more than 5 percent of the School District's total investments:

Investment	Fair Value	Percentage of Total Investments
Michigan Liquid Asset Fund	\$ 2,188,999	6.77
Dreyfus Treasury Money Market Fund	3,572,788	11.03
U.S. government Treasury note	1,810,729	5.60
U.S. government agency note	1,716,233	5.30
U.S. government agency note	1,815,825	5.61
U.S. government agency note	2,380,622	7.36
U.S. government agency note	4,032,380	12.46
U.S. government agency note	3,657,009	11.30
U.S. government agency note	1,855,975	5.74
Total	<u>\$ 23,030,560</u>	71.17

### 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.

# South Redford School District

## Notes to Financial Statements June 30, 2006

### 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	Capital Projects Fund	Total
Receivables:				
Taxes	\$ 217,711	\$ 283,877	\$ -	\$ 501,588
Intergovernmental	4,188,705	-	-	4,188,705
Other	<u>54,681</u>	<u>-</u>	<u>205,744</u>	<u>260,425</u>
Net receivables	<u>\$ 4,461,097</u>	<u>\$ 283,877</u>	<u>\$ 205,744</u>	<u>\$ 4,950,718</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>Unavailable</u>	<u>Unearned</u>
Grant and categorical aid payment received prior to meeting all eligibility requirements	<u>\$ -</u>	<u>\$ 512,087</u>

# South Redford School District

## Notes to Financial Statements June 30, 2006

### Note 5 - Capital Assets

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

	Balance July 1, 2005	Additions	Adjustments and Transfers	Balance June 30, 2006
Capital assets not being depreciated:				
Land	\$ 434,518	\$ 1,000	\$ -	\$ 435,518
Construction in progress	<u>80,330</u>	<u>3,905,273</u>	<u>(27,540)</u>	<u>3,958,063</u>
Total capital assets not being depreciated	514,848	3,906,273	(27,540)	4,393,581
Capital assets being depreciated:				
Building and building improvements	54,693,805	782,098	27,540	55,503,443
Buses and other vehicles	1,889,871	34,908	-	1,924,779
Furniture and equipment	<u>2,210,173</u>	<u>-</u>	<u>-</u>	<u>2,210,173</u>
Total capital assets being depreciated	<u>58,793,849</u>	<u>817,006</u>	<u>27,540</u>	<u>59,638,395</u>
Total capital assets	59,308,697	4,723,279	-	64,031,976
Accumulated depreciation:				
Building and building improvements	22,766,681	1,720,957	-	24,487,638
Buses and other vehicles	1,350,512	157,065	-	1,507,577
Furniture and equipment	<u>2,055,262</u>	<u>32,659</u>	<u>-</u>	<u>2,087,921</u>
Subtotal	<u>26,172,455</u>	<u>1,910,681</u>	<u>-</u>	<u>28,083,136</u>
Net capital assets being depreciated	<u>32,621,394</u>	<u>(1,093,675)</u>	<u>27,540</u>	<u>31,555,259</u>
Net governmental capital assets	<u>\$ 33,136,242</u>	<u>\$ 2,812,598</u>	<u>\$ -</u>	<u>\$ 35,948,840</u>

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 include 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	<u>\$ 3,424,940</u>	<u>\$ 23,595,128</u>

# South Redford School District

## Notes to Financial Statements June 30, 2006

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

The composition of interfund balances is as follows:

Fund Due To	Fund Due From - General Fund
Debt Service Fund	\$ 446

Interfund balances represent routine and temporary cash flow assistance from the General Fund until amounts are transferred from fund investment accounts.

#### Interfund Transfers

	Transfers Out		
	General Fund	Food Services Fund	Total
Transfers in:			
General Fund	\$ -	\$ 104,245	\$ 104,245
Athletics Fund	359,089	-	359,089
Total	<u>\$ 359,089</u>	<u>\$ 104,245</u>	<u>\$ 463,334</u>

Transfers subsidized operations in the Athletics and Food Services Funds.

### Note 7 - 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.

# South Redford School District

## Notes to Financial Statements June 30, 2006

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

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Governmental activities:					
1996 School Building and Site Bonds	\$ 2,875,000	\$ -	\$ (1,400,000)	\$ 1,475,000	\$ 1,475,000
1998 Refunding Bonds	9,290,000	-	(55,000)	9,235,000	60,000
2004 Refunding Bonds	19,895,000	-	-	19,895,000	-
2005 School Building and Site Bonds	30,885,000	-	(335,000)	30,550,000	375,000
Issuance premiums	2,826,870	-	(130,215)	2,696,655	130,215
<b>Total bonds payable</b>	<b>65,771,870</b>	<b>-</b>	<b>(1,920,215)</b>	<b>63,851,655</b>	<b>2,040,215</b>
Notes	240,597	-	(120,151)	120,446	60,223
Other obligations	530,066	-	(178,594)	351,472	216,030
<b>Total governmental activities</b>	<b>\$ 66,542,533</b>	<b>\$ -</b>	<b>\$ (2,218,960)</b>	<b>\$ 64,323,573</b>	<b>\$ 2,316,468</b>

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

	Governmental Activities		
	Principal	Interest	Total
2007	\$ 1,970,223	\$ 2,834,890	\$ 4,805,113
2008	2,220,223	2,719,179	4,939,402
2009	2,365,000	2,651,764	5,016,764
2010	2,545,000	2,557,805	5,102,805
2011-2015	14,405,000	11,164,126	25,569,126
2016-2020	16,585,000	7,736,573	24,321,573
2021-2025	12,235,000	3,794,776	16,029,776
2026-2030	8,950,000	1,346,250	10,296,250
<b>Total</b>	<b>\$ 61,275,446</b>	<b>\$ 34,805,363</b>	<b>\$ 96,080,809</b>

# South Redford School District

## Notes to Financial Statements June 30, 2006

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

#### Governmental Activities

General obligation bonds consist of the following:

\$39,890,000 of 1996 School Building and Site Bonds due in annual installments of \$1,475,000 through May 1, 2007; interest at 6.75 percent	\$ 1,475,000
\$9,585,000 of 1998 Refunding Bonds due in annual installments of \$10,000 to \$1,805,000 through May 1, 2022; interest at 4.10 percent to 4.75 percent	9,235,000
\$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 3.00 percent to 5.00 percent	19,895,000
\$30,885,000 of 2005 School Building and Site Bonds due in annual installments of \$375,000 to \$1,800,000 through May 1, 2030; interest at 3.25 percent to 5.00 percent	<u>30,550,000</u>
Total bonded debt	<u>\$ 61,155,000</u>

Notes consist of the following:

Date	Original Amount	Due Date	Interest Rate (Percent)	Remaining to Maturity	
				Interest	Principal
07/31/03	<u>\$ 301,116</u>	12/01/07	2.49	<u>\$ 3,000</u>	<u>\$ 120,446</u>

Other governmental activities' long-term obligations include the following:

Employee-compensated absences	\$ 138,464
Early retirement incentive	<u>213,008</u>
Total	<u>\$ 351,472</u>

# South Redford School District

## Notes to Financial Statements June 30, 2006

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

**Advance and Current Refundings** - In a prior year, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2006, \$28,725,000 of bonds outstanding are considered defeased.

### Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for 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 9 - 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 MPSERS provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the MPSERS. That report may be obtained by writing to the MPSERS at P.O. Box 30171, Lansing, MI 48909-7671.

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

The pension benefit rate totals 14.87 percent and 16.34 percent of the covered payroll to the plan for the periods from July 1, 2005 through September 30, 2005 and October 1, 2005 through June 30, 2006, respectively. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS plan for the years ended June 30, 2006, 2005, and 2004 were approximately \$2,948,000, \$2,532,000, and \$2,307,000, respectively.

# South Redford School District

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Notes to Financial Statements  
June 30, 2006

## Note 9 - 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 coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post-employment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

## Note 10 - Prior Period Adjustment

The School District's net assets as of July 1, 2005 has been adjusted to reflect the following prior period adjustment:

Net assets as of the beginning of year, unadjusted	\$ 2,146,790
Adjustment of accumulated depreciation to correct for an error in recording prior year's building depreciation expense	<u>4,401,529</u>
Net assets as of the beginning of year, as restated	<u><u>\$ 6,548,319</u></u>

## **Required Supplemental Information**

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# South Redford School District

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 4,937,000	\$ 5,225,500	\$ 5,465,097	\$ 239,597
State sources	22,633,000	22,769,600	22,759,489	(10,111)
Federal sources	650,000	963,000	1,064,573	101,573
Interdistrict sources	290,000	290,000	194,608	(95,392)
Total revenue	<u>28,510,000</u>	<u>29,248,100</u>	<u>29,483,767</u>	<u>235,667</u>
<b>Expenditures</b>				
Current:				
Instruction	15,650,950	16,613,800	16,706,629	92,829
Support services	12,581,450	12,561,100	12,863,626	302,526
Community services	269,600	176,200	178,210	2,010
Debt service:				
Principal	193,000	120,500	120,151	(349)
Interest	15,000	6,500	6,347	(153)
Capital outlay	-	17,000	17,803	803
Total expenditures	<u>28,710,000</u>	<u>29,495,100</u>	<u>29,892,766</u>	<u>397,666</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	104,245	104,245
Transfers out	(375,000)	(340,000)	(359,089)	(19,089)
Total other financing sources (uses)	<u>(375,000)</u>	<u>(340,000)</u>	<u>(254,844)</u>	<u>85,156</u>
<b>Net Change in Fund Balance</b>	(575,000)	(587,000)	(663,843)	(76,843)
<b>Fund Balance - Beginning of year</b>	<u>5,877,104</u>	<u>5,877,104</u>	<u>5,877,104</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 5,302,104</b></u>	<u><b>\$ 5,290,104</b></u>	<u><b>\$ 5,213,261</b></u>	<u><b>\$ (76,843)</b></u>

## **Other Supplemental Information**

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# South Redford School District

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2006

	Special Revenue Funds		
	Food Services	Athletics	Total
<b>Revenue</b>			
Local	\$ 587,716	\$ 64,544	\$ 652,260
State	58,465	-	58,465
Federal	416,141	-	416,141
Total revenue	1,062,322	64,544	1,126,866
<b>Expenditures - Current</b>			
Food services	958,077	-	958,077
Athletics	-	423,633	423,633
Total expenditures	958,077	423,633	1,381,710
<b>Excess of Revenue Over (Under) Expenditures</b>	104,245	(359,089)	(254,844)
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	359,089	359,089
Transfers out	(104,245)	-	(104,245)
Total other financing sources (uses)	(104,245)	359,089	254,844
<b>Net Change in Fund Balances</b>	-	-	-
<b>Fund Balances - Beginning of year</b>	-	-	-
<b>Fund Balances - End of year</b>	\$ -	\$ -	\$ -

# South Redford School District

## Other Supplemental Information Schedule of Bonded Indebtedness Year Ended June 30, 2006

Maturity Date	Interest Rate (Percent)	Maturing Per Year	Bonds Outstanding July 1, 2005	Bonds Issued This Year	Bonds Retired This Year	Bonds Outstanding June 30, 2006
<b>1996 School Building and Site Bonds</b>						
Due May 1:						
2006	6.65	\$ 1,400,000	\$ 1,400,000	\$ -	\$ (1,400,000)	\$ -
2007	6.75	1,475,000	1,475,000	-	-	1,475,000
Total 1996 School Building and Site Bonds			<b>\$ 2,875,000</b>	<b>\$ -</b>	<b>\$ (1,400,000)</b>	<b>\$ 1,475,000</b>
<b>1998 Refunding Bonds</b>						
Due May 1:						
2006	4.05	\$ 55,000	\$ 55,000	\$ -	\$ (55,000)	\$ -
2007	4.10	60,000	60,000	-	-	60,000
2008	4.15	60,000	60,000	-	-	60,000
2009	4.15	1,690,000	1,690,000	-	-	1,690,000
2010	4.20	1,745,000	1,745,000	-	-	1,745,000
2011	4.30	1,805,000	1,805,000	-	-	1,805,000
2012	4.35	10,000	10,000	-	-	10,000
2013	4.40	10,000	10,000	-	-	10,000
2014	4.50	15,000	15,000	-	-	15,000
2015	4.50	15,000	15,000	-	-	15,000
2016	4.50	15,000	15,000	-	-	15,000
2017	4.50	640,000	640,000	-	-	640,000
2018	4.50	635,000	635,000	-	-	635,000
2019	4.75	640,000	640,000	-	-	640,000
2020	4.75	635,000	635,000	-	-	635,000
2021	4.75	630,000	630,000	-	-	630,000
2022	4.75	630,000	630,000	-	-	630,000
Total 1998 Refunding Bonds			<b>\$ 9,290,000</b>	<b>\$ -</b>	<b>\$ (55,000)</b>	<b>\$ 9,235,000</b>

# South Redford School District

## Other Supplemental Information Schedule of Bonded Indebtedness (Continued) Year Ended June 30, 2006

Maturity Date	Interest Rate (Percent)	Maturing Per Year	Bonds Outstanding July 1, 2005	Bonds Issued This Year	Bonds Retired This Year	Bonds Outstanding June 30, 2006
2004 Refunding Bonds						
Due May 1:						
2006	0.00	\$ -	\$ -	\$ -	\$ -	\$ -
2007	0.00	-	-	-	-	-
2008	3.00	1,550,000	1,550,000	-	-	1,550,000
2009	0.00	-	-	-	-	-
2010	0.00	-	-	-	-	-
2011	0.00	-	-	-	-	-
2012	4.00	1,875,000	1,875,000	-	-	1,875,000
2013	4.00	1,950,000	1,950,000	-	-	1,950,000
2014	3.75	2,025,000	2,025,000	-	-	2,025,000
2015	3.90	2,050,000	2,050,000	-	-	2,050,000
2016	5.00	2,045,000	2,045,000	-	-	2,045,000
2017	5.00	1,400,000	1,400,000	-	-	1,400,000
2018	5.00	1,400,000	1,400,000	-	-	1,400,000
2019	5.00	1,400,000	1,400,000	-	-	1,400,000
2020	5.00	1,400,000	1,400,000	-	-	1,400,000
2021	5.00	1,400,000	1,400,000	-	-	1,400,000
2022	5.00	1,400,000	1,400,000	-	-	1,400,000
Total 2004 Refunding Bonds			<u>\$ 19,895,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,895,000</u>

# South Redford School District

## Other Supplemental Information Schedule of Bonded Indebtedness (Continued) Year Ended June 30, 2006

Maturity Date	Interest Rate (Percent)	Maturing Per Year	Bonds Outstanding July 1, 2005	Bonds Issued This Year	Bonds Retired This Year	Bonds Outstanding June 30, 2006
2005 School Building and Site Bonds						
Due May 1:						
2006	3.00	\$ 335,000	\$ 335,000	\$ -	\$ (335,000)	\$ -
2007	3.25	375,000	375,000	-	-	375,000
2008	3.25	550,000	550,000	-	-	550,000
2009	3.50	675,000	675,000	-	-	675,000
2010	3.50	800,000	800,000	-	-	800,000
2011	3.50	850,000	850,000	-	-	850,000
2012	3.75	875,000	875,000	-	-	875,000
2013	4.50	925,000	925,000	-	-	925,000
2014	5.00	950,000	950,000	-	-	950,000
2015	5.00	1,050,000	1,050,000	-	-	1,050,000
2016	5.00	1,125,000	1,125,000	-	-	1,125,000
2017	5.00	1,200,000	1,200,000	-	-	1,200,000
2018	4.05	1,275,000	1,275,000	-	-	1,275,000
2019	5.00	1,350,000	1,350,000	-	-	1,350,000
2020	5.00	1,425,000	1,425,000	-	-	1,425,000
2021	5.00	1,500,000	1,500,000	-	-	1,500,000
2022	5.00	1,575,000	1,575,000	-	-	1,575,000
2023	5.00	1,650,000	1,650,000	-	-	1,650,000
2024	5.00	1,700,000	1,700,000	-	-	1,700,000
2025	5.00	1,750,000	1,750,000	-	-	1,750,000
2026	5.00	1,775,000	1,775,000	-	-	1,775,000
2027	5.00	1,775,000	1,775,000	-	-	1,775,000
2028	5.00	1,800,000	1,800,000	-	-	1,800,000
2029	5.00	1,800,000	1,800,000	-	-	1,800,000
2030	5.00	1,800,000	1,800,000	-	-	1,800,000
Total 2005 School Building and Site Bonds			<u>\$ 30,885,000</u>	<u>\$ -</u>	<u>\$ (335,000)</u>	<u>\$ 30,550,000</u>