

**Redford Union School District #1
Redford, Michigan**

FINANCIAL STATEMENTS

June 30, 2013

Redford Union School District #1

Redford, MI

BOARD OF EDUCATION

June 30, 2013

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Redford Union School District #1

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redford Union School District #1 (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Redford Union School District #1, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in Note N, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the year. As a result of this implementation, the format and reporting of the financial statements has changed to reflect the required components of GASB Statements No. 63 and 65, as applicable. Our opinions are not modified with respect to these matters.

Fund Deficit

As discussed in Note Q, the General Fund was in a deficit position of \$1,962,335 at June 30, 2013. State Law requires the District to continue to implement cost-cutting initiatives that will enable it to bring expenditures in line with expected current revenue and eliminate the deficit. A contingent Deficit Elimination Plan was approved by the Michigan Department of Education subsequent to year end.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not required part of the financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the District's internal control over financial reporting and compliance.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 30, 2013

Redford Union School District #1

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Redford Union School District #1 financially as a whole. The district-wide financial statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the District's operations in more detail than the district-wide financial statements by providing information about the District's most significant fund - the General Fund - with all other funds presented in one column as other nonmajor governmental funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the 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 Supplementary Information)
Budgetary Information for Major Funds

Other Supplementary Information

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

One of the most important questions asked about the District is, "As a whole, what is the District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the District's financial statements, report information on the 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.

These two statements report the District's net position - the difference between assets, deferred outflows, liabilities, and deferred inflows as reported in the statement of net position - as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position - 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 District's operating results. However, the 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 District.

The statement of net position and the statement of activities report the governmental activities for the District, which encompass all of the 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 District's Most Significant Funds - Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by state law and by bond covenants. However, the District establishes many other funds to help it control and manage money for particular purposes (the Food Service is an example) 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 District use the following accounting approach:

Redford Union School District #1

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Governmental funds - All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the 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 District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliation.

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

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

The District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2012 and 2013:

Table 1
Condensed Statement of Net Position
As of June 30, 2012 and 2013

	Governmental Activities	
	2012	2013
Assets		
Current Assets	\$ 14,785,526	\$ 15,931,539
Capital Assets	26,823,781	26,259,153
Total Assets	41,609,307	42,190,692
Deferred Outflows	-	80,799
Liabilities		
Current Liabilities	17,933,658	17,651,212
Long-Term Liabilities	25,801,322	22,747,429
Total Liabilities	43,734,980	40,398,641
Net Position		
Investment in Capital Assets	(515,917)	3,520,332
Restricted	3,674,876	542,263
Unrestricted	(5,284,632)	(2,189,745)
Total Net Position	\$ (2,125,673)	\$ 1,872,850

Redford Union School District #1

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

The above analysis focuses on the net position. The change in net position of the District's governmental activities is discussed below. The District's net position was (\$2,125,673) and \$1,872,850 at June 30, 2012 and 2013, respectively. Net investment capital assets totaling (\$515,917) and \$3,520,332 at June 30, 2012 and 2013, respectively, compares the original cost, less depreciation of the 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 position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net position for day-to-day operations. Net position restricted was \$3,674,876 and \$542,263 at June 30, 2012 and 2013, respectively. The remaining amount of net position, (\$5,284,632) and (\$2,189,745) at June 30, 2012 and 2013, respectively, was unrestricted.

The (\$2,189,745) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position shows how the District is able 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 position from year to year.

The results of this year's operations for the District as a whole are reported in the statement of activities, which shows the changes in net position for fiscal years 2012 and 2013.

Table 2
Change in Net Position from Operations
As of June 30, 2012 and 2013

	Governmental Activities	
	2012	2013
Revenues		
Program Revenues		
Charges for Service	\$ 1,106,545	\$ 718,163
Operating Grants	17,700,468	18,241,603
Capital Grants	-	197,681
General Revenues		
Property Taxes	6,136,212	5,674,215
State School Aid-unrestricted	16,203,145	16,377,307
Investment earnings	3,820	325,359
Miscellaneous	223,666	244,533
Special Item		
Gain (loss) on sale of assets	(962,366)	218,201
Total Revenues	40,411,490	41,997,062
Functions/Program Expenses		
Instruction	26,660,041	20,520,465
Supporting services	11,194,156	12,727,728
Community services	-	170,888
Food Services	1,146,405	1,009,574
Interest on long-term debt	1,764,174	1,645,172
Other	270,863	-
Unallocated depreciation	1,881,055	2,031,541
Total Expenses	42,916,694	38,105,368
Increase (decrease) in Net Position	\$ (2,505,204)	\$ 3,891,694

Redford Union School District #1

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

As reported in the statement of activities, the cost of all of our governmental activities this year was \$38,105,368. Certain activities were partially funded from those who benefited from the programs (\$718,163) or by other governments and organizations that subsidized certain programs with grants and contributions (\$18,241,603). We paid for the remaining "public benefit" portion of our governmental activities with \$5,674,215 in taxes, \$16,377,307 in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The District experienced an increase in net position of \$3,891,694. Key reasons for the change in net position in 2012-2013 include a decrease in instruction expense and increase in local revenue from employee's donations.

As discussed above, the net cost shows the financial burden that was placed on the State and the 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 District and balance those needs with state-prescribed available unrestricted resources.

The District's Funds

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

As the District completed this year, the governmental funds reported a combined fund balance of \$1,505,315, which is an increase of \$1,279,093 from last year. The primary reasons for the change are as follows:

In the General Fund, our principal operating fund, the fund balance increased from (\$4,114,460) to (\$1,962,335). The change is due mainly to significant reductions in expenditures compared to the prior year.

Our Special Education Center Program Fund increased fund balance \$800,805 from the prior year due to a decrease in expenditures compared to the prior year.

The Capital Projects 2009 Bond Issue Fund showed a fund balance decrease of \$1,641,276, as a result of expenditures related to various school improvements.

General Fund Budgetary Highlights

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

There were revisions made to the 2012-2013 General Fund original budget. Budgeted revenues and other financing sources were increased by approximately \$2.3 million due to changes the annual foundation amount along with increased grant funding.

Budgeted expenditures were increased by approximately \$1.0 million due to on-line learning Academies, such as SEMCA and Oakland VLA.

Redford Union School District #1

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2013, the District had \$26,259,153 invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions and depreciation) of \$313,714, or 1.18 percent, from last year.

Table 3
Capital Assets, Net
Years Ended June 30, 2012 and 2013

	Balance June 30, 2012	Balance June 30, 2013
Land	\$ 30,123	\$ 30,123
Construction in progress	4,550,172	4,809,056
Buildings and additions	21,374,894	21,232,388
Equipment and furniture	184,213	168,489
Vehicles	433,465	19,097
Total	<u>\$ 26,572,867</u>	<u>\$ 26,259,153</u>

This year's additions of \$1.8 million consisted mainly of building improvements and equipment. No additional debt was issued for this addition.

We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the District had \$24,460,896 in debt outstanding versus \$27,088,784 in the previous year - a change of 9.7 percent. Those bonds consisted of the following:

Table 4
Outstanding Debt
Years Ended June 30, 2012 and 2013

	Balance June 30, 2012	Balance June 30, 2013
1997 School Improvement Bonds	\$ 12,405,000	\$ 10,075,000
2007 School Improvement Bonds	1,630,000	1,630,000
2009 School Improvement Bonds	12,530,000	12,530,000
Installment Loans	335,087	225,896
1998 Durant Resolution Bonds	188,697	-
Total	<u>\$ 27,088,784</u>	<u>\$ 24,460,896</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 District's boundaries. If the District issues "qualified debt", i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The District's outstanding unqualified general obligation debt of \$24,235,000 is below the statutorily imposed limit.

Redford Union School District #1

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Other obligations include accrued vacation pay, sick leave, and employee benefit liabilities. 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 considered many factors when setting the District's 2013-2014 fiscal year budget. One of the most important factors affecting the budget is our student count and state foundation revenue. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2014 fiscal year is 10 percent and 90 percent of the February 2014 and October 2013 student counts, respectively. The 2013-2014 budget was adopted in June 2013, based on an estimate of students who will be enrolled in September 2013. Approximately 80 percent of total General Fund revenue is from the foundation allowance. Under state law, the 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 2013-2014 school year, we anticipate that the fall student count will be better with the estimates used in creating the 2013-2014 budget. Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the 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 estimated future funding will continue to be in jeopardy of being cut on a per student basis.

Contacting the District's Management

This report is designed to give an overview of the financial conditions of the Redford Union School District #1. Additional financial information can be obtain by contacting Central Office, Redford Union School District #1

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Business office

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Jennie Li
(Tel) 313-242-6015

BASIC FINANCIAL STATEMENTS

Redford Union School District #1

STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 9,256,807
Due from other governmental units	5,514,127
Accounts receivable	197,198
Inventories	17,434
Prepays	<u>945,973</u>
Total current assets	15,931,539
Noncurrent assets	
Capital assets not being depreciated	4,839,179
Capital assets, net of accumulated depreciation	<u>21,419,974</u>
Total noncurrent assets	<u>26,259,153</u>
TOTAL ASSETS	42,190,692
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	80,799
LIABILITIES	
Current liabilities	
Accounts payable	763,901
Accrued payroll	2,593,904
Accrued interest payable	248,892
Unearned revenue	3,123
Short-term notes payable	11,065,296
Employee benefit liability	626,636
Current portion of compensated absences	249,960
Current portion of long-term debt	<u>2,099,500</u>
Total current liabilities	17,651,212
Noncurrent liabilities	
Noncurrent portion of compensated absences	386,033
Noncurrent portion of long-term debt	<u>22,361,396</u>
Total noncurrent liabilities	<u>22,747,429</u>
TOTAL LIABILITIES	<u>40,398,641</u>
NET POSITION	
Net investment in capital assets	3,520,332
Restricted for food service	542,263
Unrestricted	<u>(2,189,745)</u>
TOTAL NET POSITION	<u>\$ 1,872,850</u>

See accompanying notes to financial statements.

Redford Union School District #1

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction	\$ 20,520,465	\$ 19,359	\$ 14,859,582	\$ -	\$ (5,641,524)
Supporting services	12,727,728	487,995	2,349,060	188,697	(9,701,976)
Community services	170,888	-	-	-	(170,888)
Food service	1,009,574	210,809	1,032,961	-	234,196
Interest on long-term debt	1,645,172	-	-	8,984	(1,636,188)
Unallocated depreciation	2,031,541	-	-	-	(2,031,541)
TOTAL	\$ 38,105,368	\$ 718,163	\$ 18,241,603	\$ 197,681	\$ (18,947,921)
		General revenues			
		Property taxes			5,674,215
		State school aid - unrestricted			16,377,307
		Investment earnings			325,359
		Miscellaneous			244,533
		Special item			
		Gain on sale of assets			218,201
		TOTAL GENERAL REVENUES AND SPECIAL ITEM			22,839,615
		CHANGE IN NET POSITION			3,891,694
		Restated net position, beginning of year			(2,018,844)
		Net position, end of year			\$ 1,872,850

See accompanying notes to financial statements.

Redford Union School District #1

Governmental Funds

BALANCE SHEET

June 30, 2013

	General	Special Education Center Program Fund	Capital Projects 2009 Bond Issue	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 7,419,870	\$ -	\$ 1,823,330	\$ 13,607	\$ 9,256,807
Due from other governmental units	5,039,681	178,783	-	295,663	5,514,127
Accounts receivable	196,750	-	-	448	197,198
Inventory	3,277	-	-	14,157	17,434
Due from other funds	-	886,056	-	533,218	1,419,274
Prepays	945,973	-	-	-	945,973
TOTAL ASSETS	<u>\$ 13,605,551</u>	<u>\$ 1,064,839</u>	<u>\$ 1,823,330</u>	<u>\$ 857,093</u>	<u>\$ 17,350,813</u>
LIABILITIES					
Accounts payable	\$ 579,171	\$ 239	\$ 182,054	\$ 2,437	\$ 763,901
Accrued payroll	2,593,904	-	-	-	2,593,904
Due to other funds	1,419,274	-	-	-	1,419,274
Unearned revenue	-	-	-	3,123	3,123
Short-term notes payable	10,975,537	-	-	89,759	11,065,296
TOTAL LIABILITIES	15,567,886	239	182,054	95,319	15,845,498
FUND BALANCES (DEFICIT)					
Nonspendable					
Prepays	945,973	-	-	-	945,973
Inventory	3,277	-	-	14,157	17,434
Restricted					
Food service	-	-	-	528,106	528,106
Debt service	-	-	-	219,511	219,511
Capital projects	-	-	1,641,276	-	1,641,276
Unassigned	(2,911,585)	1,064,600	-	-	(1,846,985)
TOTAL FUND BALANCES (DEFICIT)	<u>(1,962,335)</u>	<u>1,064,600</u>	<u>1,641,276</u>	<u>761,774</u>	<u>1,505,315</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 13,605,551</u>	<u>\$ 1,064,839</u>	<u>\$ 1,823,330</u>	<u>\$ 857,093</u>	<u>\$ 17,350,813</u>

See accompanying notes to financial statements.

Redford Union School District #1

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION

June 30, 2013

Total fund balances - governmental funds **\$ 1,505,315**

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

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

The cost of capital assets is	\$ 58,022,859	
Accumulated depreciation is	<u>(31,763,706)</u>	
Capital assets, net		26,259,153

Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of net position. These amounts consist of:

Deferred charges on refunding		80,799
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds and loans payable	(24,460,896)	
Accrued interest payable	(248,892)	
Compensated absences	(635,993)	
Employee benefit liability	<u>(626,636)</u>	
		<u>(25,972,417)</u>

Net position of governmental activities **\$ 1,872,850**

Redford Union School District #1

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2013

	General	Special Education Center Program Fund	Capital Projects 2009 Bond Issue	Nonmajor Governmental Funds	Total
REVENUES					
Local sources	\$ 3,353,371	\$ -	\$ 564	\$ 3,844,140	\$ 7,198,075
State sources	19,444,161	3,169,268	-	241,284	22,854,713
Federal sources	2,301,121	455,600	-	1,308,672	4,065,393
TOTAL REVENUES	25,098,653	3,624,868	564	5,394,096	34,118,181
EXPENDITURES					
Current					
Instruction	15,629,271	5,223,762	-	-	20,853,033
Supporting services	9,381,568	3,552,427	-	-	12,933,995
Community services	170,888	-	-	-	170,888
Food service	-	-	-	1,009,574	1,009,574
Capital outlay	-	-	1,825,774	24,261	1,850,035
Debt service	117,939	-	-	4,139,205	4,257,144
TOTAL EXPENDITURES	25,299,666	8,776,189	1,825,774	5,173,040	41,074,669
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(201,013)	(5,151,321)	(1,825,210)	221,056	(6,956,488)
OTHER FINANCING SOURCES (USES)					
Payments from other districts	523,451	7,137,229	-	-	7,660,680
Transfers in	1,254,786	-	22,917	978,300	2,256,003
Transfers out	-	(1,184,786)	-	(1,071,217)	(2,256,003)
SPECIAL ITEM					
Proceeds from sale of assets	574,901	-	-	-	574,901
TOTAL OTHER FINANCING SOURCES (USES) AND SPECIAL ITEM	2,353,138	5,952,443	22,917	(92,917)	8,235,581
NET CHANGE IN FUND BALANCE	2,152,125	801,122	(1,802,293)	128,139	1,279,093
Fund balance (deficit), beginning of year	(4,114,460)	-	3,443,569	633,635	(37,256)
Prior period adjustment	-	263,478	-	-	263,478
Fund balance (deficit), end of year	\$ (1,962,335)	\$ 1,064,600	\$ 1,641,276	\$ 761,774	\$ 1,505,315

See accompanying notes to financial statements.

Redford Union School District #1

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

Year Ended June 30, 2013

Net change in fund balances - total governmental funds **\$ 1,279,093**

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 2,074,527	
Depreciation expense	<u>(2,031,541)</u>	
Excess of depreciation expense over capital outlay		42,986

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental fund, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of capital assets sold. (356,700)

Items resulting from the repayment of long-term debt and borrowing of long-term debt is reported as expenditures, other financing uses, and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings and other liabilities increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Amortization of deferred charge on refunding	(13,466)	
Bond and loan principal retirement	<u>2,627,888</u>	
		2,614,422

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	(2,450)	
(Increase) in compensated absences	(21,539)	
Decrease in employee benefit liability	<u>335,882</u>	
		<u>311,893</u>

Change in net position of governmental activities **\$ 3,891,694**

Redford Union School District #1

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2013

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 108,983</u>
LIABILITIES	
Due to individuals and others	<u>\$ 108,983</u>

See accompanying notes to financial statements.

Redford Union School District #1

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Redford Union School District #1 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39 and GASB Statement No. 61); and Michigan Committee on Governmental Accounting and Auditing Statement No. 4, these financial statements present the financial activities of Redford Union School District #1. The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the district-wide statements) present information for the district as a whole. All nonfiduciary activities of the district are included (i.e., fiduciary fund activities are not included in the district-wide statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The District utilizes governmental and fiduciary funds.

The governmental fund financial statements present the District's individual major funds and aggregated nonmajor funds. A separate column is shown for the major funds on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column. The fiduciary funds are reported by type.

The major funds of the District are:

- a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.
- b. Special Education Center Program Fund - The Special Education Center Program Fund is used by the District to account for proceeds that are restricted to expenditures within the Special Education Center Program.
- c. Capital Projects 2009 Bond Issue Fund - The Capital Projects 2009 Bond Issue Fund is used by the District to account for proceeds that are restricted to expenditures for capital projects from bond proceeds related to the 2009 School Improvement Bonds.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The district-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The District reports unearned or unavailable revenue on its governmental funds balance sheet, as applicable. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Unearned revenues arise when the District receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, it is removed from the balance sheet and revenue is recognized.

If/when both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. All annual appropriations lapse at fiscal year end.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.
- d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.
- e. The Superintendent is authorized to transfer budgeted amounts for purposes of meeting emergency needs of the District; however, these transfers must be approved subsequently by the Board of Education.
- f. Formal budgetary integration is employed as a management control device during the year for the General fund and all Special Revenue funds.
- g. The budget, as presented, has been amended in a legally permissible manner.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of checking and savings accounts, pooled investment funds, and imprest cash. Cash equivalents are recorded at market value.

7. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the governmental funds balance sheet.

8. Inventories

Inventories are stated at cost on a first in/first out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. The Food Service Fund inventory consists of food and paper goods. Inventory amounts are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of fund balance.

9. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan's funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2013 to be paid in July and August 2013. Of the total amount of \$5,514,127 due from other governmental units, \$4,341,498 consists of State Aid and the remaining \$1,172,629 is from other governmental grants.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Capital Assets

Capital assets include land, construction in progress, buildings and additions, equipment, furniture, and other assets, and buses and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than five years. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and additions	20 - 50 years
Equipment, furniture, and other assets	5 - 10 years
Buses and vehicles	5 - 10 years

11. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated vested severance amounts and nonvested severance amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the balance sheet when applicable will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows or resources, represents a consumption of a net position/fund balance that applies to a future period and so it will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. Deferred charges on refunding result from differences in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and the balance sheet when applicable will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows, represents an acquisition of net position/fund balance that applies to a future period and so it will not be recognized as an inflow or resources (revenue) until that time. Currently, the District does not report any deferred inflows of resources.

13. Short-Term Note Obligations

Short-term debt is recognized as a liability of a governmental fund and is included on the balance sheet of the applicable fund. During the current year the District paid off the short-term note that was outstanding at the beginning of the year and subsequently borrowed funds to meet short-term cash flow borrowing needs. The final payment is due and payable in August 2013, and anticipated State Aid is expected to be sufficient to cover this commitment.

14. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide statements. Accrued interest payable is due within one year and is reported as a current liability.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Long-term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current revenue (collected as of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected.

The District levies taxes of \$18.00 per \$1,000 of taxable valuation on most nonprimary residence exempt property (2012 value \$134,191,235) and \$6.00 per \$1,000 of taxable valuation on commercial personal property for general governmental services (2012 value \$7,732,400) and \$10.00 per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service. The District is also permitted to levy additional amounts for enhancement and/or debt service if voter approval is obtained. Total 2012 taxable value of the District was \$372,168,068.

17. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995, the State utilized a district power equalizing approach. The foundation is funded from State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2013, the foundation allowance was based on the average of pupil membership counts taken in October 2012 and February 2012. The average calculation was weighted 90% for the October 2012 count and 10% for the February 2012 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the fiscal year and two (2) payments made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

18. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as unearned revenue.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

19. Interfund Transactions

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers on the governmental fund financial statements. Transfers are netted as part of the reconciliation to the district-wide financial statements.

20. Restrictions of Net Position

Restrictions of net position shown in the district-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

21. Federal Programs

Federal programs are accounted for in the specific governmental funds to which they relate. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

22. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

23. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificates of deposit issued by a State or National bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

5. United States government or Federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the School District.

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2013, the carrying amount of the District's deposits was \$7,440,181 and the bank balance was \$7,695,795 of which \$481,908 was covered by Federal depository insurance. The balance of \$7,213,887 was uninsured, but collateralized.

Investments

As of June 30, 2013, the District had the following investments:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Uncategorized pooled investment funds			
MILAF+	<u>\$ 1,924,310</u>	<u>\$ 1,925,496</u>	N/A

The difference between the carrying amount and the market value in the MILAF fund was outstanding checks at June 30, 2013.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2013, the District's investments in the uncategorized pooled investment (the Michigan Liquid Asset Fund Plus) are rated AAAM according to Standard & Poor's.

Interest rate risk

The District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by 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 District's cash requirements.

Redford Union School District #1

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Concentration of credit risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with Board approved policy.

As of June 30, 2013, the District's deposits and investments were reported in the financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 9,256,807</u>	<u>\$ 108,983</u>	<u>\$ 9,365,790</u>

The District had \$1,299 of cash on hand as of June 30, 2013.

Due to significantly higher cash flow at certain periods during the year, the amount the District held as cash and cash equivalents decreased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 30,123	\$ -	\$ -	\$ 30,123
Construction in progress	<u>4,550,172</u>	<u>1,428,538</u>	<u>(1,169,654)</u>	<u>4,809,056</u>
Total capital assets not being depreciated	4,580,295	1,428,538	(1,169,654)	4,839,179
Capital assets being depreciated				
Buildings and additions	46,302,086	1,699,926	-	48,002,012
Equipment, furniture, and other assets	5,068,375	92,680	(23,037)	5,138,018
Buses and vehicles	<u>2,642,085</u>	<u>23,037</u>	<u>(2,621,472)</u>	<u>43,650</u>
Total capital assets being depreciated	54,012,546	1,815,643	(2,644,509)	53,183,680

Redford Union School District #1

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE C: CAPITAL ASSETS - CONTINUED

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental activities - continued				
Less accumulated depreciation for:				
Buildings and additions	\$ (24,927,192)	\$ (1,842,432)	\$ -	\$ (26,769,624)
Equipment, furniture, and other assets	(4,884,162)	(85,367)	-	(4,969,529)
Buses and vehicles	(2,208,620)	(103,742)	2,287,809	(24,553)
Total accumulated depreciation	(32,019,974)	(2,031,541)	2,287,809	(31,763,706)
Net capital assets being depreciated	21,992,572	(215,898)	(356,700)	21,419,974
Total net capital assets	<u>\$ 26,572,867</u>	<u>\$ 1,212,640</u>	<u>\$ (1,526,354)</u>	<u>\$ 26,259,153</u>

Depreciation expense was not allocated to governmental functions. It appears on the Statement of Activities as "unallocated."

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2013.

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Amounts Due Within One Year
1997 School Improvement Bonds	\$ 12,405,000	\$ -	\$ (2,330,000)	\$ 10,075,000	\$ 1,155,000
2007 School Improvement Bonds	1,630,000	-	-	1,630,000	-
2009 School Improvement Bonds	12,530,000	-	-	12,530,000	860,000
Installment Loans	335,087	-	(109,191)	225,896	84,500
1998 Durant Resolution Bonds	188,697	-	(188,697)	-0-	-
Compensated Absences	614,454	292,902	(271,363)	635,993	249,960
	<u>\$ 27,703,238</u>	<u>\$ 292,902</u>	<u>\$ (2,899,251)</u>	<u>\$ 25,096,889</u>	<u>\$ 2,349,460</u>

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation Bonds

\$35,575,000 1997 Refunding Bonds dated December 1, 1997, due in annual installments ranging from \$1,155,000 to \$2,120,000 through May 1, 2022 with interest ranging from 5.00 to 5.50 percent, payable semi-annually. \$ 10,075,000

\$6,590,000 2007 Refunding Bonds dated March 29, 2007, due in annual installments ranging from \$485,000 to \$605,000 through May 1, 2018 with interest of 4.00 percent, payable semi-annually. 1,630,000

\$12,530,000 2009 Refunding Bonds dated June 29, 2009, due in annual installments ranging from \$860,000 to \$1,710,000 through May 1, 2024 with interest ranging from 6.50 to 7.75 percent, payable semi-annually. 12,530,000

\$ 24,235,000

Redford Union School District #1

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE D: LONG-TERM DEBT - CONTINUED

Installment Loans

\$324,976 2009 Installment Loan dated August 11, 2009, due in annual installments ranging from \$54,000 to \$54,976 through May 1, 2015 with interest of 4.29 percent, payable annually.	\$ 108,976
\$99,119 2009 Additional Installment Loan dated October 7, 2009, due in annual installments ranging from \$16,500 to \$16,619 through May 1, 2015 with interest of 3.49 percent, payable quarterly.	33,119
\$108,301 2011 Installment Agreement dated July 29, 2011, due in quarterly installments ranging from \$3,301 to \$3,500, including interest, through April 1, 2019.	<u>83,501</u>
	<u>\$ 225,896</u>

Compensated Absences

Sick Leave - In recognition of services to the District, a sick leave payment will be made upon termination to eligible employees according to their respective employment contracts or past District practice.

Vacation Payable - In recognition of services to the District, any accumulated unused vacation days payment will be made upon termination to eligible employees according to past District practice. This payment will be paid on all unused vacation days at the employee's rate of pay at the time of termination.

The sick and vacation liabilities, including the related payroll taxes, have been recorded in the district-wide financial statements as compensated absences in the amount of \$635,993.

Annual Requirements for Bonded and Installment Loan Debt

The annual requirements to pay the debt principal and interest outstanding for the Long-Term Debt are as follows:

<u>Year Ending</u>	<u>General Obligation Debt</u>		<u>Installment Loan Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 2,015,000	\$ 1,493,350	\$ 84,500	\$ 5,831
2015	2,160,000	1,373,925	85,595	2,938
2016	1,985,000	1,243,875	14,000	-
2017	2,100,000	1,123,225	14,000	-
2018	2,245,000	992,425	14,000	-
2019-2023	12,020,000	2,842,725	13,801	-
2024-2028	<u>1,710,000</u>	<u>132,525</u>	<u>-</u>	<u>-</u>
	<u>\$ 24,235,000</u>	<u>\$ 9,202,050</u>	<u>\$ 225,896</u>	<u>\$ 8,769</u>

Redford Union School District #1

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfunds receivables and payables at June 30, 2013 is as follows:

Due to Special Education Center Program Fund from:	
General Fund	<u>\$ 886,056</u>
Due to nonmajor governmental fund from:	
General Fund	<u>\$ 533,218</u>

Amounts appearing as interfunds payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE F: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfer to General Fund from:	
Special Education Center Program Fund	\$ 1,184,786
Nonmajor governmental fund	<u>70,000</u>
	<u>\$ 1,254,786</u>
Transfer to Capital Projects 2009 Bond Issue Fund from:	
Nonmajor governmental fund	<u>\$ 22,917</u>
Transfer to nonmajor governmental funds from:	
Nonmajor governmental funds	<u>\$ 978,300</u>

The transfers from the Special Education Center Program Fund and the nonmajor governmental fund to the General Fund were to cover indirect costs. The transfer from the nonmajor governmental funds to the Capital Projects 2009 Bond Issue Fund was to close out the old fund's residual equity. The transfers between the nonmajor governmental debt service funds were to ensure that the various debt service funds had enough cash available to make principal and interest payments as necessary.

NOTE G: SHORT-TERM NOTES

On August 22, 2011, the District issued a short-term State School Aid Anticipation Note in the amount of \$11,232,147. This note was paid in full on August 22, 2012.

On August 20, 2012, the District issued a short-term State School Aid Anticipation Note in the amount of \$10,900,000 for the purpose of funding operating expenditures until the 2013 State Aid payments resumed. This short-term note, which has a net outstanding balance of \$10,900,000 at June 30, 2013, is reported in the General Fund under the caption short-term notes payable, with a balance of \$10,975,537 which includes accrued interest. The outstanding balance is due in full on August 20, 2013.

Redford Union School District #1

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE G: SHORT-TERM NOTES - CONTINUED

On April 23, 2013, the District borrowed \$89,159 from the Michigan State School Bond Loan program. This short-term note, which has a net outstanding balance of \$89,759 at June 30, 2013, is reported in the 1997 Bond Issue Fund under the caption short-term notes payable, which includes accrued interest of \$600. This amount was repaid on July 25, 2013.

NOTE H: EMPLOYEE PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

All of the District's employees, except students, are eligible to participate in the State wide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing, defined benefit, State wide public employee retirement system. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report for the fiscal year-end September 30, 2012, the last year available, may be obtained by contacting the State of Michigan Department of Technology, Management and Budget.

Funding Policy

Employer contributions to the pension system result from implementing effects of the School Finance Reform Act. Member contribution rates vary based on date of hire and certain voluntary elections. Employees who selected MIP on or before December 31, 1989, contributed 4% from January 1, 1987 to December 31, 1989 and 3.9% thereafter. Employees first hired on or after January 1, 1990 through June 30, 2008 are required to contribute based on a graduated rate: 3% of the first \$5,000 (up to \$150); \$150 plus 3.6% of \$5,001 through \$15,000 (up to \$510 total); \$510 plus 4.3% of all wages over \$15,000. Employees first hired on or after July 1, 2008 are required to contribute based on a graduated rate: 3% of the first \$5,000 (up to \$150); \$150 plus 3.6% of \$5,001 through \$15,000 (up to \$510 total); \$510 plus 6.4% of all wages over \$15,000. In addition, employees first hired on or after July 1, 2010 are required to enroll in the Pension Plus Plan, which includes a defined contribution component of 3% of all wages to a retiree health care fund and 2% to a hybrid defined contribution pension plan.

Pension Benefits

Each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits.

Other Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental, and vision coverage through MPERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10.0 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPERS 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.

Contribution rates for the year ended June 30, 2013, are as follows:

	<u>Pension Contribution Rate</u>		<u>Health Contribution Rate</u>	
	<u>Basic/MIP</u>	<u>Pension Plus</u>	<u>Basic/MIP</u>	<u>Pension Plus</u>
July 1, 2012-September 30, 2012	15.96%	14.73%	8.50%	8.50%
October 1, 2012-January 31, 2013	16.25%	12.78-15.02%	9.11%	8.18%-9.11%
February 1, 2013-June 30, 2013	12.78-15.21%	12.78-15.02%	9.11%	8.18%-9.11%

Redford Union School District #1

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE H: EMPLOYEE PENSION AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

The District's required and actual contributions to the various plans for the last three fiscal years are as follows:

Fiscal year ended June 30,	Defined Benefit Plan		Defined Contribution Plan	
	Employer Retirement Contributions	Employer Health Contributions	Employer Contributions	Employee Contributions
2013	\$ 2,956,237	\$ 1,546,339	\$ 4,813	\$ 4,794
2012	3,068,290	1,634,114	1,216	2,431
2011	2,492,568	1,742,337	587	1,175

NOTE I: RISK MANAGEMENT

The 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 District participates in the Metropolitan Association for Improved School Legislation (MAISL) risk pool for claims relating to property loss, torts, errors and omissions; the District is self-insured for workers' compensation and medical claims, up to certain limits but carries stop-loss insurance for excess claims in these areas. The District carries commercial insurance for various other liability exposures.

MAISL is a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The District estimates the liability for workers' compensation, medical claims, and prescription drug benefits that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the governmental-wide financial statements. Changes in the estimated liability for the past two fiscal years were as follows:

	2013	2012
Unpaid claims - Beginning of year	\$ 962,518	\$ 1,462,206
Estimated claims incurred - Including changes in estimates	2,794,078	4,287,886
Claim payments	<u>(3,129,960)</u>	<u>(4,797,574)</u>
Unpaid claims - End of year	<u>\$ 626,636</u>	<u>\$ 952,518</u>

NOTE J: SUBSEQUENT EVENT

In August 2013, the District received funds from the Michigan Municipal Bond Authority short-term cash flow borrowing program. The loan in the amount of \$9,470,000 was for the purpose of funding operating expenditures until the fiscal year 2014 State Aid payments resume. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE K: RESTATEMENT OF NET POSITION

Beginning net position in the governmental activities has been increased by a net \$106,829 as a result of the adjustment in the Special Education Center Program Fund of \$263,478 related to the elimination of an overstated due to other governmental units at the end of the prior year in addition to a change of (\$156,649) due to implementation of GASB Statement No. 65. This resulted in net position being restated to (\$2,018,844) as of the beginning of the year.

NOTE L: SPECIAL EDUCATION UNDERFUNDING SETTLEMENT

Prior to the current year the Durant vs. State of Michigan case was settled and the State was required to reimburse each plaintiff and nonplaintiff District an agreed upon amount for past underfunding of special education. Stockbridge Community Schools, a nonplaintiff District, was awarded \$538,078 in the settlement. The funds are being paid as follows:

- a. One-half was paid over the next ten (10) years, which began November 15, 1998. The restrictions on use of these funds are detailed within State School Aid Act, Section 11F(6). These funds were recorded within the General Fund as categorical State Aid. The year ended June 30, 2008 was the last year these payments were made.
- b. One-half is being paid over the next fifteen (15) years, which began May 15, 1999. The District borrowed this portion of the settlement amount through the Michigan Municipal Bond Authority on November 15, 1998. These funds were recorded as bond proceeds in the district's financial statements. The bond proceeds may be used for any purpose specified in Section 1351 (a) of the Revised School Code. The debt service payments for these bonds are to be made through an annual legislative appropriation. If the State of Michigan legislature fails to make the annual appropriation the District is under no obligation for the debt payments for that year. The District has pledged the annual State payments to the Michigan Municipal Bond Authority for payment of debt service. The bonds were paid off during the year ended June 30, 2013.

NOTE M: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE M: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS - CONTINUED

Fund Balance Classification Policies and Procedures

For committed fund balance, Redford Union School District #1's highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish a fund balance commitment has not been determined by Redford Union School District #1.

For assigned fund balance, Redford Union School District #1 has not approved a policy indicating who is authorized to assign amounts to a specific purpose. As a result, this authority is retained by the Board of Education.

The District has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, resources with the highest level of restriction will be used first.

NOTE N: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, were implemented during the current year. These statements incorporate deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets and fund balance, when applicable.

NOTE O: UPCOMING ACCOUNTING PRONOUNCEMENT

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the financial statements for the District's 2014-2015 fiscal year.

NOTE P: CONTINGENT LIABILITIES

Under the terms of various Federal and State grants, periodic compliance audits are required and certain costs may be questioned, allowed, or disallowed, which could result in funds being returned and/or received from grantor agencies.

There is legal action pending against the District. Due to the inconclusive nature of the action, it is not possible for Counsel to determine the probable outcome or a reasonable estimate of the potential liability, if any. This potential liability, if any, is considered by District management and legal counsel to be immaterial or the potential liability would be covered by insurance.

Redford Union School District #1

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE Q: FUND DEFICIT

As of June 30, 2013, the District had a deficit in fund balance in the General Fund of \$1,962,335. The Michigan State School Aid act states that a district receiving money under this act shall not adopt or operate under a deficit budget, and shall not incur an operating deficit in a fund during a school fiscal year. A district having an existing deficit or which incurs a deficit shall not be allotted or paid further sums under this act until the district submits to the Michigan Department of Education for approval a budget for the current fiscal year and a plan to eliminate the deficit not later than the end of the second fiscal year after the deficit was incurred. During the year ended June 30, 2013, the District formalized and submitted a Deficit Elimination Plan to the State and was notified later that the Plan was approved.

NOTE R: SPECIAL ITEM

During the year, the District sold vehicles and equipment including its fleet of buses for \$574,901, which is displayed as a special item in the General Fund. At the government-wide level, this transaction is shown as a gain on sale of \$218,201, which is the sales price less the net book value of the assets sold.

NOTE S: CONTRACTUAL COMMITMENT

The District is obligated for construction contracts relating to a construction project in the amount of \$1,148,946 as of June 30, 2013. This commitment is not susceptible to accrual. Accordingly, no liability has been recorded in the basic financial statements. The District's Capital Projects 2009 Bond Issue Fund contains sufficient funds to cover this commitment.

NOTE T: BONDED CONSTRUCTION FUNDS

The Capital Projects 2009 Bond Fund of the District includes the capital project activities funded by the 2009 School Improvement Bonds. For the projects recorded in this fund, the District has complied with the applicable provisions of Section 1351 (a) of the Revised School Code in the current year.

NOTE U: PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$263,478 was made in the Special Education Center Program Fund due to an overstated due to other governmental units in the prior year.

REQUIRED SUPPLEMENTARY INFORMATION

Redford Union School District #1

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2013

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 3,016,832	\$ 4,433,000	\$ 3,353,371	\$ (1,079,629)
State sources	19,306,540	19,886,414	19,444,161	(442,253)
Federal sources	2,421,747	2,549,711	2,301,121	(248,590)
TOTAL REVENUES	24,745,119	26,869,125	25,098,653	(1,770,472)
EXPENDITURES				
Current				
Instruction				
Basic programs	11,858,419	13,244,519	11,156,292	2,088,227
Added needs	4,075,020	4,129,929	4,472,979	(343,050)
Total Instruction	15,933,439	17,374,448	15,629,271	1,745,177
Supporting services				
Pupil	2,152,326	1,900,890	1,832,140	68,750
Instructional staff	463,140	391,460	318,608	72,852
General administration	495,854	471,561	471,072	489
School administration	1,426,364	1,405,768	1,376,432	29,336
Business	1,043,154	889,022	728,465	160,557
Pupil transportation	1,204,565	1,246,325	1,235,627	10,698
Operations and maintenance	2,862,510	2,832,997	2,539,590	293,407
Central support	684,218	655,860	608,393	47,467
Athletics	283,801	322,753	271,241	51,512
Total supporting services	10,615,932	10,116,636	9,381,568	735,068
Community services	118,120	198,080	170,888	27,192
Debt service	104,962	164,203	117,939	46,264
Capital outlay	2,046	2,046	-	2,046
TOTAL EXPENDITURES	26,774,499	27,855,413	25,299,666	2,555,747
EXCESS OF REVENUES (UNDER) EXPENDITURES	(2,029,380)	(986,288)	(201,013)	785,275

Redford Union School District #1

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2013

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Payments from other districts	\$ 583,200	\$ 605,790	\$ 523,451	\$ (82,339)
Transfers in	1,180,242	1,339,613	1,254,786	(84,827)
Transfers out	(69,547)	-	-	-0-
SPECIAL ITEM				
Proceeds from sale of assets	-	-	574,901	574,901
TOTAL OTHER FINANCING SOURCES (USES) AND SPECIAL ITEM	<u>1,693,895</u>	<u>1,945,403</u>	<u>2,353,138</u>	<u>407,735</u>
NET CHANGE IN FUND BALANCE	(335,485)	959,115	2,152,125	1,193,010
Fund balance (deficit), beginning of year	<u>(4,114,460)</u>	<u>(4,114,460)</u>	<u>(4,114,460)</u>	<u>-0-</u>
Fund balance (deficit), end of year	<u><u>\$ (4,449,945)</u></u>	<u><u>\$ (3,155,345)</u></u>	<u><u>\$ (1,962,335)</u></u>	<u><u>\$ 1,193,010</u></u>

Redford Union School District #1
Special Education Center Program Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
State sources	\$ 2,783,362	\$ 2,783,362	\$ 3,169,268	\$ 385,906
Federal sources	583,794	465,100	455,600	(9,500)
TOTAL REVENUES	3,367,156	3,248,462	3,624,868	376,406
EXPENDITURES				
Current				
Salaries	5,085,140	5,199,167	5,311,866	(112,699)
Fringe benefits	3,146,194	3,000,511	3,108,258	(107,747)
Purchased services	205,300	224,020	204,358	19,662
Supplies	201,501	245,137	151,707	93,430
TOTAL EXPENDITURES	8,638,135	8,668,835	8,776,189	(107,354)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(5,270,979)	(5,420,373)	(5,151,321)	269,052
OTHER FINANCING SOURCES (USES)				
Payments from other districts	6,617,728	6,501,501	7,137,229	635,728
Transfers out	(1,346,749)	(1,081,128)	(1,184,786)	(103,658)
TOTAL OTHER FINANCING SOURCES (USES)	5,270,979	5,420,373	5,952,443	532,070
NET CHANGE IN FUND BALANCE	-0-	-0-	801,122	801,122
Fund balance, beginning of year	-	-	-	-0-
Prior period adjustment	263,478	263,478	263,478	-0-
Fund balance, end of year	\$ 263,478	\$ 263,478	\$ 1,064,600	\$ 801,122

Redford Union School District #1

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2013

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated. The District's budgeted expenditures in the General Fund have been adopted at the functional classification level. The District's budgeted expenditures in the Special Education Center Program Fund have been adopted by object/activity. The District's budgeted expenditures in the Food Service Fund have been adopted at the total expenditure level.

During year ended June 30, 2013 the District incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Current			
Instruction			
Added needs	\$ 4,129,929	\$ 4,472,979	\$ 343,050
Special Education Center Program Fund			
Current			
Salaries	5,199,167	5,311,866	112,699
Fringe benefits	3,000,511	3,108,258	107,747
Other financing uses			
Transfers out	1,081,128	1,184,786	103,658
Food Service	1,028,835	1,033,835	5,000

OTHER SUPPLEMENTARY INFORMATION

Redford Union School District #1

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2013

	Special Revenue	Debt	
	Food Service	1997 Bond Issue	2007 Refunding Issue
ASSETS			
Cash and cash equivalents	\$ -	\$ 13,607	\$ -
Accounts receivable	448	-	-
Due from other governmental units	-	295,663	-
Due from other funds	533,218	-	-
Inventory	14,157	-	-
	<u>547,823</u>	<u>309,270</u>	<u>-0-</u>
TOTAL ASSETS	\$ 547,823	\$ 309,270	\$ -0-
LIABILITIES			
Accounts payable	\$ 2,437	\$ -	\$ -
Short-term notes payable	-	89,759	-
Unearned revenue	3,123	-	-
	<u>5,560</u>	<u>89,759</u>	<u>-0-</u>
TOTAL LIABILITIES	5,560	89,759	-0-
FUND BALANCES			
Nonspendable			
Inventory	14,157	-	-
Restricted			
Food service	528,106	-	-
Debt service	-	219,511	-
	<u>542,263</u>	<u>219,511</u>	<u>-0-</u>
TOTAL FUND BALANCES	542,263	219,511	-0-
TOTAL LIABILITIES AND FUND BALANCES	\$ 547,823	\$ 309,270	\$ -0-

Service

2009 Bond Issue	Durant Resolution Bond	Capital Projects	Total
\$ -	\$ -	\$ -	\$ 13,607
-	-	-	448
-	-	-	295,663
-	-	-	533,218
-	-	-	14,157
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 857,093</u>
\$ -	\$ -	\$ -	\$ 2,437
-	-	-	89,759
-	-	-	3,123
-0-	-0-	-0-	95,319
-	-	-	14,157
-	-	-	528,106
-	-	-	219,511
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>761,774</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 857,093</u>

Redford Union School District #1

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES

Year Ended June 30, 2013

	Special Revenue	Debt	
	Food Service	1997 Bond Issue	2007 Refunding Issue
REVENUES			
Local sources	\$ 210,809	\$ 3,633,331	\$ -
State sources	43,603	-	-
Federal sources	989,358	319,314	-
TOTAL REVENUES	1,243,770	3,952,645	-0-
EXPENDITURES			
Current			
Food service	1,009,574	-	-
Debt service			
Principal retirement	-	2,330,000	-
Interest, fiscal, and other charges	-	633,224	65,525
Capital outlay	24,261	-	-
TOTAL EXPENDITURES	1,033,835	2,963,224	65,525
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	209,935	989,421	(65,525)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	65,525
Transfers out	(70,000)	(978,300)	-
TOTAL OTHER FINANCING SOURCES (USES)	(70,000)	(978,300)	65,525
NET CHANGE IN FUND BALANCES	139,935	11,121	-0-
Fund balances, beginning of year	402,328	208,390	-
Fund balances, end of year	<u>\$ 542,263</u>	<u>\$ 219,511</u>	<u>\$ -0-</u>

Service

<u>2009 Bond Issue</u>	<u>Durant Resolution Bond</u>	<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 3,844,140
-	197,681	-	241,284
-	-	-	1,308,672
-0-	197,681	-0-	5,394,096
-	-	-	1,009,574
-	188,697	-	2,518,697
912,775	8,984	-	1,620,508
-	-	-	24,261
<u>912,775</u>	<u>197,681</u>	<u>-0-</u>	<u>5,173,040</u>
(912,775)	-0-	-0-	221,056
912,775	-	-	978,300
<u>-</u>	<u>-</u>	<u>(22,917)</u>	<u>(1,071,217)</u>
<u>912,775</u>	<u>-0-</u>	<u>(22,917)</u>	<u>(92,917)</u>
-0-	-0-	(22,917)	128,139
<u>-</u>	<u>-</u>	<u>22,917</u>	<u>633,635</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 761,774</u>