



Redford Union School District #1

Audited Financial Statements

June 30, 2011

Prepared by Taylor & Morgan, P.C.

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INDEPENDENT AUDITORS' REPORT

November 7, 2011

Board of Education
Redford Union School District #1

We have audited the accompanying basic financial statements of Redford Union School District #1 as of and for the year ended June 30, 2011 as listed in the table of contents. These basic financial statements are the responsibility of the school's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Redford Union School District #1 as of June 30, 2011 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Redford Union School District #1 will continue as a going concern. As discussed in Note 14 to the financial statements, the District has a general fund deficit of approximately \$1.8 million as of June 30, 2011, and general fund equity decreased almost \$183,000 during the year then ended. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 7, 2011 on our consideration of Redford Union School District #1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 32-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Redford Union School District #1, taken as a whole. The accompanying information identified in the table of contents as combining financial statements and other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sincerely,

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

Redford Union School District #1, Redford, Michigan
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

The Redford Union School District #1 has implemented Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. Our discussion and analysis of Redford Union School District #1's financial performance, a GASB 34 requirement, provides an overview of the School District's financial activities for the fiscal year ended June 30, 2011.

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

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

FUND FINANCIAL STATEMENTS

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

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

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

DISTRICT-WIDE FINANCIAL STATEMENTS

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

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

Redford Union School District #1, Redford, Michigan
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

The School District's net assets totaled \$379,531 at June 30, 2011. Of this amount, \$7,453,273 was restricted. Restricted net assets are reported separately to show legal constraints from debt covenants and legislation that limits the School District's ability to use those net assets for day-to-day operations. The following is a summary of the District's net assets at June 30, 2011, with comparative totals for June 30, 2010:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Assets		
Current assets	\$ 22,003,634	\$ 24,594,540
Capital assets net of depreciation	25,983,311	23,585,537
Deferred charges for debt issue discounts and other debt issue costs	<u>285,696</u>	<u>320,478</u>
 Total assets	 48,272,641	 48,500,555
Liabilities		
Current liabilities	19,052,644	17,325,580
Long-term liabilities	<u>28,840,466</u>	<u>31,413,397</u>
 Total liabilities	 47,893,110	 48,738,977
Net Assets		
Invested in capital assets, net of related debt	(3,436,981)	(8,089,925)
Restricted for capital projects	7,207,864	11,688,696
Restricted for debt service	245,409	874,427
Unrestricted	<u>(3,636,761)</u>	<u>(4,711,620)</u>
 Total net assets	 <u>\$ 379,531</u>	 <u>\$ (238,422)</u>

The \$(3,636,761) in unrestricted net assets of governmental activities represents the District's long-term operating commitments in excess of current resources, specifically compensated absences, early retirement incentives, and risk liabilities. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year. Total net assets increased \$616,953 in 2010-11.

Net capital assets increased approximately \$2.4 million in 2010-11. The major components of the increase in net capital assets are as follows:

➤ Depreciation expense

The provisions of GASB 34 require districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation is a reduction in net assets. Depreciation expense is recorded using a straight-line method over the estimated useful lives of the assets. In accordance with generally accepted accounting principles, depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. For the year ended June 30, 2011 the net increase in accumulated depreciation was \$2,000,154.

Redford Union School District #1, Redford, Michigan
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

➤ Capital acquisitions

Capital outlay (net) for the year ended June 30, 2011 totaled \$4,397,928.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-wide results of operations for the years ended June 30, 2011 and 2010 are as follows:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
General revenue		
Property taxes	\$ 5,614,405	\$6,142,005
State of Michigan aid, unrestricted	16,977,013	17,031,843
Investment earnings	36,640	119,498
Gain from sale of asset	-	6,600
Other – federal, state and local	<u>223,666</u>	<u>184,790</u>
Total general revenue	22,851,724	23,484,736
Program revenue		
Charges for services – local	952,242	930,352
Operating grants – federal and state	<u>19,871,049</u>	<u>22,565,272</u>
Total revenues	43,675,015	46,980,360
Expenses		
Instruction	26,449,868	28,945,573
Support services	11,330,285	13,453,064
Food services	1,054,683	1,097,704
Athletics	328,997	455,326
Capital Outlay	162,036	66,159
Interest on long-term debt	1,857,422	2,128,022
Depreciation (unallocated)	<u>1,873,771</u>	<u>1,810,096</u>
Total expenses	<u>43,057,062</u>	<u>47,955,944</u>
Increase/(Decrease) in net assets	617,953	(957,584)
Net assets – July 1	<u>(238,422)</u>	<u>737,162</u>
Net assets – June 30	<u>\$379,531</u>	<u>\$(238,422)</u>

Redford Union School District #1, Redford, Michigan
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The School District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments and resultant staffing requirements are known. Typically, all budgets are amended in late fall. If material changes occur in anticipated revenue or expenditures after the budget is amended in the fall, it is amended again in early spring. Currently, the most significant budgeted funds are the General Fund, the Special Education Center Program Fund and the Capital Projects Fund. During the fiscal year ended June 30, 2011, the School District amended the budgets of these major governmental funds twice.

General Fund

In the general fund, the actual revenue was \$27.3 million. This is above the original budget estimate of \$25.2 million and below final amended budgeted amount of \$27.8 million, a variance of 1.8%. The variance between the actual revenue and the original revenue budget is primarily due to the district losing fewer students than anticipated. The variance between the actual revenue and the final revenue budget is due primarily to state and federal grant dollars awarded and budgeted but not spent as of the end of the school year.

The actual expenditures of the general fund were \$28.8 million. This is below the original budget estimate of \$29.3 million and below the final amended budgeted amount of \$30 million, a variance of 4%. The variance between the actual expenditures and the original and final expenditure budgets is due primarily to lower health insurance costs and state and federal grant dollars awarded and budgeted but not spent as of the end of the school year.

The fund balance was a deficit of \$1.8 million at June 30, 2011, which is a decrease of \$200,000 over the previous year but an increase of \$600,000 over the projected deficit fund balance in the Deficit Elimination Plan submitted in December 2010 to the Michigan Department of Education. The District submitted a revised Deficit Elimination Plan in July 2011 and will be required to submit another revised Deficit Elimination Plan by December 15, 2011 showing how they plan to eliminate this deficit in future years.

Capital Projects Fund

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

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

The Original Capital Projects Fund fund balance decreased during the school year. Funds were used to install motion sensor lighting and hand dryers in the bathrooms at the High School.

Redford Union School District #1, Redford, Michigan
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2011

GOVERNMENTAL FUND EXPENDITURES

The following chart illustrates that the General Fund comprises 59% of all the expenditures within the governmental funds of the School District. As of June 30, 2011, expenditures totaled \$48.9 million for all District programs. The ending fund balance for all funds was equal to \$5.97 million. The General Fund had a \$(1.76) million deficit fund balance as of June 30, 2011.

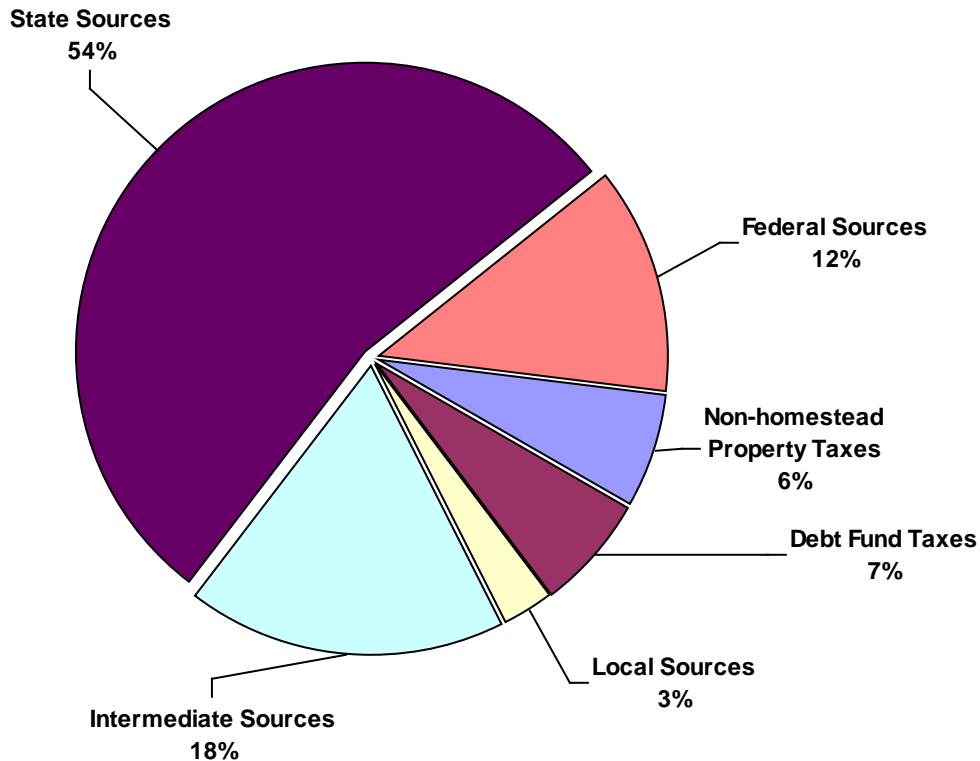
	Expenditures June 30, 2011 <u>(in millions)</u>	<u>% of Total</u>	Fund Balance June 30, 2011 <u>(in millions)</u>
General Fund	\$28.8	59%	\$(1.76)
Special Education Center Program Fund	10.5	21%	.
Capital Projects Fund	4.5	9%	7.18
Other Non-major Funds	<u>5.1</u>	<u>11%</u>	<u>.55</u>
Total	<u>\$48.9</u>	100%	<u>\$ 5.97</u>

Redford Union School District #1, Redford, Michigan
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

TOTAL REVENUES

Revenues for all governmental funds totaled \$43.7 million. The following graph illustrates the District revenues by source as a percentage of total revenue:

Revenues by Source



Unrestricted State Aid

The district is predominately funded by State Aid. Since the passage of Proposal A in 1993, the district now receives a set amount per student or FTE (full-time equivalent) from the State. This amount is called the Foundation Allowance. The State Foundation Allowance was \$7,331 and \$7,331 for 2010-11 and 2009-10, respectively. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance. The blended count for 2010-11 was 25 percent and 75 percent of the February 2010 and September 2010 student counts, respectively. The district receives the State foundation revenue net of any property taxes collected. Under State law, the District cannot assess additional property tax revenue for operations. As a result, District funding is heavily dependent on the State's ability to fund local school operations. The State Foundation Allowance was reduced by \$289 during the school year due to a shortage of State revenue. \$119 of American Recovery and Reinvestment Act (ARRA) Stabilization Funds and \$170 of Education Jobs Funds, which are federal funds, were received by the district to replace this lost revenue. The State foundation revenue to the District decreased by approximately \$1.5 million for 2010-11 as the result of a decrease in student enrollment of 76 students and the reduction in the Foundation Allowance of \$289. State Aid student membership was 3,252 and 3,328 in 2010-11 and 2009-10, respectively.

Redford Union School District #1, Redford, Michigan
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Property Taxes

The District levies 18 mills of property taxes on all non-homestead property and 6 mills on all commercial personal property located within the District for General Fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable value of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value. The 2010-11 Non-Homestead property tax levy totaled approximately \$2.6 million.

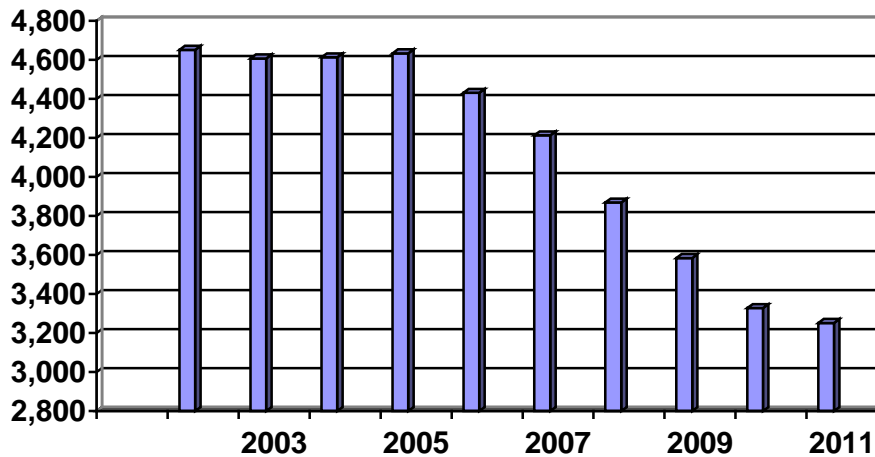
The District levies 6.0 mills of property taxes on all classes of property located within the district for bonded debt retirement. This levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations. The total amount levied for debt retirement in the current year was \$2.9 million.

ENROLLMENT

One of the most important factors affecting the District's revenue is student enrollment. Enrollment is important to the financial health of the District because State funding is based on a per-pupil formula. For the fiscal year ended June 30, 2011, the gross per-pupil allowance or Foundation Allowance was \$7,331. The District's 2010-11 enrollment totaled 3,252 students. This is a decrease in enrollment of 76 students from the prior year. The District's enrollment has decreased over the past few years.

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

Student Enrollment



Redford Union School District #1, Redford, Michigan
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2011, the School District had \$57.8 million invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$31.8 million has been depreciated. Net book value totals \$26.0 million. Total additions (net) for the year were approximately \$3.12 million and were comprised of building and site improvements and food service equipment. The district's buildings range in years of construction from 1925 to 1967. Building additions and improvements have been made over the years to most buildings. The district is committed to the timely repairs and maintenance of its facilities.

Capital Assets at Year End (Net of Depreciation) (in millions)		Governmental <u>Activities</u>
Buildings and Additions		\$ 25.2
Furniture and Equipment		.2
Vehicles & Buses		<u>.6</u>
 Total		 <u>\$ 26.0</u>

Outstanding debt at year-end

The District had the following outstanding debt at June 30, 2011:

1997 issue – General Obligation Bonds	\$ 14,560,000
2007 Refunding Obligation Bonds	1,630,000
Durant Non-Plaintiff Bonds (Series 1998)	368,820
2009 issue – General Obligation Bonds	12,530,000
Installment Loan Contract on Two School Buses (2007)	48,377
Installment Loan Contract on Four School Buses (2009)	216,976
Installment Loan Contract on One School Bus (2009)	<u>66,119</u>
Total	\$ <u>29,420,292</u>

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

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

REDFORD UNION SCHOOL DISTRICT #1
STATEMENT OF NET ASSETS
JUNE 30, 2011

		Governmental Activities
Assets		
Current Assets		
Cash, cash equivalents and investments	\$	14,360,537
Accounts receivable		200,048
Due from other governmental units		6,599,420
Interest receivable		28,866
Inventory		37,368
Prepaid costs		777,395
Total current assets		22,003,634
Non-Current Assets		
Land		30,123
Buildings and improvements		48,498,135
Equipment and furniture		5,031,686
Vehicles		2,633,914
Construction in progress		1,575,743
Less: accumulated depreciation		(31,786,290)
Net capital assets		25,983,311
Deferred bond interest		109,976
Deferred bond issuance costs		175,720
Total non-current assets		26,269,007
Total assets		48,272,641
Liabilities		
Current Liabilities		
Accounts payable		1,240,752
Accrued payroll and other liabilities		2,748,280
State aid anticipation note		12,000,000
Accrued interest		307,682
Deferred revenue		242
Current portion of accumulated unpaid benefits		326,379
Current portion of long-term obligations		2,429,309
Total current liabilities		19,052,644
Non-Current Liabilities		
Non-current portion of accumulated unpaid benefits		1,849,483
Non-current portion of long-term obligations		26,990,983
Total non-current liabilities		28,840,466
Total liabilities		47,893,110
Net Assets		
Net Assets		
Invested in capital assets, net of related debt		(3,436,981)
Restricted for:		
Debt service		245,409
Capital projects		7,207,864
Unrestricted		(3,636,761)
Total net assets	\$	379,531

See accompanying notes to basic financial statements

REDFORD UNION SCHOOL DISTRICT #1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions		Net (Expense) Revenue and Changes in Net Assets
Functions/Programs					
Governmental Activities					
Instruction	\$ 26,449,868	\$ 46,632	\$ 18,384,026		\$ (8,019,210)
Support services	11,330,285	562,522	517,008		(10,250,755)
Food services	1,054,683	308,128	970,015		223,460
Athletics	328,997	34,960	-		(294,037)
Capital outlay	162,036	-	-		(162,036)
Interest and other costs on long-term debt	1,857,422	-	-		(1,857,422)
Unallocated depreciation	1,873,771	-	-		(1,873,771)
Total governmental activities	\$ 43,057,062	\$ 952,242	\$ 19,871,049		(22,233,771)
General Purpose Revenues					
					5,614,405
					16,977,013
					36,640
					223,666
				Total general revenue	22,851,724
				Change in net assets	617,953
				Net assets - July 1	(238,422)
				Net assets - June 30	\$ 379,531

REDFORD UNION SCHOOL DISTRICT #1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Special Education Center Program	Capital Projects 2009 Bond Issue	Non-major Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 5,659,715	\$ -	\$ 8,070,286	\$ 630,536	\$ 14,360,537
Accounts receivable	183,943	-	-	16,105	200,048
Due from other governmental units	4,922,943	1,676,477	-	-	6,599,420
Interest receivable	1,968	-	26,898	-	28,866
Inventory	3,277	-	-	34,091	37,368
Due from other funds	5,663,699	-	1,370	238,236	5,903,305
Prepaid expenses	777,395	-	-	-	777,395
Total Assets	\$ 17,212,940	\$ 1,676,477	\$ 8,098,554	\$ 918,968	\$ 27,906,939
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 285,153	\$ 35,722	\$ 913,563	\$ 6,314	\$ 1,240,752
Due to other funds	3,900,296	1,640,755	-	362,254	5,903,305
State aid anticipation loan	12,000,000	-	-	-	12,000,000
Accrued interest	41,333	-	-	-	41,333
Salaries payable	2,742,936	-	-	5,344	2,748,280
Deferred revenue	242	-	-	-	242
Total Liabilities	18,969,960	1,676,477	913,563	373,912	21,933,912
Fund Balance					
Non-spendable	780,672	-	-	34,091	814,763
Restricted for:					
Capital outlay	-	-	7,184,991	22,873	7,207,864
Debt service	-	-	-	245,409	245,409
Unassigned	(2,537,692)	-	-	242,683	(2,295,009)
Total Fund Balance	(1,757,020)	-	7,184,991	545,056	5,973,027
Total liabilities and fund balance	\$ 17,212,940	\$ 1,676,477	\$ 8,098,554	\$ 918,968	\$ 27,906,939

REDFORD UNION SCHOOL DISTRICT #1
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
 TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
 JUNE 30, 2011

Total Governmental Fund Balances	\$	5,973,027
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</p>		
Cost of capital assets	\$ 57,769,601	
Accumulated depreciation	<u>(31,786,290)</u>	25,983,311
<p>Non-current assets related to bond refundings are not included as assets in governmental funds.</p>		
Deferred bond interest	\$ 109,976	
Deferred bond costs	<u>175,720</u>	
Total Non-Current Assets		285,696
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:</p>		
Bonds payable	\$ (29,088,820)	
Bus loans payable	(331,472)	
Self-insurance liability	(1,462,205)	
Compensated absences payable	<u>(713,656)</u>	
Total long-term liabilities		(31,596,153)
<p>In the Statement of Net Assets, interest has been accrued on long-term debt as of June 30, 2011</p>		
		<u>(266,350)</u>
Total net assets - governmental activities	\$	<u><u>379,531</u></u>

REDFORD UNION SCHOOL DISTRICT #1
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Special Education Center Program	Capital Projects 2009 Bond Issue	Non-major Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 3,577,423	\$ -	\$ 29,874	\$ 3,173,024	\$ 6,780,321
State sources	19,851,630	3,519,453	-	240,305	23,611,388
Federal sources	3,552,396	651,532	-	1,246,718	5,450,646
Interdistrict sources	<u>330,427</u>	<u>7,502,233</u>	<u>-</u>	<u>-</u>	<u>7,832,660</u>
Total revenues	27,311,876	11,673,218	29,874	4,660,047	43,675,015
Expenditures					
Instruction					
Basic programs	11,199,106	-	-	-	11,199,106
Added needs	<u>4,748,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,748,059</u>
Total instruction	15,947,165	-	-	-	15,947,165
Support services					
Pupil services	2,321,790	-	-	-	2,321,790
Instructional staff services	466,672	-	-	-	466,672
General administration	471,889	-	-	-	471,889
School administration	1,473,167	-	-	-	1,473,167
Business services	934,720	-	-	-	934,720
Operation and maintenance	4,280,563	-	-	-	4,280,563
Pupil transportation	1,459,881	-	-	-	1,459,881
Central services	628,526	-	-	-	628,526
Athletics	328,997	-	-	-	328,997
Food Service	-	-	-	1,052,368	1,052,368
Community services	337,976	-	-	-	337,976
Capital outlay	954	-	4,506,163	52,847	4,559,964
Special education center program	<u>-</u>	<u>10,502,703</u>	<u>-</u>	<u>-</u>	<u>10,502,703</u>
Total support services	12,705,135	10,502,703	4,506,163	1,105,215	28,819,216
Debt retirement					
Principal payments	94,200	-	-	2,161,947	2,256,147
Interest payments	<u>17,523</u>	<u>-</u>	<u>-</u>	<u>1,848,893</u>	<u>1,866,416</u>
Total debt retirement	<u>111,723</u>	<u>-</u>	<u>-</u>	<u>4,010,840</u>	<u>4,122,563</u>
Total expenditures	<u>28,764,023</u>	<u>10,502,703</u>	<u>4,506,163</u>	<u>5,116,055</u>	<u>48,888,944</u>
Excess of Revenues Over/(Under) Expenditures	(1,452,147)	1,170,515	(4,476,289)	(456,008)	(5,213,929)
Other Financing Sources/(Uses)					
Operating transfers out	(70,261)	(1,170,515)	-	(98,403)	(1,339,179)
Operating transfers in	<u>1,339,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,339,179</u>
Total Other Financing Sources/(Uses)	<u>1,268,918</u>	<u>(1,170,515)</u>	<u>-</u>	<u>(98,403)</u>	<u>-</u>
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	(183,229)	-	(4,476,289)	(554,411)	(5,213,929)
Fund balance - July 1	<u>(1,573,791)</u>	<u>-</u>	<u>11,661,280</u>	<u>1,099,467</u>	<u>11,186,956</u>
Fund balance - June 30	<u>\$ (1,757,020)</u>	<u>\$ -</u>	<u>\$ 7,184,991</u>	<u>\$ 545,056</u>	<u>\$ 5,973,027</u>

REDFORD UNION SCHOOL DISTRICT #1
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2011

Total net change in fund balances - governmental funds	\$	(5,213,929)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Capital Outlay	\$	4,397,928
Depreciation Expense		(2,000,154)
		2,397,774
<p>Deferred charges are reported as revenue in the funds and amortized in the statement of activities.</p>		
		(34,782)
<p>Repayment of long-term bonds and notes is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets.</p>		
		2,255,170
<p>Interest expense is recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid.</p>		
		44,753
<p>Arbitration provision liability is not included as a liability in the governmental funds. This is the amount of the liability that was reversed in the current year.</p>		
		1,000,000
<p>Accumulated unpaid benefits are recorded as liabilities in the statement of net assets, but are not recorded in the governmental funds statement. The amount reflects the decrease in accumulated unpaid benefits at June 30, 2011.</p>		
		168,967
Change in net assets of governmental activities	\$	617,953

REDFORD UNION SCHOOL DISTRICT #1
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>261,173</u>
Liabilities	
Due to student and other groups	\$ <u>261,173</u>
Total liabilities	\$ <u>261,173</u>

NOTES TO FINANCIAL STATEMENTS

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies

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

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

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

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

Reporting Entity

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

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

Basic Financial Statements – Government-wide Statements

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

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

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

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

Basic Financial Statements - Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

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

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

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

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

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Accounting/Measurement Focus

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

Accrual

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

Modified Accrual

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

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

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

Cash and Investments

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

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

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Investments (continued)

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

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

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

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

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

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

Property Taxes

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

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

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

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

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

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

Vacation/sick time earned but not used and the accrued retirement incentive at June 30, 2011 and 2010 amounted to \$713,656 and \$721,964.

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

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

Economic Dependency - The district receives approximately 60% of its operating revenue through the foundation allowance from the State of Michigan. This figure includes property taxes collected for operations.

Concentrations - Substantially all employees of the District are covered under collective bargaining agreements. The Michigan Education Association (MEA) contract covering the teachers expired June 30, 2013. Contracts for all other bargaining units expire June 30, 2012.

Note 2 - Budget and Budgetary Accounting

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

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

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

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

REDFORD UNION SCHOOL DISTRICT #1
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

Note 2 - Budget and Budgetary Accounting (continued)

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

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

Note 3 - Deposits and Investments

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

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits this exposure by mandating that the District's investments in commercial paper and corporate bonds be limited to those with a prime rating or better issued by nationally recognized statistical rating organizations (NRSROs). At June 30, 2011, the District had the following investments in commercial paper/corporate bonds:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pooled funds	\$10,179,291	Not applicable	Not rated	Not applicable

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities, if any, in the possession of an outside party. At June 30, 2011, the District had \$269,048 of its deposit balances insured and \$3,996,840 of its deposit balances uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent.

REDFORD UNION SCHOOL DISTRICT #1
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

Note 3 - Deposits and Investments (continued)

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

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

Note 4 - Changes in Capital Assets

Summary of capital asset transactions:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2011</u>
Capital Assets not being depreciated:				
Land	\$ 30,123	\$	\$	\$ 30,123
Construction in Progress	718,889	1,575,743	718,889	1,575,743
Capital Assets being depreciated:				
Buildings and improvements	45,004,198	3,493,937		48,498,135
Furniture and equipment	4,984,549	47,137		5,031,686
Buses and other vehicles	<u>2,633,914</u>	_____	_____	<u>2,633,914</u>
Subtotal	53,371,673	5,116,817	718,889	57,769,601
Less: Accumulated Depreciation:				
Buildings and improvements	23,137,889	1,775,413		24,913,302
Furniture and equipment	4,687,212	100,673		4,787,885
Buses and other vehicles	<u>1,961,035</u>	<u>124,068</u>	_____	<u>2,085,103</u>
Subtotal	<u>29,786,136</u>	<u>2,000,154</u>	_____	<u>31,786,290</u>
Net Capital Assets	<u>\$23,585,537</u>	<u>\$ 3,116,663</u>	<u>\$718,889</u>	<u>\$25,983,311</u>

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

Support Services-Transportation	\$ 124,068
Food Service	2,315
Unallocated	<u>1,873,771</u>
Total Depreciation Expense	<u>\$2,000,154</u>

REDFORD UNION SCHOOL DISTRICT #1
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

Note 5 - Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2011:

	<u>Bonds</u>	Bus Installment <u>Notes</u>	Compensated <u>Absences</u>	Employee Benefit <u>Liability</u>	<u>Total</u>
Balance July 1, 2010	\$ 31,250,767	\$ 424,695	\$ 721,964	\$1,622,865	\$34,020,291
Additions	-	-	-	4,756,244	4,756,244
Retirements & payments	<u>(2,161,947)</u>	<u>(93,223)</u>	<u>(8,308)</u>	<u>(4,916,903)</u>	<u>(7,180,381)</u>
Balance June 30, 2011	29,088,820	331,472	713,656	1,462,206	31,596,154
Less: current portion	<u>2,335,123</u>	<u>94,186</u>	<u>107,048</u>	<u>219,331</u>	<u>2,755,688</u>
Total due after one year	<u>\$ 26,753,697</u>	<u>\$ 237,286</u>	<u>\$ 606,608</u>	<u>\$1,242,875</u>	<u>\$ 28,840,466</u>

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

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,429,309	\$ 1,749,128	\$4,178,437
2013	2,613,888	1,628,515	4,242,403
2014	2,085,500	1,499,181	3,584,681
2015	2,231,595	1,376,863	3,608,458
2016	1,985,000	1,243,875	3,228,875
2017-2021	11,815,000	4,264,925	16,079,925
2022-2024	<u>6,260,000</u>	<u>895,975</u>	<u>7,155,975</u>
Total	<u>\$29,420,292</u>	<u>\$12,658,462</u>	<u>\$42,078,754</u>

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

Interest expenditures for the year ended June 30, 2011 totaled \$17,523 in the General Fund and \$1,848,893 in the Debt Retirement Funds.

Note 6 - Durant Resolution Bonds

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

Bonded Debt

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

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 6 - Durant Resolution Bonds (continued)

requirements are appropriations made annually by The State of Michigan. If the State Legislature fails to appropriate funds for the bond payments, the District is under no obligation for payment and will write off the debt service requirement for that year only. In March of 2003, the State of Michigan refinanced this obligation deferring all required payments until May of 2006. The balance payable at June 30, 2011 was \$368,820.

Annual Installments

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

Note 7 – Defined Benefit Pension Plan

Plan Description

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

Funding Policy

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

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

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

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 7 – Defined Benefit Pension Plan (continued)

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

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

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

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

The contribution requirements of the plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District employer contributions to MPSERS for the years ended June 30, 2011, 2010 and 2009 were \$3,898,543, \$4,202,763, and \$3,812,688, respectively, equal to the required contribution for each year.

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

Post-Employment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees who have this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

REDFORD UNION SCHOOL DISTRICT #1
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

Note 8 – Inter-fund Transactions

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

	<u>General Fund</u>	<u>Special Education Center Program</u>	<u>Non-major Governmental Funds</u>	<u>Totals</u>
To:	\$ 1,339,179	\$ -0-	\$ -0-	\$ 1,339,179
From:	\$ 70,261	\$ 1,170,515	\$ 98,403	\$ 1,339,179

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

The composition of interfund balances is as follows:

	<u>Due to Other Funds</u>	<u>Due From Other Funds</u>
General Fund	\$ 3,900,296	\$ 5,663,699
Special Education Center Program	1,640,755	-
Capital Projects 2009 Bond Issue	-	1,370
Non-major Governmental Funds	<u>362,254</u>	<u>238,236</u>
Total	<u>\$ 5,903,305</u>	<u>\$ 5,903,305</u>

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

Note 9 - Contingencies and Commitments

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

As of June 30, 2010, the District was a defendant in numerous grievance arbitration cases. All cases were currently awaiting arbitration decisions. In addition, there were two pending unfair labor practice cases. The total potential exposure was approximately \$1 million (excluding interest) for payment for past healthcare contributions and healthcare costs. It was not possible to predict with certainty whether the District would ultimately be successful in any of the legal matters, or, if not, what the impact would be based on current information. For the year ended June 30, 2010, a liability of \$1 million had been included in these financial statements at the government-wide level as a provision for potential losses related to these matters. Effective March 2, 2011 these cases have all been dismissed and the liability has been reversed on the current year's financial statements.

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 10 - Fund Balance

Non-spendable, Restricted, Committed, Assigned and Unassigned

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

Non-spendable:

Inventory	\$ 37,368
Prepaid expenses	<u>777,395</u>
Total Non-spendable	<u>\$814,763</u>

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

Restricted:

Debt service	\$ 245,409
Capital projects	<u>7,207,863</u>
Total Restricted	<u>\$7,453,272</u>

Committed fund balance represents constrained amounts imposed by school board resolution. The district had no amounts committed at June 30, 2011.

Assigned fund balance represents amounts intended to be used for specific purposes expressed by the Board of Education, Finance Committee, or the official authorized by the governing body. Residual amounts in governmental funds other than the General Fund are also assigned. The District had no amounts assigned at June 30, 2011.

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

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

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 11 – Risk Management

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

The District estimates the liability for workers' compensation and health insurance claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not been reported. These estimates are recorded as a liability in the General Fund to the extent they are considered due at June 30, with the remainder included in the government-wide statements. Changes in the estimated liability for the year ended June 30, 2011 are as follows:

Estimated liability - Beginning of year	\$ 1,622,865
Estimated claims incurred-Including changes in estimates	4,756,244
Claim payments	<u>(4,916,903)</u>
Unpaid claims - End of year	\$ <u>1,462,206</u>

Note 12 – State Aid Anticipation Note

On August 20, 2010, the District borrowed \$12,000,000 at 0.4 percent annual interest on a state aid anticipation note. The note was paid in full on August 22, 2011. At June 30, 2011, the District has accrued interest of approximately \$41,000 on this note.

Note 13 – Subsequent Events

On August 22, 2011, the District borrowed \$11,232,147 on a state aid anticipation note at 0.6 percent interest. The note, including interest, is due August 22, 2012.

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

REDFORD UNION SCHOOL DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 14 – Going Concern

As noted in the independent auditor's report, the District has an accumulated general fund deficit of approximately \$1.8 million, and general fund equity decreased by \$183,000 during the 2010-11 fiscal year. The preliminary 2011-12 budget as approved by the Board of Education projects an accumulated deficit of approximately \$1.7 million as of June 30, 2012. In addition to these factors, the District is facing the prospect of flat or declining State per-pupil revenues, a significant increase in retirement payments, and declining enrollment.

These factors raise substantial doubt about the District's ability to continue as a going concern. Management is addressing this situation by working with the Board of Education to analyze the District's financial condition and develop a deficit elimination plan to reduce their deficit within two to five years. A deficit elimination plan was submitted to the Michigan Department of Education on August 1, 2011. A new deficit elimination plan is required to be submitted to the Michigan Department of Education by December 15, 2011.

REQUIRED SUPPLEMENTAL INFORMATION

REDFORD UNION SCHOOL DISTRICT #1
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Local sources	\$ 3,181,452	\$ 3,299,011	\$ 3,577,423	\$ 278,412
State sources	18,090,568	19,933,180	19,851,630	(81,550)
Federal sources	3,496,464	4,077,364	3,552,396	(524,968)
Interdistrict sources	393,749	494,945	330,427	(164,518)
Total revenues	25,162,233	27,804,500	27,311,876	(492,624)
Expenditures				
Education				
Instruction				
Basic programs	10,989,366	11,439,374	11,199,106	240,268
Added needs	4,827,441	5,069,303	4,748,059	321,244
Supporting services	-			
Pupil services	2,430,867	2,425,175	2,321,790	103,385
Instructional staff	529,918	644,902	466,672	178,230
General administration	490,520	468,699	471,889	(3,190)
School administration	1,585,627	1,577,314	1,473,167	104,147
Business services	1,028,987	971,799	934,720	37,079
Operation and maintenance	4,308,933	4,403,734	4,280,563	123,171
Transportation	1,716,803	1,495,064	1,459,881	35,183
Central services	532,343	677,421	628,526	48,895
Athletics	354,751	348,981	328,997	19,984
Community services	342,934	352,286	337,976	14,310
Capital outlay	-	3,000	954	2,046
Debt service	111,723	111,723	111,723	-
Total expenditures	29,250,213	29,988,775	28,764,023	1,224,752
Excess of Revenues Over/(Under) Expenditures	(4,087,980)	(2,184,275)	(1,452,147)	732,128
Other Financing Sources/(Uses)				
Transfers in	1,467,438	1,462,598	1,339,179	(123,419)
Transfers out	(38,948)	(71,752)	(70,261)	1,491
Total Other Financing Sources/(Uses)	1,428,490	1,390,846	1,268,918	(121,928)
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	(2,659,490)	(793,429)	(183,229)	610,200
Fund balance - July 1	(1,573,791)	(1,573,791)	(1,573,791)	-
Fund balance - June 30	\$ (4,233,281)	\$ (2,367,220)	\$ (1,757,020)	\$ 610,200

REDFORD UNION SCHOOL DISTRICT #1
 REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - SPECIAL EDUCATION CENTER PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2011

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
State sources	\$ 3,242,400	\$ 3,469,410	\$ 3,519,453	\$ 50,043
Federal sources	494,700	699,106	651,532	(47,574)
Interdistrict sources	8,221,765	7,781,274	7,502,233	(279,041)
Total revenues	11,958,865	11,949,790	11,673,218	(276,572)
Expenditures				
Salaries	6,715,898	6,330,785	6,431,191	(100,406)
Fringe benefits	3,322,639	3,771,502	3,532,523	238,979
Other expenses	455,181	527,878	538,989	(11,111)
Capital outlay	45,000	-	-	-
Total expenditures	10,538,718	10,630,165	10,502,703	127,462
Excess of Revenues Over/(Under) Expenditures	1,420,147	1,319,625	1,170,515	(149,110)
Other Financing Sources/(Uses)				
Transfers out	(1,420,147)	(1,319,625)	(1,170,515)	149,110
Total Other Financing Sources/(Uses)	(1,420,147)	(1,319,625)	(1,170,515)	149,110
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	-	-	-	-
Fund balance - July 1	-	-	-	-
Fund balance - June 30	\$ -	\$ -	\$ -	\$ -

OTHER SUPPLEMENTAL INFORMATION

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2011
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	June 30, 2011	June 30, 2010
Local sources		
Property taxes	\$ 2,750,451	\$ 2,814,570
Earnings on investments	5,824	5,561
Tuition	321,721	291,642
Athletics	34,960	94,251
Other	464,467	366,122
	<hr/>	<hr/>
Total revenues from local sources	3,577,423	3,572,146
State sources		
Grants - unrestricted		
State school aid	16,977,013	16,701,145
Grants - restricted		
Special education	1,842,064	1,960,137
At risk	747,774	770,067
Durant settlement	-	330,698
Vocational/adult education	26,951	41,855
Great Start Readiness Program	108,800	108,800
Declining enrollment	78,879	-
Headlee obligation data collection	52,659	-
CEPI Teacher Student Data Link	17,490	-
Michigan school readiness	-	17,337
	<hr/>	<hr/>
Total revenues from state sources	19,851,630	19,930,039
Federal sources		
Grants - restricted		
ARRA stabilization	386,556	1,004,984
Education Jobs Fund	730,698	-
Special education - I.D.E.A.	1,025,049	1,001,191
Special education - I.D.E.A.-ARRA	365,860	705,421
Title I	720,919	777,690
Title I-ARRA	88,790	341,341
Perkins	28,237	37,563
Medicaid outreach	13,523	94,368
Title II	172,506	66,365
Title II-ARRA	2,802	11,022
Other	17,456	8,950
	<hr/>	<hr/>
Total revenues from federal sources	3,552,396	4,048,895
Interdistrict sources		
Act 18	282,668	184,662
Medicaid fee for service	46,632	34,180
Other interdistrict sources	1,127	6,522
	<hr/>	<hr/>
Total revenues from interdistrict sources	330,427	225,364
Other financing sources		
Transfers in	1,339,179	1,776,741
Loan proceeds	-	424,095
	<hr/>	<hr/>
Total other financing sources	1,339,179	2,200,836
	<hr/>	<hr/>
Total revenues and other financing sources	\$ 28,651,055	\$ 29,977,280

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2011
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	Salaries & Benefits	Purchased Services	Supplies & Materials	Other Expenses	TOTALS	
					June 30, 2011	June 30, 2010
Instruction						
Basic Programs:						
Elementary	\$ 2,843,862	\$ 67,069	\$ 50,997	\$ -	\$ 2,961,928	\$ 3,337,962
Middle School	1,758,263	52,669	34,811	-	1,845,743	1,874,511
High School	2,709,727	85,634	49,030	3,331	2,847,722	3,160,048
Michigan School Readiness	87,543	9,320	2,964	-	99,827	115,254
Employee Benefits	3,443,886	-	-	-	3,443,886	3,305,918
Added Needs:						
Special Education	2,172,976	66,497	6,584	150	2,246,207	2,381,891
Compensatory Education	640,624	13,908	61,433	-	715,965	1,295,458
Vocational Education	144,933	7,737	27,601	73,413	253,684	333,788
Employee Benefits	1,532,203	-	-	-	1,532,203	1,672,368
Total Instruction	15,334,017	302,834	233,420	76,894	15,947,165	17,477,198
Support Services:						
Pupil:						
Guidance Services	502,948	-	-	-	502,948	677,493
Nurse Services	24,964	16,178	1,638	-	42,780	77,978
Psychologist	61,451	88,655	4,056	-	154,162	157,065
Speech Services	443,102	123	11,248	-	454,473	442,247
Social Worker Services	399,922	18	1,200	-	401,140	405,341
Other Pupil Services	37,208	-	12,675	18,000	67,883	98,943
Employee Benefits	698,404	-	-	-	698,404	627,412
Instructional Staff:						
Improvement of Instruction	112,326	101,323	28,585	703	242,937	141,856
Library	52,780	2,947	213	-	55,940	90,770
Technology	-	-	17	-	17	27,248
Supervision	66,239	2,694	6,399	296	75,628	85,765
Employee Benefits	92,150	-	-	-	92,150	81,702
General Administration:						
Board of Education	2,424	162,517	495	8,436	173,872	218,954
Executive Administration	200,917	323	368	2,315	203,923	245,651
Employee Benefits	94,094	-	-	-	94,094	64,391
School Administration:						
Office of Principal	991,785	4,390	5,562	4,408	1,006,145	1,248,674
Employee Benefits	467,022	-	-	-	467,022	521,135
Business:						
Fiscal Services	296,021	37,427	2,422	37,517	373,387	427,964
Other Business Services	-	48,710	435	278,466	327,611	354,112
Employee Benefits	233,722	-	-	-	233,722	256,852
Operations & Maintenance:						
Operating & Maintenance of Plant	1,287,893	1,072,192	951,399	853	3,312,337	3,348,052
Security	106,000	80,000	-	-	186,000	122,856
Employee Benefits	782,226	-	-	-	782,226	964,154
Pupil Transportation:						
Pupil Transportation Services	639,749	182,173	188,194	5,696	1,015,812	1,114,959
Employee Benefits	444,069	-	-	-	444,069	549,367
Central Services:						
Human Resources	213,784	25,385	140	1,775	241,084	210,029
Other Central Services	121,965	83,279	8,179	7,450	220,873	234,056
Employee Benefits	166,569	-	-	-	166,569	171,571
Athletics:						
Athletic Services	122,221	152,997	13,980	2,187	291,385	381,687
Employee Benefits	37,612	-	-	-	37,612	73,639
Community Services:						
Community Services/Misc Grants	217,238	3,899	4,436	1,774	227,347	207,255
Employee Benefits	110,629	-	-	-	110,629	118,955
Total Support Services	9,027,434	2,065,230	1,241,641	369,876	12,704,181	13,748,133
Capital Outlay:						
Instruction	-	-	-	-	-	96,017
Support Services	-	-	-	954	954	424,149
Total Capital Outlay	-	-	-	954	954	520,166
Total Expenditures	24,361,451	2,368,064	1,475,061	447,724	28,652,300	31,745,497
Other Financing Uses:						
Grant Revenue Refund	-	-	-	-	-	27,388
Interest and Principal Payments	-	-	-	111,723	111,723	109,518
Interfund Transfers	-	-	-	70,261	70,261	420,080
Total Other Financing Uses	-	-	-	181,984	181,984	556,986
Total Expenditures & Other Financing Uses	\$ 24,361,451	\$ 2,368,064	\$ 1,475,061	\$ 629,708	\$ 28,834,284	\$ 32,302,483

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue Fund	Debt Service Funds			Capital Projects Fund	Total Non-major Governmental Funds
	School Lunch Fund	1997 Bond Issue	2007 Refunding Issue	2009 Bond Issue		
Assets						
Cash and investments	\$ -	\$ 607,663	\$ -	\$ -	\$ 22,873	\$ 630,536
Accounts receivable	16,105	-	-	-	-	16,105
Due from other funds	238,236	-	-	-	-	238,236
Inventory	34,091	-	-	-	-	34,091
Total assets	\$ 288,432	\$ 607,663	\$ -	\$ -	\$ 22,873	\$ 918,968
Liabilities						
Accounts payable	\$ 6,314	\$ -	\$ -	\$ -	\$ -	\$ 6,314
Accrued payroll and other liabilities	5,344	-	-	-	-	5,344
Due to other funds	-	362,254	-	-	-	362,254
Total liabilities	11,658	362,254	-	-	-	373,912
Fund balances						
Non-spendable	34,091	-	-	-	-	34,091
Restricted for:						
Capital projects	-	-	-	-	22,873	22,873
Debt service	-	245,409	-	-	-	245,409
Unassigned	242,683	-	-	-	-	242,683
Total fund balances	276,774	245,409	-	-	22,873	545,056
Total liabilities and fund balance	\$ 288,432	\$ 607,663	\$ -	\$ -	\$ 22,873	\$ 918,968

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Fund	Debt Service Funds			Capital Projects Fund	Total Non-major Governmental Funds
	School Lunch Fund	1997 Bond Issue	2007 Refunding Issue	2009 Bond Issue		
Revenues						
Local sources	\$ 308,128	\$ 2,864,814	\$ -	\$ -	\$ 82	\$ 3,173,024
State sources	42,611	197,694	-	-	-	240,305
Federal sources	927,404	319,314	-	-	-	1,246,718
Total revenues	1,278,143	3,381,822	-	-	82	4,660,047
Expenditures						
Salaries	253,406	-	-	-	-	253,406
Employee benefits	110,038	-	-	-	-	110,038
Purchased services	126,290	-	-	-	-	126,290
Supplies and materials	562,605	-	-	-	-	562,605
Capital outlay	48,222	-	-	-	4,625	52,847
Principal payments	-	2,161,947	-	-	-	2,161,947
Interest on long-term debt	-	870,297	65,196	912,325	-	1,847,818
Other	29	300	325	450	-	1,104
Total expenditures	1,100,590	3,032,544	65,521	912,775	4,625	5,116,055
Excess of revenues over/(under) expenditures	177,553	349,278	(65,521)	(912,775)	(4,543)	(456,008)
Other Financing Sources/(Uses):						
Operating Transfers	(98,403)	(978,296)	65,521	912,775	-	(98,403)
Total Other Financing Sources/(Uses)	(98,403)	(978,296)	65,521	912,775	-	(98,403)
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	79,150	(629,018)	-	-	(4,543)	(554,411)
Fund balance - July 1	197,624	874,427	-	-	27,416	1,099,467
Fund balance - June 30	\$ 276,774	\$ 245,409	\$ -	\$ -	\$ 22,873	\$ 545,056

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 DETAIL SCHEDULE OF BONDED INDEBTEDNESS
 DURANT RESOLUTION BONDS
 JUNE 30, 2011

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

<u>Due Date</u>	<u>Annual Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
5/15/2012	4.76%	\$ 180,123	\$ 17,561	\$ 197,684
5/15/2013		188,697	8,984	197,681
		<u>\$ 368,820</u>	<u>\$ 26,545</u>	<u>\$ 395,365</u>

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 DETAIL SCHEDULE OF BONDED INDEBTEDNESS
 1997 BOND ISSUE
 JUNE 30, 2011

Amount: \$ 35,575,000

Year Issued: 1997

Purpose: School improvement

Due Date	Annual Interest Rate	Principal	Interest	Total
11/1/2011	4.75% to 5.5%	\$ -	\$ 370,038	\$ 370,038
5/1/2012		2,155,000	370,037	2,525,037
11/1/2012		-	316,118	316,118
5/1/2013		2,330,000	316,117	2,646,117
11/1/2013		-	257,912	257,912
5/1/2014		1,155,000	257,913	1,412,913
11/1/2014		-	226,150	226,150
5/1/2015		1,260,000	226,150	1,486,150
11/1/2015		-	191,500	191,500
5/1/2016		-	191,500	191,500
11/1/2016		-	191,500	191,500
5/1/2017		-	191,500	191,500
11/1/2017		-	191,500	191,500
5/1/2018		-	191,500	191,500
11/1/2018		-	191,500	191,500
5/1/2019		1,715,000	191,500	1,906,500
11/1/2019		-	148,625	148,625
5/1/2020		1,845,000	148,625	1,993,625
11/1/2020		-	102,500	102,500
5/1/2021		1,980,000	102,500	2,082,500
11/1/2021		-	53,000	53,000
5/1/2022		2,120,000	53,000	2,173,000
		\$ 14,560,000	\$ 4,480,685	\$ 19,040,685

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 DETAIL SCHEDULE OF BONDED INDEBTEDNESS
 2007 BOND REFUNDING ISSUE
 JUNE 30, 2011

Amount: \$ 6,590,000

Year Issued: 2007

Purpose: School improvement

Due Date	Annual Interest Rate	Principal	Interest	Total
11/1/2011	4.00%	\$ -	\$ 32,600	\$ 32,600
5/1/2012		-	32,600	32,600
11/1/2012		-	32,600	32,600
5/1/2013		-	32,600	32,600
11/1/2013		-	32,600	32,600
5/1/2014		-	32,600	32,600
11/1/2014		-	32,600	32,600
5/1/2015		-	32,600	32,600
11/1/2015		-	32,600	32,600
5/1/2016		485,000	32,600	517,600
11/1/2016		-	22,900	22,900
5/1/2017		540,000	22,900	562,900
11/1/2017		-	12,100	12,100
5/1/2018		605,000	12,100	617,100
		<u>\$ 1,630,000</u>	<u>\$ 396,000</u>	<u>\$ 2,026,000</u>

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 DETAIL SCHEDULE OF BONDED INDEBTEDNESS
 2009 BOND ISSUE
 JUNE 30, 2011

Amount: \$ 12,530,000

Year Issued: 2009

Purpose: School improvement

Due Date	Annual Interest Rate	Principal	Interest	Total
11/1/2011	6.5% to 7.75%	\$ -	\$ 456,163	\$ 456,163
5/1/2012		-	456,162	456,162
11/1/2012		-	456,163	456,163
5/1/2013		-	456,162	456,162
11/1/2013		-	456,163	456,163
5/1/2014		860,000	456,162	1,316,162
11/1/2014		-	428,212	428,212
5/1/2015		900,000	428,213	1,328,213
11/1/2015		-	397,838	397,838
5/1/2016		1,500,000	397,837	1,897,837
11/1/2016		-	347,212	347,212
5/1/2017		1,560,000	347,213	1,907,213
11/1/2017		-	292,612	292,612
5/1/2018		1,640,000	292,613	1,932,613
11/1/2018		-	235,213	235,213
5/1/2019		630,000	235,212	865,212
11/1/2019		-	210,800	210,800
5/1/2020		640,000	210,800	850,800
11/1/2020		-	186,000	186,000
5/1/2021		660,000	186,000	846,000
11/1/2021		-	160,425	160,425
5/1/2022		700,000	160,425	860,425
11/1/2022		-	133,300	133,300
5/1/2023		1,730,000	133,300	1,863,300
11/1/2023		-	66,263	66,263
5/1/2024		1,710,000	66,262	1,776,262
		<u>\$ 12,530,000</u>	<u>\$ 7,652,725</u>	<u>\$ 20,182,725</u>

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 2007 INSTALLMENT LOAN
 JUNE 30, 2011

Amount: \$ 142,490 \$

Date Issued: August 1, 2007

Purpose: School bus purchase

Due Date	Annual Interest Rate	Principal	Interest	Total
5/1/2012	4.24%	\$ 23,686	\$ 2,051	\$ 25,737
5/1/2013		24,691	1,047	25,738
		\$ 48,377	\$ 3,098	\$ 51,475

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 2009 INSTALLMENT LOAN
 JUNE 30, 2011

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

Due Date	Annual Interest Rate	Principal	Interest	Total
5/1/2012	4.29%	\$ 54,000	\$ 9,308	\$ 63,308
5/1/2013		54,000	6,992	60,992
5/1/2014		54,000	4,675	58,675
5/1/2015		54,976	2,358	57,334
		<u>\$ 216,976</u>	<u>\$ 23,333</u>	<u>\$ 240,309</u>

REDFORD UNION SCHOOL DISTRICT #1
 OTHER SUPPLEMENTAL INFORMATION
 2009 ADDITIONAL INSTALLMENT LOAN
 JUNE 30, 2011

Amount: \$ 99,119

Date Issued: October 7, 2009

Purpose: New School Bus

Due Date	Annual Interest Rate	Principal	Interest	Total
8/1/2011	3.49%	\$ -	\$ 577	\$ 577
11/1/2011		-	577	577
2/1/2012		-	577	577
5/1/2012		16,500	577	17,077
8/1/2012		-	433	433
11/1/2012		-	433	433
2/1/2013		-	433	433
5/1/2013		16,500	433	16,933
8/1/2013		-	289	289
11/1/2013		-	289	289
2/1/2014		-	289	289
5/1/2014		16,500	289	16,789
8/1/2014		-	145	145
11/1/2014		-	145	145
2/1/2015		-	145	145
5/1/2015		16,619	145	16,764
		<u>\$ 66,119</u>	<u>\$ 5,776</u>	<u>\$ 71,895</u>

A-133 INFORMATION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

November 7, 2011

To the Board of Education
Redford Union School District #1

We have audited the basic financial statements of Redford Union School District #1 as of and for the year ended June 30, 2011, and have issued our report thereon dated November 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Redford Union School District #1's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Redford Union School District #1, in a separate letter dated November 14, 2011.

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

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

November 7, 2011

To the Board of Education
Redford Union School District #1

Compliance

We have audited the compliance of Redford Union School District #1 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have direct and material effect on each of its major federal programs for the year ended June 30, 2011. Redford Union School District #1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Redford Union School District #1's management. Our responsibility is to express an opinion on Redford Union School District #1's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Redford Union School District #1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Redford Union School District #1's compliance with those requirements.

In our opinion, Redford Union School District #1 complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

The management of Redford Union School District #1 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Redford Union School District #1's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Redford Union School District #1's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

REDFORD UNION SCHOOL DISTRICT #1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AMOUNT	ACCRUED (DEFERRED) REVENUE JUNE 30, 2010	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JUNE 30, 2011
<u>U.S. DEPARTMENT OF EDUCATION</u>							
<u>Passed Through Michigan Department of Education</u>							
Title I Grants Regular:							
101530 0910	84.010	\$ 801,487	\$ 23,182	\$ 720,659	\$ 50,261	\$ 27,079	\$ -
111530 1011	84.010	986,284	-	-	457,831	693,840	236,009
		<u>1,787,771</u>	<u>23,182</u>	<u>720,659</u>	<u>508,092</u>	<u>720,919</u>	<u>236,009</u>
ARRA Title I, Part A 101535 0910	84.389	442,215	91,022	341,341	128,878	88,790	50,934
Title II D -104290 0910	84.318	352	-	-	352	352	-
ARRA Title IID-Formula Grants							
104295 0910	84.386	13,824	1,204	11,022	1,204	-	-
114295 1011	84.386	2,802	-	-	2,802	2,802	-
		<u>16,626</u>	<u>1,204</u>	<u>11,022</u>	<u>4,006</u>	<u>2,802</u>	<u>-</u>
Title II A - Improving Teacher Quality							
100520 0910	84.367	181,805	11,026	66,365	37,455	26,429	-
110520 1011	84.367	272,251	-	-	87,450	145,725	58,275
		<u>454,056</u>	<u>11,026</u>	<u>66,365</u>	<u>124,905</u>	<u>172,154</u>	<u>58,275</u>
Education Jobs Fund							
112545 10101	84.410A	730,698	-	-	553,894	730,698	176,804
Education Stabilization Fund ARRA							
112525 1011	84.394	386,556	-	-	285,343	386,556	101,213
Total Passed Through Michigan Department of Education		3,818,274	126,434	1,139,387	1,605,470	2,102,271	623,235
<u>Passed through Wayne RESA</u>							
Special Ed. Flow Through							
IDEA Flowthrough 09-10	84.027	936,928	435,576	936,928	435,576	-	-
IDEA Flowthrough 10-11	84.027	952,966	-	-	675,229	952,966	277,737
IDEA Flowthrough CPE 09-10	84.027	519,224	272,475	597,908	272,475	-	-
IDEA Flowthrough CPE 10-11	84.027	519,224	-	-	324,980	519,224	194,244
		<u>2,928,342</u>	<u>708,051</u>	<u>1,534,836</u>	<u>1,708,260</u>	<u>1,472,190</u>	<u>471,981</u>
IDEA Preschool Incentive 09-10	84.173	59,904	29,012	34,474	40,664	22,430	10,778
IDEA Preschool Incentive 10-11	84.173	49,653	-	-	33,912	49,653	15,741
		<u>109,557</u>	<u>29,012</u>	<u>34,474</u>	<u>74,576</u>	<u>72,083</u>	<u>26,519</u>
ARRA IDEA Flowthrough 09-11	84.391A	980,096	157,258	687,665	157,258	292,431	292,431
ARRA IDEA Flowthrough CPE 09-11	84.391A	702,280	163,186	505,998	163,186	132,308	132,308
		<u>1,682,376</u>	<u>320,444</u>	<u>1,193,663</u>	<u>320,444</u>	<u>424,739</u>	<u>424,739</u>
ARRA Preschool Incentive 09-11	84.392A	84,768	11,339	11,339	11,339	73,429	73,429
Positive Behavior Support Grant	84.391A	17,456	-	-	17,456	17,456	-
Vocational Education							
CTE Perkins Grant 10-11	84.048A	39,985	-	-	369	28,237	27,868
Total Passed Through Wayne RESA		4,862,484	1,068,846	2,774,312	2,132,444	2,088,134	1,024,536
Total U.S. Department of Education		8,680,758	1,195,280	3,913,699	3,737,914	4,190,405	1,647,771
<u>U.S. DEPARTMENT OF AGRICULTURE</u>							
<u>Passed Through Michigan Department of Education</u>							
National School Lunch Program	10.555	620,276	-	-	620,276	620,276	-
National School Lunch - Breakfast	10.553	239,828	-	-	239,828	239,828	-
		<u>860,104</u>	<u>-</u>	<u>-</u>	<u>860,104</u>	<u>860,104</u>	<u>-</u>
<u>U.S.D.A. Food Distributions</u>							
Entitlement Commodities	10.550	59,281	-	-	59,281	59,281	-
Bonus Commodities	10.550	8,019	-	-	8,019	8,019	-
		<u>67,300</u>	<u>-</u>	<u>-</u>	<u>67,300</u>	<u>67,300</u>	<u>-</u>
Total U.S. Department of Agriculture		927,404	-	-	927,404	927,404	-
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>							
<u>Passed through Wayne RESA</u>							
Medical Assistance Program	93.778	13,523	-	-	13,523	13,523	-
Total Passed Through Wayne RESA		13,523	-	-	13,523	13,523	-
Total Department of Health & Human Services		13,523	-	-	13,523	13,523	-
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 9,621,685	\$ 1,195,280	\$ 3,913,699	\$ 4,678,841	\$ 5,131,332	\$ 1,647,771

REDFORD UNION SCHOOL DISTRICT #1
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	\$ <u>5,131,332</u>
FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS PURPOSE	
General Fund	\$ 3,552,396
Special Education Center Program	651,532
Non-major Governmental Funds	1,246,718
Less: ARRA Build America Bond Revenue	<u>(319,314)</u>
TOTAL	\$ <u>5,131,332</u>

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.

- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 51 of this report.

REDFORD UNION SCHOOL DISTRICT #1
RECONCILIATION OF FORM R7120 "GRANT SECTION AUDITOR'S REPORT" TO THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Current Payments Per the Grant Section Auditor's Report (Form R 7120)	\$ 2,465,574
<u>Add:</u> Grants Passed Through Wayne RESA	2,145,967
Entitlement and Bonus Commodities (CFDA 10.550)	<u>67,300</u>
 TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	 \$ <u><u>4,678,841</u></u>

REDFORD UNION SCHOOL DISTRICT #1
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

Material weakness(es) identified?	<i>No</i>
Reportable condition(s) identified that are not considered to be material weaknesses?	<i>No</i>
Noncompliance material to financial statements noted?	<i>No</i>

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<i>No</i>
Reportable condition(s) identified that are not considered to be material weaknesses?	<i>No</i>
Audit findings required to be reported in accordance with sections 510(a) Circular 133?	<i>No</i>

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? *No*

Identification of major programs:

CFDA Number(s)	Name of Federal Program of Cluster
<i>84.027, 84.173</i>	<i>IDEA Special Education Cluster</i>
<i>84.391, 84.392</i>	<i>ARRA IDEA Special Education Cluster</i>
<i>84.410A</i>	<i>Education Jobs Fund</i>
<i>10.555, 10.553</i>	<i>National School Lunch Program Cluster</i>
<i>84.394</i>	<i>Education Stabilization ARRA</i>

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

Auditee qualified as low-risk auditee? *No*

Section II - Financial Statement Findings

No matters were noted.

Section III - Federal Award Findings and Questioned Costs

No matters were noted.

November 14, 2011

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redford Union School District #1 for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. Professional standards require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Redford Union School District #1 are described in Note 1 to the financial statements. As described in Note 10 to the financial statements, Redford Union School District #1 adopted Statement of Governmental Accounting Standards (GASB Statement) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in 2011.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 7, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Material Weaknesses in Internal Control

When planning and performing our audit, we considered Redford Union School District #1's internal control over financial reporting when determining the auditing procedures necessary to express an opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Redford Union School District #1' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Redford Union School District #1's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. Redford Union School District #1 did not have any deficiencies internal control that we considered to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not note any significant deficiencies in Redford Union School District #1's internal control over financial reporting.

Other Findings and Recommendations

General Fund Deficit

As noted in the prior year's auditor's opinion letter and notes to the financial statements, the district suffered a significant decrease in its fund equity for 2009/10 resulting in a general fund deficit as of June 30, 2010. The current year audit increased this deficit by \$183,229.

We understand the district has been in deficit before and took the fiscal steps necessary to restore a surplus, however the current economic climate, with uncertain state funding levels, declines in student enrollment, and significant increases in employee health care and retirement costs, adds a great deal of difficulty in eliminating deficits.

The district will need to establish a deficit elimination plan with the State of Michigan that takes into account the factors described above and incorporate realistic assumptions about funding levels, enrollment, and expenditure cuts in order to be successful.

Payroll

During our payroll testing, we noted that many employees were missing completed Employment Eligibility and Verification Form I-9s in their files. The Immigration Reform and Control Act of 1986 (IRCA) requires employees and employers to complete an I-9 form for every employee hired after November 6, 1986. We recommend that all personnel files be reviewed to ensure that they contain a completed Form I-9, if applicable, and all other required employment forms.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Education and management of Redford Union School District #1 and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Taylor & Morgan, P.C.

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Certified Public Accountants