

# **West Bloomfield School District**

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

# West Bloomfield School District

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## Independent Auditor's Report

To the Board of Education  
West Bloomfield School District

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

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

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

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

To the Board of Education  
West Bloomfield School District

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

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated August 19, 2009 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

August 19, 2009

# West Bloomfield School District

## Management's Discussion and Analysis

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

### Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds (the General Fund and the 2004 Capital Projects Fund) with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

These financial statements contain the following elements:

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

#### Basic Financial Statements

Government-wide Financial Statements      Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for Major Funds

Other Supplemental Information

# **West Bloomfield School District**

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

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

One of the most important questions asked about West Bloomfield School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. The statements were prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or expenses paid. These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the specified goal of the School District is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors (such as the quality of the education provided, test scores, favorable class size, percentage of students who go on to college, and the safety of the schools) to assess the overall health of West Bloomfield School District.

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

# **West Bloomfield School District**

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

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

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

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

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

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

# West Bloomfield School District

## Management's Discussion and Analysis (Continued)

### The School District as a Whole

#### Summary of Net Assets

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

	Governmental Activities	
	June 30	
	2009	2008
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 14.3	\$ 13.3
Capital assets	121.0	124.5
Total assets	135.3	137.8
<b>Liabilities</b>		
Current liabilities	20.5	15.5
Long-term liabilities	99.4	104.9
Total liabilities	119.9	120.4
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	19.4	14.3
Restricted	1.5	1.1
Unrestricted	(5.5)	2.0
Total net assets	<u>\$ 15.4</u>	<u>\$ 17.4</u>

West Bloomfield School District's net assets were \$15.4 million at June 30, 2009. Capital assets, net of related debt totaling \$19.4 million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. These debts will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets totaling (\$5.5) million was unrestricted.

The (\$5.5) million in unrestricted net assets of governmental activities represent the accumulated results of all past years' operations. The unrestricted net assets deficit represents the School District's decline in cash flow to meet working capital and operating needs. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

# West Bloomfield School District

## Management's Discussion and Analysis (Continued)

### Summary of Activities

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

TABLE 2

	Governmental Activities	
	2009	2008
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 4.6	\$ 4.4
Operating grants and contributions	14.6	12.2
General revenue:		
Property taxes	26.2	26.5
State foundation allowance	45.1	47.0
Other	0.6	3.2
Total revenue	91.1	93.3
<b>Functions/Program Expenses</b>		
Instruction	52.6	49.0
Support services	30.3	28.2
Athletics	1.2	1.2
Food services	2.0	2.0
Community services	2.6	2.8
Interest on long-term debt	4.4	5.0
Total functions/program expenses	93.1	88.2
<b>(Decrease) Increase in Net Assets</b>	<b>\$ (2.0)</b>	<b>\$ 5.1</b>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$93.1 million. Certain activities were partially funded from those who benefited from the programs (\$4.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$14.6 million). We paid for the remaining "public benefit" portion of our governmental activities with \$26.2 million in taxes, \$45.1 million in State foundation allowance, and with \$0.6 million with our other revenues, such as interest and general entitlements.

# **West Bloomfield School District**

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

The School District experienced a decrease in net assets of \$2.0 million.

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

### **The School District's Funds**

As we noted earlier, West Bloomfield School District uses funds to help it control and manage money for particular purposes. This fund-by-fund breakdown of revenue and expenditures (and related assets and liabilities) helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$3.6 million, which is a decrease of \$3.8 million from last year. Significant changes by fund are as follows:

In the General Fund, our principal operating fund, the fund balance decreased approximately \$3.5 million to \$1.7 million. The change is mainly due to the fact that budget reductions and cost-cutting measures implemented by the Board of Education and administration for the 2008-2009 school year were not adequate with respect to the level of resources received and required to maintain instructional services to the School District's students and expectations of the community. Of particular concern is the continued lack of funding increases of the state foundation allowance compared to increases in health care and mandatory retirement costs. To this end, the Board used the School District's fund balance to offset the disparity between revenues and expenditures. The Board also offered a voluntary severance program. In connection with this program, 12 instructional staff members chose to retire at June 30, 2009 and an additional 38 staff members will retire at June 30, 2010, creating cost savings for the School District.

In the Special Revenue Funds, the fund balance increased approximately \$0.2 million to \$0.3 million. The change is mainly due to the excess of revenue over expenditures in the Cafeteria Fund of \$0.2 million. The Cafeteria Fund increase was due to increased participation, additional serving days, and increases in lunch prices and reimbursements under the federal free and reduced price lunch program.

In the Debt Service Funds, the fund balance increased approximately \$0.15 million to \$1.5 million. The increase was due primarily to the refinancing of a portion of School District debt (1998 and 1999 bonds) in February 2009.

# **West Bloomfield School District**

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

In the 2004 Capital Projects Fund, the fund balance decreased approximately \$0.6 million to \$0.09 million. The change is due to the capital costs incurred in connection with the 2004 Bond issue. Phase II projects included West Bloomfield High School, Abbott Middle School, Green Elementary School, District Media Center, Doherty Elementary School, Scotch Elementary School, and Roosevelt Elementary School. Other bond funds were expended on technology, temperature controls and lighting retrofits, and furniture and equipment. The remaining fund balance of \$87,000 will be used during the 2009-2010 school year. The 2004 Capital Projects Fund will be closed at June 30, 2010.

### **General Fund Budgetary Highlights**

Over the course of the year, West Bloomfield School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The budget was amended on January 26, 2009 and final amendments to the budget were adopted on June 22, 2009. Amendments reflected changes due to enrollment, state and federal grants, changes in staffing levels, and the impact of the federal ARRA stabilization funds. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. There were no significant variances between the final budget and actual amounts. In fact, actual spending reflected a decrease from the final budget of \$481,494.

There were revisions made to the 2008-2009 General Fund original budget. Budgeted revenues were increased net by \$250,587 due to the replacement of state funds with ARRA Stabilization federal funds.

Budgeted expenditures were also increased by \$618,026 to reflect changes in staffing, compensation, health insurance, and mandatory retirement payments.

The final amended budget and actual amounts at June 30, 2009 depict a net decrease in revenue of \$115,589 and a decrease in expenditures of \$481,494. The overall reduction in expenditures was brought about by a district-wide curtailment in spending implemented at mid-year in all areas of School District operations. The School District also received over \$2.5 million in federal ARRA Stabilization funds to offset a corresponding loss in state school aid. The adjustment represents \$371.86 per pupil and precipitated a decrease in state sources and an increase in federal sources of revenue.

The amount of transfers to other funds established in the amended budget was \$982,749 and represents support provided by the General Fund to other functions such as high school and middle school athletic programs and high school co-curricular activities.

# West Bloomfield School District

## Management's Discussion and Analysis (Continued)

### Capital Assets and Debt Administration

#### *Capital Assets*

As of June 30, 2009, the School District had \$174.4 million invested in a broad range of capital assets, including land, buildings, building improvements, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$0.3 million from last year.

	<u>2009</u>	<u>2008</u>
Land	\$ 8,147,575	\$ 8,147,575
Buildings and building improvements	140,811,695	140,553,769
Buses and other vehicles	4,884,149	5,276,824
Furniture and equipment	<u>20,564,346</u>	<u>20,094,510</u>
Total capital assets	174,407,765	174,072,678
Less accumulated depreciation	<u>53,427,916</u>	<u>49,608,792</u>
Net capital assets	<u><b>\$ 120,979,849</b></u>	<u><b>\$ 124,463,886</b></u>

This year's additions included technology, building renovations, and instructional furniture and equipment. These additions were paid for from the 2004 bond issue. More detailed information about our capital assets is presented in the notes to the financial statements.

No major capital projects are planned for the 2009-2010 fiscal year. We anticipate capital additions will be approximately \$87,000 for the 2009-2010 fiscal year. This spending will close out the 2004 Capital Projects Fund. However, on May 5, 2009, voters approved a new \$24 million bond issue for facility upgrades, energy projects, technology, and equipment, including school buses. The bonds have not been sold at this time due to significant decreases in the School District's taxable value. The School District also received approval for an allocation of \$15 million in funding from the ARRA Qualified School Construction Bond Program. This allocation remains in effect until July 23, 2010. We present more detailed information about our capital assets in the notes to the financial statements.

#### *Debt*

At the end of this year, the School District had \$101.2 million in bonds outstanding versus \$110.5 million in the previous year. Those bonds consisted of the following:

	<u>2009</u>	<u>2008</u>
General obligation bonds	<u><b>\$ 101,155,000</b></u>	<u><b>\$ 110,480,000</b></u>

# **West Bloomfield School District**

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

The School District's general obligation bond rating is Aa with Standards and Poor's and A1 with Moody's Investors Service. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$130 million is significantly below this \$324.4 million statutorily imposed limit.

Other obligations include accrued sick leave and voluntary severance incentive packages. We present more detailed information about our long-term liabilities in the notes to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

The Board of Education and administration consider many factors when setting the School District's fiscal year budget. One of the most important factors affecting the budget is our student count and the state foundation allowance. Ninety percent (90 percent) of the School District's revenue is determined by multiplying the student count by the state foundation allowance. The student count is a blend using 25 percent from the February 2009 count and 75 percent from the September 2009 count. The 2009-2010 budget was adopted on June 22, 2009 and was based on a projected enrollment of 6,937 students for September 2009. It is anticipated that the September student count will be close to the estimates used in creating the 2009-2010 budget.

The School District's revenue is then determined by multiplying the blended enrollment and the state-approved foundation allowance. Under current state law, the School District cannot assess additional property tax revenue to fund general operations of the School District. West Bloomfield School District, like all other school districts in Michigan, is heavily dependent on the State to fund school operations. Once the state foundation allowance is determined and the student count is finalized, state law requires the School District to amend the budget if projected revenue is not adequate to fund original appropriations.

Since the School District's revenue is heavily dependent on the State for funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The School Aid Bill for the 2009-2010 school year was not finalized by the State at the beginning of the School District's fiscal year, July 1, 2009. Consequently, the School District has used a foundation allowance of \$9,375 per pupil (no change from 2008-2009) to project revenue for 2009-2010. The School District will amend its revenue budget to reflect any change from the amount originally budgeted once the State adopts a School Aid Bill. Due to the State's financial crisis, a School Aid Bill is not anticipated to be approved until mid- to late September 2009.

# **West Bloomfield School District**

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

Given the current economic climate, the School District will do everything possible to maintain programs for students and to continually look for economies in all facets of school operations so that the School District remains competitive. The School District also solicits input from parents, community members, and staff regarding the School District's financial situation and constructive ideas for changes to programs and the budget.

# West Bloomfield School District

## Statement of Net Assets June 30, 2009

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 3)	\$ 2,096,252
Receivables:	
Other	985,083
Due from other governmental units	9,983,410
Inventories	17,539
Prepaid costs	174,121
Restricted assets (Note 7)	1,095,885
Capital assets - Net (Note 4)	<u>120,979,849</u>
Total assets	135,332,139
<b>Liabilities</b>	
Accounts payable	1,013,646
Accrued payroll and other liabilities	4,798,165
Line of credit (Note 6)	5,000,000
Deferred revenue (Note 1)	481,167
Noncurrent liabilities (Note 6):	
Due within one year	9,716,238
Due in more than one year	<u>98,940,556</u>
Total liabilities	<u>119,949,772</u>
<b>Net Assets</b>	
Invested in capital assets - Net of related debt	19,357,142
Restricted	1,571,209
Unrestricted	<u>(5,545,984)</u>
Total net assets	<u><b>\$ 15,382,367</b></u>

# West Bloomfield School District

## Statement of Activities Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		Governmental Activities - Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Primary government - Governmental activities:				
Instruction	\$ 52,642,555	\$ -	\$ 10,257,239	\$ (42,385,316)
Support services	30,317,221	-	3,758,508	(26,558,713)
Athletics	1,189,203	209,655	-	(979,548)
Food services	1,940,138	1,490,143	568,201	118,206
Community services	2,613,866	2,915,824	-	301,958
Interest on long-term debt	4,445,216	-	-	(4,445,216)
Total primary government - Governmental activities	<b>\$ 93,148,199</b>	<b>\$ 4,615,622</b>	<b>\$ 14,583,948</b>	(73,948,629)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				12,730,585
Property taxes, levied for debt service				13,455,977
State aid not restricted to specific purposes				45,065,551
Interest and investment earnings				155,521
Loss on the sale of capital assets				(39,266)
Other				544,197
Total general revenues				<u>71,912,565</u>
<b>Change in Net Assets</b>				(2,036,064)
<b>Net Assets - Beginning of year</b>				<u>17,418,431</u>
<b>Net Assets - End of year</b>				<b><u>\$ 15,382,367</u></b>

# West Bloomfield School District

## Governmental Funds Balance Sheet June 30, 2009

	General Fund	2004 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments (Note 3)	\$ 1,762,261	\$ -	\$ 333,991	\$ 2,096,252
Receivables:				
Other	509,759	-	475,324	985,083
Due from other governmental units	9,964,403	-	19,007	9,983,410
Due from other funds (Note 5)	-	-	358,378	358,378
Inventories	-	-	17,539	17,539
Prepaid costs	174,121	-	-	174,121
Restricted assets (Note 7)	-	87,512	1,008,373	1,095,885
<b>Total assets</b>	<b>\$12,410,544</b>	<b>\$ 87,512</b>	<b>\$ 2,212,612</b>	<b>\$ 14,710,668</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,012,416	\$ -	\$ 2,133	\$ 1,014,549
Accrued payroll-related liabilities	4,157,566	-	80,977	4,238,543
Line of credit (Note 6)	5,000,000	-	-	5,000,000
Due to other funds	357,475	-	-	357,475
Deferred revenue (Note 1)	167,140	-	314,027	481,167
<b>Total liabilities</b>	<b>10,694,597</b>	<b>-</b>	<b>397,137</b>	<b>11,091,734</b>
<b>Fund Balances</b>				
Reserved - Inventories and prepaid costs	174,121	-	17,539	191,660
Unreserved:				
Designated fund balance:				
Designated for capital projects	-	87,512	-	87,512
Designated for debt service	-	-	1,483,697	1,483,697
Designated for voluntary severance incentive	1,541,826	-	-	1,541,826
Undesignated, reported in Special Revenue Funds	-	-	314,239	314,239
<b>Total fund balances</b>	<b>1,715,947</b>	<b>87,512</b>	<b>1,815,475</b>	<b>3,618,934</b>
<b>Total liabilities and fund balances</b>	<b>\$12,410,544</b>	<b>\$ 87,512</b>	<b>\$ 2,212,612</b>	<b>\$ 14,710,668</b>

# West Bloomfield School District

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

**Fund Balance - Total Governmental Funds** \$ 3,618,934

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

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

Cost of capital assets	\$ 174,407,765	
Accumulated depreciation	<u>(53,427,916)</u>	120,979,849

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

Bonds and notes payable including related premium and deferred charges	\$ (101,622,707)	
Compensated absences and voluntary severance incentive	<u>(7,034,087)</u>	(108,656,794)

Accrued interest payable is not included as a liability in governmental funds		<u>(559,622)</u>
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**Net Assets - Governmental Activities** \$ 15,382,367

# West Bloomfield School District

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

	General Fund	2004 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>				
Local sources	\$ 13,593,616	\$ 4,027	\$ 17,908,259	\$ 31,505,902
State sources	48,945,557	-	844,772	49,790,329
Federal sources	4,638,708	-	496,534	5,135,242
Interdistrict sources	2,636,185	-	2,083,743	4,719,928
Total revenue	69,814,066	4,027	21,333,308	91,151,401
<b>Expenditures</b>				
Current:				
Instruction	45,602,446	-	1,810,733	47,413,179
Support services	27,078,637	-	815,985	27,894,622
Athletics	-	-	1,154,571	1,154,571
Food services	-	-	1,856,687	1,856,687
Community services	-	-	2,606,773	2,606,773
Debt service:				
Principal	-	-	8,485,000	8,485,000
Interest	-	-	4,463,404	4,463,404
Other	-	-	118,002	118,002
Capital outlay	-	603,905	-	603,905
Total expenditures	72,681,083	603,905	21,311,155	94,596,143
<b>Excess of Revenue Over (Under) Expenditures</b>	(2,867,017)	(599,878)	22,153	(3,444,742)
<b>Other Financing Sources (Uses)</b>				
Payment to escrow agent	-	-	(15,304,556)	(15,304,556)
Transfers in	330,130	-	1,534,013	1,864,143
Transfers out	(962,166)	-	(901,977)	(1,864,143)
Face value of debt issued	-	-	14,135,000	14,135,000
Premium on debt issued	-	-	852,690	852,690
Total other financing sources (uses)	(632,036)	-	315,170	(316,866)
<b>Net Change in Fund Balances</b>	(3,499,053)	(599,878)	337,323	(3,761,608)
<b>Fund Balances - Beginning of year</b>	5,215,000	687,390	1,478,152	7,380,542
<b>Fund Balances - End of year</b>	<u>\$ 1,715,947</u>	<u>\$ 87,512</u>	<u>\$ 1,815,475</u>	<u>\$ 3,618,934</u>

# West Bloomfield School District

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

**Net Change in Fund Balances - Total Governmental Funds** \$ (3,761,608)

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

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

Depreciation expense	\$ (4,172,533)	
Capitalized capital outlay	<u>727,762</u>	(3,444,771)

Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, these are recorded net of carrying value of the disposed assets (39,266)

Bond proceeds provide financial resources to governmental funds, but issuing bonds increases long-term liabilities in the statement of activities (14,135,000)

Deferred bond charges and bond premium reported as expenditures and revenue, respectively, in the funds, are amortized in the statement of activities (799,644)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 23,789,556

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 83,144

Compensated absences and voluntary severance incentives are recorded when earned in the statement of activities. In the current year, more was earned than was paid out (3,728,475)

**Change in Net Assets of Governmental Activities** \$ (2,036,064)

# West Bloomfield School District

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## Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2009

	<u>Agency Funds</u>
<b>Assets</b> - Cash and investments (Note 3)	<u>\$ 389,099</u>
<b>Liabilities</b>	
Due to student groups	\$ 388,196
Due to other funds	<u>903</u>
Total liabilities	<u>\$ 389,099</u>

# **West Bloomfield School District**

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## **Notes to Financial Statements June 30, 2009**

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

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

#### **Reporting Entity**

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

#### **Government-wide and Fund Financial Statements**

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

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

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

# West Bloomfield School District

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## Notes to Financial Statements June 30, 2009

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

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

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

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

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

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

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

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund is used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. The School District presently maintains a Student Activities (Agency) Fund for the high school and middle schools to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

# West Bloomfield School District

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## Notes to Financial Statements June 30, 2009

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

The School District reports the following major governmental funds:

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

**2004 Capital Projects Fund** - The 2004 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for remodeling, equipping, re-equipping, furnishing, and refurnishing school buildings, other facilities, athletic fields, and playgrounds as well as repayment of the outstanding balance of an installment purchase obligation. The fund operates until the purpose for which it was created is accomplished.

Additionally, the School District reports the following fund types:

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's Special Revenue Funds include the Cafeteria, Athletic and Co-curricular, Special Education Center Program, and Community Education Funds. Any operating deficit generated by these activities is the responsibility of the General Fund.

**Debt Service Funds** - Debt Service Funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

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

#### **Assets, Liabilities, and Net Assets or Equity**

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

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds."

The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year for the taxes that are due September 15. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

# West Bloomfield School District

## Notes to Financial Statements June 30, 2009

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

**Inventories and Prepaid Costs** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - Regulations require that the unspent bond proceeds from the 2004 Capital Projects Bond issue require amounts to be set aside for construction, and the Debt Service Funds cash is required to be used for future bond payments. As such, these amounts have been classified as restricted assets.

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

Buildings, building improvements, furniture, equipment, buses, and other vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	20 to 50 years
Buses and other vehicles	5 to 10 years
Furniture and other equipment	5 to 10 years

**Deferred Revenue** - Governmental funds report deferred revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the School District had unearned grant payments and summer school tuition received of \$481,167 recorded as deferred revenue.

**Compensated Absences** - The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated vacation and sick leave benefits and a voluntary severance incentive. 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.

# West Bloomfield School District

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## Notes to Financial Statements June 30, 2009

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

A liability for early termination benefits is reported in the government-wide statements at the discounted present value of the expected future benefit payments using a discount rate of 3 percent. The early termination benefits consist of early retirement incentive cash payments provided to 84 employees over a five- to seven-year period. The cost of the obligation is reported in long-term debt.

**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 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.

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 is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

### Note 2 - Stewardship, Compliance, and Accountability

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

The budget document presents information by fund, function, and object. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) lapse at year end.

# West Bloomfield School District

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## Notes to Financial Statements June 30, 2009

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

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

**Capital Projects Fund Compliance** - The 2004 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

### Note 3 - Deposits and Investments

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

The School District has designated two banks for the deposit of its funds.

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$4,098,885 had \$1,113,960 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# West Bloomfield School District

## Notes to Financial Statements June 30, 2009

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

**Custodial Credit Risk of Investments** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. There were no investment securities that were uninsured and unregistered and held at June 30, 2009.

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

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

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

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pool	<u>\$ 4,098,885</u>	Immediate	A-1	S&P

**Concentration of Credit Risk** - The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. All of the School District's investments are in bank investment pools.

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

# West Bloomfield School District

## Notes to Financial Statements June 30, 2009

### Note 4 - Capital Assets

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

<b>Governmental Activities</b>	Balance July 1, 2008	Additions/ Transfers	Disposals/ Transfers	Balance June 30, 2009
Capital assets not being depreciated - Land	\$ 8,147,575	\$ -	\$ -	\$ 8,147,575
Capital assets being depreciated:				
Buildings and building improvements	140,553,769	257,926	-	140,811,695
Furniture and equipment	20,094,510	469,836	-	20,564,346
Buses and other vehicles	5,276,824	-	392,675	4,884,149
Subtotal	165,925,103	727,762	392,675	166,260,190
Accumulated depreciation:				
Buildings and building improvements	32,540,537	2,473,933	-	35,014,470
Furniture and equipment	13,531,377	1,288,642	-	14,820,019
Buses and other vehicles	3,536,878	409,958	353,409	3,593,427
Subtotal	49,608,792	4,172,533	353,409	53,427,916
Net capital assets being depreciated	116,316,311	(3,444,771)	39,266	112,832,274
Net capital assets	<u>\$ 124,463,886</u>	<u>\$ (3,444,771)</u>	<u>\$ 39,266</u>	<u>\$ 120,979,849</u>

Depreciation expense was charged to activities of the School District as follows:

Governmental activities:	
Instruction	\$ 3,347,206
Support services	700,151
Community services	7,093
Food services	83,451
Athletics	34,632
Total governmental activities	<u>\$ 4,172,533</u>

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From		Total
	General Fund	Student Activities Fund	
Nonmajor governmental funds	\$ 357,475	\$ 903	\$ 358,378

# West Bloomfield School District

## Notes to Financial Statements June 30, 2009

### Note 5 - (Continued)

Interfund balances represent cash and investments that are held in the General Fund on behalf of other funds.

Transfer In	Transfers Out		Total
	General Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 330,130	\$ 330,130
Nonmajor governmental funds	962,166	571,847	1,534,013
Total	\$ 962,166	\$ 901,977	\$ 1,864,143

Interfund transfers represent transfers from the General Fund to the Special Revenue Funds for operational support. In addition, interfund transfers represent transfers from the 1998 and 1999 Debt Service Funds to the 2009 Debt Service Fund as part of the debt defeasance that took place during the year.

### Note 6 - Long-term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Notes and installment purchase agreements are also general obligations of the School District. Other long-term obligations include compensated absences, termination benefits, and certain risk liabilities.

Effective July 2, 2008, the School District opened a \$5,000,000 bank line of credit note to be used for operating cash flow. The line of credit note bears interest, which is due monthly, at a LIBOR-based rate. The School District borrowed on the line of credit note during the fiscal year and the outstanding balance on the line of credit note as of June 30, 2009 was \$5,000,000.

The line of credit note matured on July 2, 2009 and was replaced with a \$10,000,000 flex line, line of credit note. The flex line matures on July 2, 2010. Interest is due monthly at a LIBOR-based rate.

# West Bloomfield School District

## Notes to Financial Statements June 30, 2009

### Note 6 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds	\$ 110,480,000	\$ 14,135,000	\$ 23,460,000	\$ 101,155,000	\$ 8,565,000
Less deferred amounts:					
Bond premium	2,158,731	852,690	284,641	2,726,780	391,227
Deferred charges (interest) from refunding bonds	<u>(2,161,112)</u>	<u>(329,556)</u>	<u>(231,595)</u>	<u>(2,259,073)</u>	<u>(272,789)</u>
Total bonds payable	110,477,619	14,658,134	23,513,046	101,622,707	8,683,438
Other obligations	<u>3,305,612</u>	<u>4,608,275</u>	<u>879,800</u>	<u>7,034,087</u>	<u>1,032,800</u>
Total governmental activities	<u>\$ 113,783,231</u>	<u>\$ 19,266,409</u>	<u>\$ 24,392,846</u>	<u>\$ 108,656,794</u>	<u>\$ 9,716,238</u>

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

<u>Years Ending June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 8,565,000	\$ 4,521,339	\$ 13,086,339
2011	8,950,000	4,137,319	13,087,319
2012	9,265,000	3,819,749	13,084,749
2013	9,705,000	3,381,165	13,086,165
2014	10,140,000	2,945,935	13,085,935
2015-2019	40,210,000	8,378,351	48,588,351
2020-2024	<u>14,320,000</u>	<u>1,344,300</u>	<u>15,664,300</u>
Total	<u>\$ 101,155,000</u>	<u>\$ 28,528,158</u>	<u>\$ 129,683,158</u>

### Governmental Activities

General obligation bonds consist of the following:

\$28,000,000 serial and term bonds due in annual installments of \$900,000 through May 1, 2010; interest at 5.45%	\$ 900,000
\$24,000,000 serial and term bonds due in annual installments of \$800,000 through May 1, 2011; interest at 4.45%-4.55%	1,600,000
\$20,745,000 serial and term bonds due in annual installments of \$85,000 to \$2,725,000 through May 1, 2020; interest at 3.90%-5.50%	20,235,000

# West Bloomfield School District

## Notes to Financial Statements June 30, 2009

### Note 6 - Long-term Debt (Continued)

\$46,120,000 serial and term bonds due in annual installments of \$4,775,000 to \$6,410,000 through May 1, 2014; interest at 3.0%-5.0%	\$ 27,795,000
\$22,435,000 serial and term bonds due in annual installments of \$880,000 to \$1,475,000 through May 1, 2018; interest at 3.50%-5.25%	10,560,000
\$17,015,000 serial and term bonds due in annual installments of \$35,000 to \$2,015,000 through May 1, 2021; interest at 3.00%-5.00%	16,770,000
\$9,530,000 serial and term bonds due in annual installments of \$1,500,000 to \$1,555,000 through May 1, 2024; interest at 4.00%	9,160,000
\$14,135,000 serial and term bonds due in annual installments of \$875,000 to \$3,055,000 through May 1, 2017; interest at 3.00%-5.00%	<u>14,135,000</u>
Total bonded debt	<u>\$ 101,155,000</u>

Other governmental activities long-term obligations include the following:

Employee compensated absences	\$ 2,675,687
Voluntary severance incentive	<u>4,358,400</u>
Total	<u>\$ 7,034,087</u>

**Advance and Current Refundings** - During the year, the School District issued \$14,135,000 in general obligation bonds with an interest rate ranging from 3.00 percent to 5.00 percent. The proceeds of these bonds were used to advance refund \$14,975,000 of outstanding 1998 and 1999 bonds with interest rates ranging from 4.10 percent to 4.65 percent. The net proceeds of \$15,304,556 (after payment of \$115,634 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt services payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the School District's long-term obligations. The advance refunding reduced total debt service payments by \$877,088, which represent an economic gain of \$786,657.

# West Bloomfield School District

## Notes to Financial Statements June 30, 2009

### Note 6 - Long-term Debt (Continued)

In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2009, \$88,640,000 of bonds outstanding are considered defeased.

### Note 7 - Restricted Assets

The balances for the restricted asset accounts are as follows:

	Governmental Activities
Unspent bond proceeds and related interest	\$ 87,512
Debt Service Funds cash and investments	1,008,373
Total restricted assets	<u>\$ 1,095,885</u>

### Note 8 - Risk Management

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

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The SET-SEG risk pool operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the service pool that the service pool uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the School District.

# West Bloomfield School District

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## Notes to Financial Statements June 30, 2009

### Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

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

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

**Pension Benefits** - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate was 10.17 percent of covered payroll for the period from July 1, 2008 through September 30, 2008 and 9.73 percent for the period from October 1, 2008 through June 30, 2009. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's required and actual contributions to the plan for the years ended June 30, 2009, 2008, and 2007 were approximately \$7,073,000, \$7,149,000, and \$8,159,000, respectively.

**Postemployment Benefits** - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.55 percent of covered payroll for the period from July 1, 2008 through September 30, 2008 and 6.81 percent for the period from October 1, 2008 through June 30, 2009. The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2009, 2008, and 2007 were approximately \$704,000, \$763,000, and \$775,000, respectively.

## **Required Supplementary Information**

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# West Bloomfield School District

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Revenue</b>				
Local sources	\$ 13,573,480	\$ 13,868,317	\$ 13,593,616	\$ (274,701)
State sources	51,383,045	48,854,437	48,945,557	91,120
Federal sources	2,116,173	4,739,235	4,638,708	(100,527)
Interdistrict sources	2,606,370	2,467,666	2,636,185	168,519
<b>Total revenue</b>	<b>69,679,068</b>	<b>69,929,655</b>	<b>69,814,066</b>	<b>(115,589)</b>
<b>Expenditures - Current</b>				
Instruction:				
Basic programs	37,054,656	37,511,901	37,487,942	(23,959)
Added needs	7,863,997	8,115,295	8,004,876	(110,419)
Adult and continuing education	205,345	128,872	109,628	(19,244)
<b>Total instruction</b>	<b>45,123,998</b>	<b>45,756,068</b>	<b>45,602,446</b>	<b>(153,622)</b>
Support services:				
Pupil	3,260,492	3,361,218	3,332,876	(28,342)
Instructional staff	3,824,704	3,927,427	3,839,966	(87,461)
General administration	677,386	684,681	642,960	(41,721)
School administration	4,338,201	4,300,577	4,295,624	(4,953)
Business	1,161,568	1,064,292	1,057,314	(6,978)
Operations and maintenance	7,032,278	6,948,176	6,822,237	(125,939)
Pupil transportation services	5,049,366	5,052,511	5,028,266	(24,245)
Central	1,968,830	1,887,517	1,880,611	(6,906)
Nonpublic schools	120,677	180,110	178,783	(1,327)
<b>Total expenditures</b>	<b>72,557,500</b>	<b>73,162,577</b>	<b>72,681,083</b>	<b>(481,494)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	333,232	334,130	330,130	(4,000)
Transfers out	(969,800)	(982,749)	(962,166)	20,583
<b>Total other financing uses</b>	<b>(636,568)</b>	<b>(648,619)</b>	<b>(632,036)</b>	<b>16,583</b>
<b>Net Change in Fund Balance</b>	<b>(3,515,000)</b>	<b>(3,881,541)</b>	<b>(3,499,053)</b>	<b>382,488</b>
<b>Fund Balance - July 1, 2008</b>	<b>5,215,000</b>	<b>5,215,000</b>	<b>5,215,000</b>	<b>-</b>
<b>Fund Balance - June 30, 2009</b>	<b>\$ 1,700,000</b>	<b>\$ 1,333,459</b>	<b>\$ 1,715,947</b>	<b>\$ 382,488</b>

## **Other Supplementary Information**

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# West Bloomfield School District

	Special Revenue Funds				Debt	
	Cafeteria	Athletic and Co- curricular	Special Education Center Program	Community Education	1998	1999
<b>Assets</b>						
Cash and investments	\$ 333,991	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables	13,036	-	5,971	-	-	-
Due from other funds	-	18,783	74,326	265,269	-	-
Inventories	17,539	-	-	-	-	-
Restricted assets	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 364,566</b>	<b>\$ 18,783</b>	<b>\$ 80,297</b>	<b>\$ 265,269</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 180	\$ 144	\$ 534	\$ 1,275	\$ -	\$ -
Accrued payroll-related liabilities	-	-	79,763	1,214	-	-
Deferred revenue	32,608	18,639	-	262,780	-	-
<b>Total liabilities</b>	<b>32,788</b>	<b>18,783</b>	<b>80,297</b>	<b>265,269</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>						
Reserved - Inventories	17,539	-	-	-	-	-
Unreserved:						
Designated for debt service	-	-	-	-	-	-
Undesignated - Reported in Special Revenue Funds	314,239	-	-	-	-	-
<b>Total fund balances</b>	<b>331,778</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 364,566</b>	<b>\$ 18,783</b>	<b>\$ 80,297</b>	<b>\$ 265,269</b>	<b>\$ -</b>	<b>\$ -</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2009**

Service Funds

2000	2001	2001 Refunding	2004	2004 Refunding	2005 Refunding	2006 Refunding	2009 Refunding	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 333,991
41,223	33,530	42,958	57,925	194,091	29,334	30,408	45,855	494,331
-	-	-	-	-	-	-	-	358,378
-	-	-	-	-	-	-	-	17,539
87,452	71,134	91,133	122,884	411,753	62,230	64,509	97,278	1,008,373
<b>\$ 128,675</b>	<b>\$ 104,664</b>	<b>\$ 134,091</b>	<b>\$ 180,809</b>	<b>\$ 605,844</b>	<b>\$ 91,564</b>	<b>\$ 94,917</b>	<b>\$ 143,133</b>	<b>\$ 2,212,612</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,133
-	-	-	-	-	-	-	-	80,977
-	-	-	-	-	-	-	-	314,027
-	-	-	-	-	-	-	-	397,137
-	-	-	-	-	-	-	-	17,539
128,675	104,664	134,091	180,809	605,844	91,564	94,917	143,133	1,483,697
-	-	-	-	-	-	-	-	314,239
128,675	104,664	134,091	180,809	605,844	91,564	94,917	143,133	1,815,475
<b>\$ 128,675</b>	<b>\$ 104,664</b>	<b>\$ 134,091</b>	<b>\$ 180,809</b>	<b>\$ 605,844</b>	<b>\$ 91,564</b>	<b>\$ 94,917</b>	<b>\$ 143,133</b>	<b>\$ 2,212,612</b>

# West Bloomfield School District

	Special Revenue Funds				Debt		
	Cafeteria	Athletic and	Special	Community	1998	1999	2000
		Co-	Education				
	curricular	Program	Education				
<b>Revenue</b>							
Local sources	\$ 1,479,166	\$ 192,405	\$ -	\$ 2,706,773	\$ 1,090,818	\$ 916,286	\$ 981,735
State sources	71,667	-	773,105	-	-	-	-
Federal sources	496,534	-	-	-	-	-	-
Interdistrict sources	-	-	2,083,743	-	-	-	-
<b>Total revenue</b>	<b>2,047,367</b>	<b>192,405</b>	<b>2,856,848</b>	<b>2,706,773</b>	<b>1,090,818</b>	<b>916,286</b>	<b>981,735</b>
<b>Expenditures</b>							
Current:							
Instruction	-	-	1,810,733	-	-	-	-
Support services	-	-	815,985	-	-	-	-
Athletics	-	1,154,571	-	-	-	-	-
Food services	1,856,687	-	-	-	-	-	-
Community services	-	-	-	2,606,773	-	-	-
Debt service:							
Principal	-	-	-	-	725,000	620,000	900,000
Interest	-	-	-	-	210,176	178,810	97,650
Other	-	-	-	-	339	337	277
<b>Total expenditures</b>	<b>1,856,687</b>	<b>1,154,571</b>	<b>2,626,718</b>	<b>2,606,773</b>	<b>935,515</b>	<b>799,147</b>	<b>997,927</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>190,680</b>	<b>(962,166)</b>	<b>230,130</b>	<b>100,000</b>	<b>155,303</b>	<b>117,139</b>	<b>(16,192)</b>
<b>Other Financing Sources (Uses)</b>							
Payment to escrow agent	-	-	-	-	-	-	-
Transfers in	-	962,166	-	-	-	-	-
Transfers out	-	-	(230,130)	(100,000)	(307,299)	(264,548)	-
Face value of debt issued	-	-	-	-	-	-	-
Premium on debt issued	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>962,166</b>	<b>(230,130)</b>	<b>(100,000)</b>	<b>(307,299)</b>	<b>(264,548)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>190,680</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(151,996)</b>	<b>(147,409)</b>	<b>(16,192)</b>
<b>Fund Balances - Beginning of year</b>	<b>141,098</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>151,996</b>	<b>147,409</b>	<b>144,867</b>
<b>Fund Balances - End of year</b>	<b>\$ 331,778</b>	<b>\$ -</b>	<b>\$ 128,675</b>				

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

Service Funds								Total
2001	2001	2004	2004	2005	2006	2009	Total Debt	Nonmajor
	Refunding		Refunding	Refunding	Refunding	Refunding	Service Funds	Governmental
								Funds
\$ 872,652	\$ 1,112,633	\$ 1,374,430	\$ 6,108,574	\$ 741,756	\$ 327,245	\$ 3,786	\$ 13,529,915	\$ 17,908,259
-	-	-	-	-	-	-	-	844,772
-	-	-	-	-	-	-	-	496,534
-	-	-	-	-	-	-	-	2,083,743
<u>872,652</u>	<u>1,112,633</u>	<u>1,374,430</u>	<u>6,108,574</u>	<u>741,756</u>	<u>327,245</u>	<u>3,786</u>	<u>13,529,915</u>	<u>21,333,308</u>
-	-	-	-	-	-	-	-	1,810,733
-	-	-	-	-	-	-	-	815,985
-	-	-	-	-	-	-	-	1,154,571
-	-	-	-	-	-	-	-	1,856,687
-	-	-	-	-	-	-	-	2,606,773
800,000	80,000	850,000	4,475,000	35,000	-	-	8,485,000	8,485,000
106,800	1,035,175	490,180	1,230,150	748,239	366,224	-	4,463,404	4,463,404
247	251	226	226	240	225	115,634	118,002	118,002
<u>907,047</u>	<u>1,115,426</u>	<u>1,340,406</u>	<u>5,705,376</u>	<u>783,479</u>	<u>366,449</u>	<u>115,634</u>	<u>13,066,406</u>	<u>21,311,155</u>
(34,395)	(2,793)	34,024	403,198	(41,723)	(39,204)	(111,848)	463,509	22,153
-	-	-	-	-	-	(15,304,556)	(15,304,556)	(15,304,556)
-	-	-	-	-	-	571,847	571,847	1,534,013
-	-	-	-	-	-	-	(571,847)	(901,977)
-	-	-	-	-	-	14,135,000	14,135,000	14,135,000
-	-	-	-	-	-	852,690	852,690	852,690
-	-	-	-	-	-	254,981	(316,866)	315,170
(34,395)	(2,793)	34,024	403,198	(41,723)	(39,204)	143,133	146,643	337,323
<u>139,059</u>	<u>136,884</u>	<u>146,785</u>	<u>202,646</u>	<u>133,287</u>	<u>134,121</u>	<u>-</u>	<u>1,337,054</u>	<u>1,478,152</u>
<b>\$ 104,664</b>	<b>\$ 134,091</b>	<b>\$ 180,809</b>	<b>\$ 605,844</b>	<b>\$ 91,564</b>	<b>\$ 94,917</b>	<b>\$ 143,133</b>	<b>\$ 1,483,697</b>	<b>\$ 1,815,475</b>

# West Bloomfield School District

June 30	2000	2001	2001	2004
	Principal	Principal	Refunding Principal	Principal
2010	\$ 900,000	\$ 800,000	\$ 85,000	\$ 880,000
2011	-	800,000	985,000	910,000
2012	-	-	975,000	945,000
2013	-	-	965,000	950,000
2014	-	-	955,000	1,000,000
2015	-	-	2,720,000	1,450,000
2016	-	-	2,715,000	1,475,000
2017	-	-	2,710,000	1,475,000
2018	-	-	2,725,000	1,475,000
2019	-	-	2,715,000	-
2020	-	-	2,685,000	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
Total	<b>\$ 900,000</b>	<b>\$ 1,600,000</b>	<b>\$ 20,235,000</b>	<b>\$ 10,560,000</b>
Principal payments due	May 1	May 1	May 1	May 1
Interest payments due	May 1 and November 1			
Interest rate	5.40% to 5.45%	4.45% to 4.55%	3.90% to 5.50%	3.50% to 5.25%
Original issue	<b>\$ 28,000,000</b>	<b>\$ 24,000,000</b>	<b>\$ 20,745,000</b>	<b>\$ 22,435,000</b>

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

2004 Refunding Principal	2005 Refunding Principal	2006 Refunding Principal	2009 Refunding Principal
\$ 4,775,000	\$ 35,000	\$ -	\$ 1,090,000
5,110,000	35,000	-	1,110,000
5,470,000	835,000	-	1,040,000
6,030,000	860,000	-	900,000
6,410,000	900,000	-	875,000
-	2,015,000	-	3,055,000
-	2,015,000	-	3,040,000
-	2,015,000	-	3,025,000
-	2,015,000	-	-
-	2,015,000	1,555,000	-
-	2,015,000	1,545,000	-
-	2,015,000	1,535,000	-
-	-	1,520,000	-
-	-	1,505,000	-
-	-	1,500,000	-
<b>\$ 27,795,000</b>	<b>\$ 16,770,000</b>	<b>\$ 9,160,000</b>	<b>\$ 14,135,000</b>
May 1	May 1	May 1	
May 1 and November 1			
3.0% to 5.0%	3.0% to 5.0%	4%	3.00% to 5.00%
<b>\$ 46,120,000</b>	<b>\$ 17,015,000</b>	<b>\$ 9,530,000</b>	<b>\$ 14,135,000</b>

# West Bloomfield School District

## Other Supplementary Information Detail of Bonded Debt June 30, 2009

Issue	Purpose of Bond Issue
2000	Erecting, equipping, and furnishing additions to school buildings; remodeling, equipping, re-equipping, furnishing, and refurbishing school buildings and improving sites for school buildings; remodeling, equipping, and re-equipping playgrounds and athletic fields and improving sites for playgrounds and athletic fields; acquiring, installing, and equipping school buildings and other facilities for technology systems and equipment; purchasing school buses; and paying the costs of issuing bonds
2001	Erecting, equipping, and furnishing additions to school buildings; remodeling, equipping, re-equipping, furnishing, and refurbishing school buildings and improving sites for school buildings; remodeling, equipping, and re-equipping playgrounds and athletic fields and improving sites for playgrounds and athletic fields; acquiring, installing, and equipping school buildings and other facilities for technology systems and equipment; purchasing school buses; and paying for the costs of issuing bonds
2001 Refunding	Refunding a portion of the School District's 2000 School Building and Site Bonds, dated June 1, 2000 and maturing on May 1 in the years 2010 through 2020, and paying the costs of issuing the bonds
2004 Refunding	Refunding a portion of the School District's 1994 School Building and Site Bonds, dated January 12, 1994, due and payable May 1, 2005 through May 1, 2008, inclusive, May 1, 2010, May 1, 2011, and May 1, 2014 (the "prior bonds"), and to pay the costs of issuing the bonds. The prior bonds include the portion of the prior bonds allocable to crossover refunding, which are due and payable May 1, 2005 through May 1, 2009.
2004	Remodeling, equipping, re-equipping, furnishing and refurbishing school buildings, other facilities, athletic fields, and playgrounds; preparing, developing, and improving school building sites, other facility sites, and playground and athletic field sites; erecting, completing, equipping, and furnishing additions to school buildings and site preparation for the additions; equipping and re-equipping school buildings and other facilities for technology systems and equipment; refunding the outstanding balance of the school bus installment purchase obligation, the proceeds of which were used to acquire school buses in 2004; and to pay the costs of issuing the bonds
2005 Refunding	Refunding a portion of the School District's outstanding 2001 School Building and Site Bonds, dated May 22, 2001, which are due and payable May 1, 2012 through May 1, 2018 (the "prior bonds"), and to pay the costs of issuing the bonds
2006 Refunding	Refunding a portion of the School District's outstanding 2004 School Building and Site Bonds, dated August 12, 2004, which are due and payable May 1, 2008 and May 1, 2019 through May 1, 2024 (the "prior bonds"), and to pay the costs of issuing the bonds
2009 Refunding	Refunding a portion of the School District's outstanding 1998 and 1999 School Building and Site Bonds, dated December 22, 1998 and February 1, 1999, respectively, which are due and payable May 1, 2009 through May 1, 2017 (the "prior bonds"), and to pay the costs of issuing the bonds