

# **Dearborn Heights School District No. 7**

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

# Dearborn Heights School District No. 7

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## Independent Auditor's Report

To the Board of Education  
Dearborn Heights School District No. 7

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dearborn Heights School District No. 7 (the "School District") as of and for the year ended June 30, 2009, which collectively comprise Dearborn Heights School District No. 7's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Dearborn Heights School District No. 7'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 Dearborn Heights School District No. 7 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 schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Board of Education  
Dearborn Heights School District No. 7

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dearborn Heights School District No. 7's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. 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 31, 2009 on our consideration of Dearborn Heights School District No. 7'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 31, 2009

# **Dearborn Heights School District No. 7**

## **Management's Discussion and Analysis**

This section of Dearborn Heights School District No. 7's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2009. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Dearborn Heights School District No. 7 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 Capital Projects Sinking 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.

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

### **Basic Financial Statements**

Government-wide Financial Statements      Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplementary Information)  
Budgetary Information for Major Funds

Other Supplementary Information

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

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

# **Dearborn Heights School District No. 7**

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

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 School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

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

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

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

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on 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. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

# Dearborn Heights School District No. 7

## Management's Discussion and Analysis (Continued)

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

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

### **The School District as a Whole**

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

TABLE I

	Governmental Activities	
	2009	2008
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 5.3	\$ 7.4
Capital assets	<u>12.0</u>	<u>11.4</u>
Total assets	17.3	18.8
<b>Liabilities</b>		
Current liabilities	4.9	4.4
Long-term liabilities	<u>0.7</u>	<u>1.6</u>
Total liabilities	<u>5.6</u>	<u>6.0</u>
<b>Net Assets</b>		
Invested in property and equipment - Net of related debt	11.2	9.1
Restricted	(0.1)	0.1
Unrestricted	<u>0.6</u>	<u>3.6</u>
Total net assets	<u>\$ 11.7</u>	<u>\$ 12.8</u>

# Dearborn Heights School District No. 7

## Management's Discussion and Analysis (Continued)

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$11.7 million and \$12.8 million at June 30, 2009 and 2008, respectively. Capital assets, net of related debt, totaling \$11.2 million compares the original cost, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. The remaining amount of net assets, \$.6 million, was unrestricted.

The \$.6 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. During the year, the School District experienced a decrease in unrestricted net assets. The decrease is primarily related to the School District choosing to use fund balance in its efforts to preserve the integrity of education in the classroom. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

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

TABLE 2

	Governmental Activities	
	2009	2008
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 0.9	\$ 1.0
Federal grants and entitlements	2.9	1.7
State categoricals	1.5	1.5
Operating grants	0.3	0.2
Other	-	-
General revenue:		
Property taxes	3.2	3.2
State foundation allowance	18.3	19.4
Other	0.2	0.2
	<u>27.3</u>	<u>27.2</u>
Total revenue	27.3	27.2

# Dearborn Heights School District No. 7

## Management's Discussion and Analysis (Continued)

TABLE 2 (Continued)

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
	(in millions)	
<b>Functions/Program Expenses</b>		
Instruction	\$ 15.7	\$ 16.0
Support services	9.7	8.0
Community services	0.3	0.4
Food services	1.3	1.2
Athletics	0.4	0.4
Interest on long-term debt	0.1	0.1
Depreciation (unallocated)	<u>0.9</u>	<u>0.9</u>
Total functions/program expenses	<u>28.4</u>	<u>27.0</u>
<b>(Decrease) Increase in Net Assets</b>	<b><u>\$ (1.1)</u></b>	<b><u>\$ 0.2</u></b>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$28.4 million. Certain activities were partially funded from those who benefited from the programs (\$0.9 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4.7 million). We paid for the remaining “public benefit” portion of our governmental activities with \$3.2 million in taxes, \$18.3 million in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

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

### The School District’s Funds

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

# Dearborn Heights School District No. 7

## Management's Discussion and Analysis (Continued)

As the School District completed this year, the governmental funds reported a combined fund balance of \$1.6 million, which is a decrease of \$2.7 million from last year. The primary reason for the decrease is as follows:

In the General Fund, our principal operating fund, the fund balance decreased approximately \$2.4 million. The change is mainly due to fixed costs of General Fund operations, primarily salaries, benefits, and utilities, which increased 5 percent over fiscal year 2008, while overall revenues remained at 2008 levels.

The General Fund fund balance is available to fund costs related to allowable school operating purposes.

Our Special Revenue Funds, which consist of Cafeteria and Athletic Funds, remained consistent compared to last year.

Combined, the Debt Service Funds showed a fund balance decrease of approximately \$8,500. As there was fund balance available, millage rates were not increased in fiscal year 2009 and were levied at the same rate as fiscal year 2008. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Durant debt obligations are funded by annual state appropriation, and no fund balance exists at year end. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

The combined Capital Projects Funds fund balance decreased a net \$256,000, which primarily relates to the Capital Project Sinking Fund. The decrease is due to higher than expected budgeted expenditures, primarily relating to the Annapolis High School main office renovation and the roof project at Polk School.

### **General Fund Budgetary Highlights**

Over the course of the year, the 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 final amendment to the budget was actually adopted just before year end. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

During the year, the budget was amended in a legally permissible manner. State and federal source revenues were adjusted by approximately \$1.1 million to account for the decrease in discretionary revenue and related increase in federal stabilization (stimulus) funds. The budget for instruction - added needs expenditures was increased approximately \$500,000 to account for teachers called back from layoff, two additional teaching positions, and salary increases related to educational attainment. There were no other significant amendments during the year.

# Dearborn Heights School District No. 7

## Management's Discussion and Analysis (Continued)

### Capital Assets and Debt Administration

#### *Capital Assets*

As of June 30, 2009, the School District had net \$12.0 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a 6 percent increase (including additions, disposals, and depreciation) from last year.

	<u>2009</u>	<u>2008</u>
Land	\$ 40,000	\$ 40,000
Construction in progress	115,702	585,121
Buildings and building improvements	17,446,463	15,537,382
Vehicles	105,000	105,000
Furniture and equipment	<u>9,558,866</u>	<u>9,454,187</u>
Total capital assets	27,266,031	25,721,690
Less accumulated depreciation	<u>15,230,557</u>	<u>14,367,395</u>
Net capital assets	<u><b>\$ 12,035,474</b></u>	<u><b>\$ 11,354,295</b></u>

This year's additions of approximately \$1.5 million included completion of stadium improvements and bleachers, as well as the completion of the main office renovation at Annapolis High School. New projects completed include a new roof for Polk School, new football lighting, continuation of science lab renovations, new lockers for Annapolis High School, and computer purchases to update computer labs.

No new debt was issued for these additions as the above items were funded with Sinking Fund dollars.

#### *Debt*

At the end of this year, the School District had approximately \$0.9 million in general obligation bonds outstanding versus \$2.0 million in the previous year - a decrease of approximately 50 percent. The School District's general obligation bonds will be paid in full by the end of fiscal year 2010. Additionally, the School District has outstanding a Durant Non-Plaintiff Bond in the amount of approximately \$0.2 million which extends through fiscal year 2013.

# **Dearborn Heights School District No. 7**

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

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$0.9 million is significantly below this statutorily imposed limit.

During fiscal year 2009, the School District offered a voluntary employee severance package to its teachers' union. Six individuals met the requirements which included retiring from the School District as of June 30, 2009. Payments to these individuals total \$300,000.

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

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

Our elected officials and administration consider many factors when setting the School District's 2009-2010 fiscal year budget. An important factor affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2010 fiscal year is 25 percent and 75 percent of the February 2009 and September 2009 student counts, respectively. The 2009-2010 budget was adopted in June 2009, based on an estimate of students that will be enrolled in September 2009. Approximately 85 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. To stabilize the School District's enrollment, the Board of Education has chosen to admit students under Schools of Choice.

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

# Dearborn Heights School District No. 7

## Statement of Net Assets June 30, 2009

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 3)	\$ 641,427
Receivables:	
Taxes receivable	259,841
Accounts receivable	486,015
Due from other governmental units	3,780,669
Prepaid costs	124,247
Capital assets - Net (Note 5)	<u>12,035,474</u>
Total assets	17,327,673
<b>Liabilities</b>	
Accounts payable	848,370
Accrued payroll-related liabilities	2,344,672
Other accrued liabilities	374,523
Deferred revenue (Note 4)	102,684
Long-term liabilities (Note 7):	
Due within one year	1,205,538
Due in more than one year	<u>736,975</u>
Total liabilities	<u>5,612,762</u>
<b>Net Assets</b>	
Invested in capital assets - Net of related debt	11,167,530
Restricted:	
Debt service	328,534
Capital projects	(439,825)
Unrestricted	<u>658,672</u>
Total net assets	<u><u>\$ 11,714,911</u></u>

# Dearborn Heights School District No. 7

## Statement of Activities Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Assets
Primary government - Governmental activities:				
Instruction	\$ 15,669,253	\$ 339,583	\$ 3,247,153	\$ (12,082,517)
Support services	9,725,312	-	609,574	(9,115,738)
Athletics	398,227	41,237	-	(356,990)
Food services	1,327,847	524,259	799,069	(4,519)
Community services	352,163	-	-	(352,163)
Payments to other public schools (ISDs, LEAs)	20,462	-	-	(20,462)
Interest	62,829	-	-	(62,829)
Depreciation expense (unallocated)	863,162	-	-	(863,162)
Total primary government	<u>\$ 28,419,255</u>	<u>\$ 905,079</u>	<u>\$ 4,655,796</u>	(22,858,380)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				2,352,816
Property taxes, levied for debt service				892,331
State aid not restricted to specific purposes				18,284,570
Interest and investment earnings				17,449
Other				186,124
Total general revenues				<u>21,733,290</u>
<b>Change in Net Assets</b>				(1,125,090)
<b>Net Assets - Beginning of year</b>				<u>12,840,001</u>
<b>Net Assets - End of year</b>				<u><u>\$ 11,714,911</u></u>

# Dearborn Heights School District No. 7

## Governmental Funds Balance Sheet June 30, 2009

	General Fund	Capital Projects Sinking Fund	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and investments (Note 3)	\$ 573,623	\$ 37,246	\$ 30,558	\$ 641,427
Receivables:				
Taxes receivable	161,557	58,313	39,971	259,841
Accounts receivable	486,015	-	-	486,015
Due from other governmental units	3,780,669	-	-	3,780,669
Due from other funds (Note 6)	314,462	-	484,545	799,007
Prepaid costs	124,247	-	-	124,247
<b>Total assets</b>	<b>\$ 5,440,573</b>	<b>\$ 95,559</b>	<b>\$ 555,074</b>	<b>\$ 6,091,206</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 475,533	\$ 172,639	\$ 200,198	\$ 848,370
Accrued payroll and benefits	2,325,815	-	18,857	2,344,672
Other accrued liabilities	366,579	-	-	366,579
Due to other funds (Note 6)	436,262	362,745	-	799,007
Deferred revenue (Note 4)	121,455	-	-	121,455
<b>Total liabilities</b>	<b>3,725,644</b>	<b>535,384</b>	<b>219,055</b>	<b>4,480,083</b>
<b>Fund Balances</b>				
Reserved:				
Encumbrances	11,249	-	-	11,249
Debt service	-	-	328,534	328,534
Prepaid costs	124,247	-	-	124,247
Unreserved:				
Designated fund balance (deficit):				
Designated for 2009-2010 budgeted expenditures	1,035,701	-	-	1,035,701
Designated for Sinking Fund expenditures	-	(439,825)	-	(439,825)
Undesignated, reported in:				
General Fund	543,732	-	-	543,732
Special Revenue Funds	-	-	7,485	7,485
<b>Total fund balances</b>	<b>1,714,929</b>	<b>(439,825)</b>	<b>336,019</b>	<b>1,611,123</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,440,573</b>	<b>\$ 95,559</b>	<b>\$ 555,074</b>	<b>\$ 6,091,206</b>

# Dearborn Heights School District No. 7

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

**Fund Balance Reported in Governmental Funds** \$ 1,611,123

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:

Capital assets	\$ 27,266,031	
Accumulated depreciation	<u>(15,230,557)</u>	12,035,474

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

Bonds payable	(860,000)	
Other obligations	(555,405)	
Durant Non-Plaintiff	(227,108)	
Employee severance plan	<u>(300,000)</u>	(1,942,513)

Accrued interest payable is not included as a liability in governmental funds (7,944)

Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds 18,771

**Net Assets of Governmental Activities** **\$ 11,714,911**

# Dearborn Heights School District No. 7

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

	General Fund	Capital Projects Sinking Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>				
Local sources	\$ 1,589,433	\$ 1,304,282	\$ 1,460,084	\$ 4,353,799
State sources	19,658,143	-	94,417	19,752,560
Federal sources	2,161,380	-	734,473	2,895,853
Other	308,448	-	-	308,448
Total revenue	23,717,404	1,304,282	2,288,974	27,310,660
<b>Expenditures</b>				
Current:				
Instruction	17,016,111	-	-	17,016,111
Support services	7,997,960	-	-	7,997,960
Athletics	-	-	390,640	390,640
Food services	-	-	1,327,847	1,327,847
Community services	352,163	-	-	352,163
Debt service:				
Principal	-	-	1,113,633	1,113,633
Interest	-	-	94,033	94,033
Other	-	-	575	575
Capital outlay	374,705	1,256,777	35,441	1,666,923
Payments to other public schools (ISDs, LEAs)	20,462	-	-	20,462
Total expenditures	25,761,401	1,256,777	2,962,169	29,980,347
<b>Excess of Revenue Over (Under) Expenditures</b>	(2,043,997)	47,505	(673,195)	(2,669,687)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	636,844	636,844
Transfers out	(361,509)	(275,335)	-	(636,844)
Total other financing sources (uses)	(361,509)	(275,335)	636,844	-
<b>Net Change in Fund Balances</b>	(2,405,506)	(227,830)	(36,351)	(2,669,687)
<b>Fund Balances (Deficit) - Beginning of year</b>	4,120,435	(211,995)	372,370	4,280,810
<b>Fund Balances (Deficit) - End of year</b>	<u>\$ 1,714,929</u>	<u>\$ (439,825)</u>	<u>\$ 336,019</u>	<u>\$ 1,611,123</u>

# Dearborn Heights School District No. 7

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

**Net Change in Fund Balances - Total Governmental Funds** \$ (2,669,687)

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	\$ (863,162)	
Capitalized capital outlay	<u>1,544,341</u>	681,179

Revenue is reported in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end (16,495)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 1,113,633

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 31,779

Compensated absences, as well as obligations for employee severance plans, are recorded when earned in the statement of activities. In the current year, more was earned than paid out (265,499)

**Change in Net Assets of Governmental Activities** \$ (1,125,090)

# Dearborn Heights School District No. 7

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## Fiduciary Funds - Agency Statement of Fiduciary Assets and Liabilities June 30, 2009

### Assets

Cash and investments	\$ 58,933
Due from other funds	<u>44,210</u>
Total assets	<u>\$ 103,143</u>

### Liabilities

Accounts payable	\$ 1,902
Due to student groups	<u>101,241</u>
Total liabilities	<u>\$ 103,143</u>

# Dearborn Heights School District No. 7

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## Notes to Financial Statements June 30, 2009

### Note I - Summary of Significant Accounting Policies

The accounting policies of Dearborn Heights School District No. 7 (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.

# Dearborn Heights School District No. 7

## 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.

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

The School District reports the following major governmental funds:

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

# Dearborn Heights School District No. 7

## Notes to Financial Statements June 30, 2009

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

**Capital Projects Sinking Fund** - The Capital Projects Sinking Fund records capital projects activities funded with Sinking Fund millage.

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 and Athletics 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 and interest revenue and the payment of interest, principal, and other expenditures on long-term debt.

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

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

#### **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.

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

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

# Dearborn Heights School District No. 7

## Notes to Financial Statements June 30, 2009

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

**Prepaid Costs** - 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.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-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, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building additions	20 to 50 years
Buses and other vehicles	5 to 15 years
Furniture and other equipment	5 to 20 years

**Compensated Absences (Vacation and Sick Leave)** - 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.

**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.

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

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

# Dearborn Heights School District No. 7

## Notes to Financial Statements June 30, 2009

### 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, Special Revenue, Debt Service, and Capital Projects Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. State and federal source revenues were decreased and increased, respectively, by approximately \$1.1 million to account for the decrease in discretionary revenue and related increase in federal stabilization (stimulus) funds. The budget for instruction - added needs expenditures was increased approximately \$500,000 to account for teachers called back from layoff, two additional teaching positions, and salary increases related to educational attainment. There were no other significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

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

**Fund Deficit** - The School District has an accumulated fund deficit in the Capital Projects Sinking Fund.

**Capital Projects Fund Compliance** - The Capital Projects Funds include 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. Beginning with the year of bond issuance, the School District has reported the annual construction activity in the Capital Projects \$7,200,000 Fund. The project for which the technology bonds were issued was considered substantially complete on August 31, 2005, and the cumulative expenditures recognized for the construction period through the date of substantial completion were \$7,330,142. The remaining monies from the bond issue were spent in the current year.

# Dearborn Heights School District No. 7

## Notes to Financial Statements June 30, 2009

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

The Sinking Fund Capital Projects Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the State of Michigan School Code and the State of Michigan Department of Treasury Letter No. 01-95.

### Note 3 - Deposits and Investments

State statutes 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 three financial institutions 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 does not have a deposit policy for custodial credit risk. At year end, the School District had a deposit balance of \$760,282 (noninterest-bearing checking accounts), which was fully insured and collateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Custodial Credit Risk of Investments** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The following investment securities were uninsured and unregistered and held in the following manner:

Investment Type	Carrying Value	How Held
U.S. government bonds	\$ 6,064	Held by counterparty in the School District's name

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates.

# Dearborn Heights School District No. 7

## Notes to Financial Statements June 30, 2009

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

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations.

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

Investment	Fair Value	Maturities	Rating	Rating Organization
Comerica investment pools	\$ 36,503	Not required	AI/PI	S&P/Moody's
Chase investment pools	12,779	Not required	AAA	Moody's
Total investments	<u>\$ 49,282</u>			

**Concentration of Credit Risk** - The School District places no limit on the amount the School District may invest in any one issuer, nor does it minimize concentrations 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.

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

### Note 4 - Deferred Revenue

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

	Unavailable	Unearned
Categorical aid payment received prior to meeting all eligibility requirements	\$ -	\$ 102,684
Other deferred revenue	18,771	-
Total	<u>\$ 18,771</u>	<u>\$ 102,684</u>

# Dearborn Heights School District No. 7

## Notes to Financial Statements June 30, 2009

### Note 5 - Capital Assets

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

<b>Governmental Activities</b>	Balance July 1, 2008	Reclassifications	Additions	Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Construction in progress	585,121	(585,121)	115,702	115,702
Subtotal	625,121	(585,121)	115,702	155,702
Capital assets being depreciated:				
Buildings and improvements	15,537,382	585,121	1,323,960	17,446,463
Furniture and equipment	9,454,187	-	104,679	9,558,866
Vehicles	105,000	-	-	105,000
Subtotal	25,096,569	585,121	1,428,639	27,110,329
Accumulated depreciation:				
Buildings and improvements	6,772,447	-	518,335	7,290,782
Furniture and equipment	7,509,242	-	341,540	7,850,782
Vehicles	85,706	-	3,287	88,993
Subtotal	14,367,395	-	863,162	15,230,557
Net capital assets being depreciated	10,729,174	585,121	565,477	11,879,772
Net capital assets	<u>\$ 11,354,295</u>	<u>\$ -</u>	<u>\$ 681,179</u>	<u>\$ 12,035,474</u>

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

**Construction Commitments** - The School District has active construction projects at year end related to the Capital Projects Sinking Fund totaling \$1,139,393. The remaining commitment at year end is \$576,449.

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

The composition of interfund balances is as follows:

Fund Due To	Fund Due From		Total
	General Fund	Capital Projects Sinking Fund	
General Fund	\$ -	\$ 314,462	\$ 314,462
Nonmajor governmental funds	436,262	48,283	484,545
Total	<u>\$ 436,262</u>	<u>\$ 362,745</u>	<u>\$ 799,007</u>

# Dearborn Heights School District No. 7

## Notes to Financial Statements June 30, 2009

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

The interfund balance in the Capital Projects Sinking Fund represent monies the General Fund loaned to the Capital Projects Sinking Fund for construction projects in prior years and property tax collections for the Debt Service Funds that have not been transferred as of June 30, 2009. The remaining interfund balances represent routine and temporary cash flow assistance from the General Fund until amounts are transferred from investment accounts.

	Transfers Out		Total
	General Fund	Capital Projects Sinking Fund	
Transfers in - Nonmajor governmental funds	\$ 361,509	\$ 275,335	\$ 636,844

Transfers out of the General Fund subsidized operations in the Cafeteria and Athletics Funds. Transfers out of the Capital Projects Sinking Fund represent tax collections for the Debt Service Funds.

### Note 7 - Long-term Debt

The School District issues bonds 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. Other long-term obligations include compensated absences.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds payable	\$ 1,950,000	\$ -	\$ 1,090,000	\$ 860,000	\$ 860,000
Durant Non-Plaintiff	250,741	-	23,633	227,108	145,538
Total bonds payable	2,200,741	-	1,113,633	1,087,108	1,005,538
Other obligations	589,906	120,374	154,875	555,405	100,000
Employee severance agreement	-	300,000	-	300,000	100,000
Total governmental activities	\$ 2,790,647	\$ 420,374	\$ 1,268,508	\$ 1,942,513	\$ 1,205,538

# Dearborn Heights School District No. 7

## Notes to Financial Statements June 30, 2009

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

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

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2010	\$ 1,005,538	\$ 94,381	\$ 1,099,919
2011	25,937	3,884	29,821
2012	27,170	2,649	29,819
2013	28,463	1,355	29,818
Total	<u>\$ 1,087,108</u>	<u>\$ 102,269</u>	<u>\$ 1,189,377</u>

#### Governmental Activities

General obligation bonds consist of the following:

\$7,200,000 June 15, 1999 technology bonds, due in one annual installment of \$860,000 on May 1, 2010; interest at 4.60% \$ 860,000

**Durant Non-Plaintiff Bond** - Included in governmental activities general obligation bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) associated with this bond are funded by the State of Michigan via specifically appropriated state aid and will not require any School District debt levy or utilization of any other School District financial resources. The Durant Non-Plaintiff Bond is comprised of the following issue: \$424,653 serial bond due in annual installments of \$25,937 to \$145,538 through May 15, 2013; interest at 4.76 percent. The ending balance of the Durant Non-Plaintiff Bond was \$227,108 as of June 30, 2009.

**Other Obligations** - Other long-term obligations are comprised of employee-compensated absences valued under Governmental Accounting Standards Board Statement No. 16.

# Dearborn Heights School District No. 7

## Notes to Financial Statements June 30, 2009

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

**Employee Severance Agreement** - The School District offered a voluntary employee severance agreement (ESA) to one group of employees. The amount includes ESA payments of \$100,000 each year for three years. Future payment obligations for the years ending June 30 are as follows:

Years Ending June 30	Amount
2010	\$ 100,000
2011	100,000
2012	100,000
Total	<u>\$ 300,000</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 has purchased commercial insurance for medical claims and participates in the SET/SEG risk management pool for claims relating to property loss, torts, errors and omissions, and employee injuries (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.

### 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.

# Dearborn Heights School District No. 7

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## Notes to Financial Statements June 30, 2009

### **Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)**

**Pension Benefits** - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate was 10.17 percent of covered payroll for the period from July 1, 2008 through September 30, 2008 and 9.73 percent for the period from October 1, 2008 through June 30, 2009. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages, or up to 6.4 percent of gross wages for members entering the MIP Plus plan on or after July 1, 2008. The School District's required and actual contributions to the plan for the years ended June 30, 2009, 2008, and 2007 were approximately \$1,828,000, \$1,774,000, and \$1,776,000, 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 \$1,228,000, \$1,088,000, and \$1,109,000, respectively.

### **Note 10 - Subsequent Event - State Aid Anticipation Note**

On August 20, 2009, the School District borrowed \$2,697,000 in a state aid anticipation note. The note bears interest at 1.40 percent and is due August 20, 2010.

### **Note 11 - Contingent Liability**

The School District has been named in a lawsuit related to the wrongful termination of a School District employee; however, no judgment related to the probability of an unfavorable outcome, if any, nor the range of any potential loss can be made. Accordingly, no amount has been accrued in the accompanying financial statements at June 30, 2009.

## **Required Supplementary Information**

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# Dearborn Heights School District No. 7

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

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 1,575,189	\$ 1,560,126	\$ 1,589,433	\$ 29,307
State sources	20,899,163	19,761,246	19,658,143	(103,103)
Federal sources	1,230,683	2,361,210	2,161,380	(199,830)
Other	400,000	350,000	308,448	(41,552)
Total revenue	24,105,035	24,032,582	23,717,404	(315,178)
<b>Expenditures</b>				
Current:				
Instruction:				
Basic program	13,035,659	13,112,849	13,004,439	(108,410)
Added needs	3,416,161	3,909,011	4,011,672	102,661
Support services:				
Pupil	1,336,681	1,289,768	1,257,903	(31,865)
Instructional staff	415,636	415,636	421,106	5,470
General administration	743,402	747,402	747,331	(71)
School administration	1,658,622	1,676,172	1,688,780	12,608
Business	453,229	448,229	416,146	(32,083)
Operations and maintenance	2,709,904	2,666,724	2,635,415	(31,309)
Pupil transportation services	380,000	390,000	387,736	(2,264)
Central	510,739	484,239	443,543	(40,696)
Community services	384,996	339,667	352,163	12,496
Capital outlay	299,566	379,566	374,705	(4,861)
Payments to other public schools (ISDs, LEAs)	27,000	27,000	20,462	(6,538)
Total expenditures	25,371,595	25,886,263	25,761,401	(124,862)
<b>Excess of Expenditures Over Revenue</b>	(1,266,560)	(1,853,681)	(2,043,997)	(190,316)
<b>Other Financing Uses -</b>				
Transfers out	(365,000)	(365,000)	(361,509)	3,491
<b>Net Change in Fund Balance</b>	(1,631,560)	(2,218,681)	(2,405,506)	(186,825)
<b>Fund Balance - Beginning of year</b>	4,120,435	4,120,435	4,120,435	-
<b>Fund Balance - End of year</b>	<b>\$ 2,488,875</b>	<b>\$ 1,901,754</b>	<b>\$ 1,714,929</b>	<b>\$ (186,825)</b>

## **Other Supplementary Information**

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# Dearborn Heights School District No. 7

## Other Supplementary Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2009

	Special Revenue Funds		Debt Service Fund	Total Nonmajor Governmental Funds
	Cafeteria	Athletics	\$7,200,000 Issue	
<b>Assets</b>				
Cash and investments	\$ -	\$ -	\$ 30,558	\$ 30,558
Receivables - Taxes receivable	-	-	39,971	39,971
Due from other funds	207,318	19,222	258,005	484,545
Total assets	<b>\$ 207,318</b>	<b>\$ 19,222</b>	<b>\$ 328,534</b>	<b>\$ 555,074</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 199,833	\$ 365	\$ -	\$ 200,198
Accrued payroll-related liabilities	-	18,857	-	18,857
Total liabilities	199,833	19,222	-	219,055
<b>Fund Balances</b>				
Reserved - Debt service	-	-	328,534	328,534
Unreserved fund balance - Special Revenue Funds	7,485	-	-	7,485
Total fund balances	7,485	-	328,534	336,019
Total liabilities and fund balances	<b>\$ 207,318</b>	<b>\$ 19,222</b>	<b>\$ 328,534</b>	<b>\$ 555,074</b>

# Dearborn Heights School District No. 7

	Special Revenue Funds		Debt Service Funds			
	Cafeteria	Athletics	\$490,000 Issue Fund	\$7,200,000 Issue Fund	\$2,000,000 Issue	Durant
<b>Revenue</b>						
Local sources	\$ 524,259	\$ 41,237	\$ -	\$ 894,588	\$ -	\$ -
State sources	64,596	-	-	-	-	29,821
Federal sources	734,473	-	-	-	-	-
Total revenue	1,323,328	41,237	-	894,588	-	29,821
<b>Expenditures</b>						
Current:						
Athletics	-	390,640	-	-	-	-
Food services	1,327,847	-	-	-	-	-
Debt service:						
Principal	-	-	-	825,000	265,000	23,633
Interest	-	-	-	77,510	10,335	6,188
Other	-	-	(4,780)	5,355	-	-
Capital outlay	-	7,587	-	-	-	-
Total expenditures	1,327,847	398,227	(4,780)	907,865	275,335	29,821
<b>Excess of Revenue Over (Under) Expenditures</b>	(4,519)	(356,990)	4,780	(13,277)	(275,335)	-
<b>Other Financing Sources -</b>						
Transfers in	4,519	356,990	-	-	275,335	-
<b>Net Change in Fund Balances</b>	-	-	4,780	(13,277)	-	-
<b>Fund Balances (Deficit) - Beginning of year</b>	7,485	-	(4,780)	341,811	-	-
<b>Fund Balances - End of year</b>	<u>\$ 7,485</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 328,534</u>	<u>\$ -</u>	<u>\$ -</u>

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

<u>Capital Projects Fund</u>		Total Nonmajor Governmental Funds
\$2,000,000 Issue	\$7,200,000 Issue	
\$ -	\$ -	\$ 1,460,084
-	-	94,417
-	-	734,473
-	-	2,288,974
-	-	390,640
-	-	1,327,847
-	-	1,113,633
-	-	94,033
-	-	575
1,198	26,656	35,441
1,198	26,656	2,962,169
(1,198)	(26,656)	(673,195)
-	-	636,844
(1,198)	(26,656)	(36,351)
1,198	26,656	372,370
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 336,019</u>

# Dearborn Heights School District No. 7

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

<u>June 30</u>	<u>Durant Principal</u>	<u>\$7,200,000 Issue Principal</u>
2010	\$ 145,538	\$ 860,000
2011	25,937	-
2012	27,170	-
2013	28,463	-
Total	<u>\$ 227,108</u>	<u>\$ 860,000</u>
Principal payments due	May 15	May 1
Interest payments due	May 15	May 1 and November 1
Interest rate	4.76%	4.60%
Original issue	<u>\$ 424,653</u>	<u>\$ 7,200,000</u>