

Avondale School District

Auburn Hills, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2011

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Avondale School District
Members of the Board of Education and Administration
June 30, 2011

Cyndi Pettit	President
Sid Lockhart	Vice President
Stephen Sucher	Secretary
Sean Johnson	Treasurer
Tammy Muczynski	Trustee
Cynthia Tischer	Trustee
Kenneth Hedrick	Trustee

Administration

George Heitsch - Superintendent



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Independent Auditors' Report

To the Board of Education
Avondale School District
Auburn Hills, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Avondale School District as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Avondale 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 Avondale School District as of June 30, 2011, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Entity adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 2011 on our consideration of the Avondale 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 and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified in the table of contents be presented to supplement the basic financial statements. Such

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Avondale School District's financial statements as a whole. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The combining and individual fund statements and schedule of outstanding bonded indebtedness are the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The continuing disclosure undertaking has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, Avondale School District's financial statements for the year ended June 30, 2010, which are not presented with the accompanying financial statements. In our report dated November 12, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Avondale School District's financial statements as a whole. The 2010 information in the comparative statements is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2010 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2010 information in the comparative statements is fairly stated in all material respects in relation to the financial statements from which they have been derived.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 26, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Avondale School District
Management's Discussion and Analysis
June 30, 2011

This section of the Avondale School District's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended June 30, 2011. 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 Avondale School District financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a 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 2010 Capital Projects Funds (Series A and Series B), with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

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

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for General Fund

Other Supplemental 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.

Avondale School District
Management's Discussion and Analysis
June 30, 2011

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 non-financial 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 education, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

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

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services and Community Services 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.

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 net assets. 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.

Avondale School District
Management's Discussion and Analysis
June 30, 2011

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2011 and 2010.

Table 1	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Assets		
Current and other assets	\$ 32,504,377	\$ 12,099,664
Capital assets	<u>109,397,686</u>	<u>107,237,045</u>
Total Assets	<u>141,902,063</u>	<u>119,337,709</u>
Liabilities		
Current Liabilities	11,777,448	13,756,481
Long-term liabilities	<u>117,399,142</u>	<u>94,225,926</u>
Total Liabilities	<u>129,176,590</u>	<u>107,982,407</u>
Net Assets		
Invested in capital assets, net of related debt	23,411,349	24,175,296
Restricted	21,429,810	590,255
Unrestricted	<u>(32,115,686)</u>	<u>(13,410,249)</u>
Total net assets	<u>\$ 12,725,473</u>	<u>\$ 11,355,302</u>

The School District's net assets were \$12.7 million and \$11.4 million at June 30, 2011 and 2010, respectively. Capital assets, net of related debt totaling \$23.4 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. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets is an unrestricted deficit and totals \$32.1 million.

The (\$32.1 million) in unrestricted net assets (deficit) of governmental activities represents the accumulated results of all past years' operations. A positive unrestricted net assets balance would enable the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The School District's unrestricted net asset balance is currently in deficit position, which signals we will experience

Avondale School District
Management's Discussion and Analysis
June 30, 2011

difficulties with cash flow. There is also no reserve available to handle large unexpected uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities, which shows the changes in net assets for fiscal years 2011 and 2010. (see Table 2).

Table 2	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues		
Program revenues		
Charges for services	\$ 1,822,630	\$ 1,791,043
Operating grants and contributions	8,923,056	8,398,790
General revenues		
Property taxes	19,027,352	21,007,545
State aid-unrestricted	21,248,664	19,590,710
Other	<u>272,822</u>	<u>344,856</u>
Total revenues	<u>51,294,524</u>	<u>51,132,944</u>
Expenditures		
Instruction	28,043,963	27,766,648
Supporting services	14,834,254	15,443,561
Food services	945,007	925,761
Community services	995,712	1,039,848
Interest on long-term debt	<u>5,105,417</u>	<u>4,460,261</u>
Total expenditures	<u>49,924,353</u>	<u>49,636,079</u>
Change in net assets	<u>\$ 1,370,171</u>	<u>\$ 1,496,865</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$50 million. Certain activities were partially funded from those who benefited from the programs (\$1.8 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8.9 million). We paid for the remaining "public benefit" portion of our governmental activities with \$19.0 million in taxes, \$21.2 million in state foundation allowance, and \$.3 million with our other revenues, i.e., interest income and general entitlements.

Avondale School District
Management's Discussion and Analysis
June 30, 2011

The School District experienced an increase in the net assets of \$1.4 million, which increased total net assets from \$11.4 million to \$12.7 million. This change of net assets is due primarily to payment of bond obligations.

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 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.

As the School District completed this year, the governmental funds reported a combined fund balance of \$20.7 million, which is highlighted by the origination of the 2010 building and site bond projects.

Our Special Revenue Funds (Food Services and Community Services Funds) had a combined increase in fund equity of approximately \$105,000.

Combined, the Debt Service Funds showed a fund balance increase of approximately \$52,900.

The Sinking Fund's fund balance increased by approximately \$127,000. This increase was planned to provide financing for projects scheduled in fiscal year 2011-12.

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 the required supplemental information of these financial statements.

There were revisions made to the 2010-2011 General Fund original budget. Total budgeted revenues were increased approximately \$775,000 due mainly to the decrease in local property taxes of \$0.9 million, an increase in state sources of \$2.0 million which consisted of state aid adjustments to compensate for declining local property tax values, a decrease in federal grants of \$0.4 million and an increase in interdistrict sources of \$0.09 million for known revenues. The variance from budget to actual for revenues was approximately 0.8 percent.

Avondale School District
Management's Discussion and Analysis
June 30, 2011

Budgeted expenditures were increased approximately \$649,000 primarily due to known expenditures. The variance from budget to actual for expenditures was approximately 1.0 percent.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2011, the School District had \$109.4 million invested in a broad range of capital assets, including land, construction in progress, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of (\$2.2 million). This increase was driven primarily by construction starts funded with the 2010 Series A and B Building and Construction Bonds.

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 \$89.9 million in bonds outstanding versus \$69 million in the previous year (a change of 30 percent). The increase is due the issuance of the 2010 Building and Site (series A and B) which were approved by the community in August of 2010. Those bonds consisted of the following:

1988 Building and Site Capital Appreciation Bonds	\$ 879,327
2001 Refunding Bonds	2,185,000
2003 School Building and Site Bonds	8,800,000
2005 Refunding Bonds	7,585,000
2006 Refunding Bonds	9,515,000
2007 Refunding Bonds	18,055,000
2009 Refunding Bonds	15,525,000
2010 Building and Site Series A	4,000,000
2010 Building and Site Series B	23,400,000

The School District's general obligation bonds are qualified for participation by the State in the Michigan School Bonds Qualification and Loan Program. 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 (\$174 million). 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 \$89.9 million is significantly below this \$174 million statutorily imposed limit.

Avondale School District
Management's Discussion and Analysis
June 30, 2011

Other obligations include accrued vacation pay, sick leave, early separation agreements, and accreted interest on capital appreciation bonds. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's 2011-2012 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2011-2012 fiscal year is 90 percent and 10 percent of October 2011 and February 2012 student counts, respectively. The 2011-2012 budget was adopted in June 2011, based on an estimate of students that will be enrolled in October 2011. Approximately 78 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, School District funding is heavily dependent on the State's ability to fund local school operations. The state's ability to adequately fund public education continues to diminish.

Based on the initial fall student count, the blended count to formulate the 2011-2012 budget is below target. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. It is anticipated with the 2012 budget adoption the foundation allowance will be reduced by approximately \$470 per pupil compared with the 2010-2011 foundation. The School District has qualified for additional funding based on meeting State of Michigan incentives for "Best Practices" and additional one-time offset of retirement expenditures. With these reductions in the foundation allowance, it is evident that substantial budget reductions will continue to be necessary for the District to maintain financial stability and independence. Inevitably these budget reductions will impact the instructional programs and services that are presently offered.

If the State's revenue budget falls short of projections, the legislature must then revise the appropriation or proration of state aid will occur. We received a proration of state aid in earlier fiscal years, it is not known at this time whether a mid-year proration will occur in 2011-2012 and what the impact will be on revenues.

Contacting the School District's Administration

This report is designed to give an overview of the financial condition of the Avondale School District. If there are additional questions or information needed, please contact the business office at (248) 537-6000.

BASIC FINANCIAL STATEMENTS

Avondale School District
Statement of Net Assets
June 30, 2011

	Governmental Activities
Assets	
Cash	\$ 24,873,104
Accounts receivable	446,315
Due from other governmental units	6,131,380
Inventory	14,033
Investments	308,505
Prepaid items	15,159
Other assets	725,287
Capital assets not being depreciated	9,649,404
Capital assets - net of accumulated depreciation	<u>99,748,282</u>
Total assets	<u>141,911,469</u>
Liabilities	
Accounts payable	4,630,271
State aid anticipation note payable	3,248,426
Due to other governmental units	177,521
Payroll deductions and withholdings	104,607
Accrued expenditures	696,342
Accrued salaries payable	2,921,570
Deferred revenue	8,117
Noncurrent liabilities	
Due within one year	6,136,165
Due in more than one year	<u>111,262,977</u>
Total liabilities	<u>129,185,996</u>
Net assets	
Invested in capital assets, net of related debt	23,411,349
Restricted for:	
Food service	163,469
Debt service	62,435
Capital projects	21,203,906
Unrestricted (deficit)	<u>(32,115,686)</u>
Total net assets	<u><u>\$ 12,725,473</u></u>

See Accompanying Notes to Financial Statements

Avondale School District
Statement of Activities
For the Year Ended June 30, 2011

	Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
Functions/Programs					
Governmental activities					
Instruction	\$ 28,043,963	\$ 231,386	\$ 5,527,563	\$ 375,523	\$ (21,909,491)
Supporting services	14,834,254	173,245	2,519,560	-	(12,141,449)
Food services	945,007	412,133	496,469	-	(36,405)
Community services	995,712	1,005,866	3,941	-	14,095
Interest on long-term debt	5,105,417	-	-	-	(5,105,417)
Total governmental activities	\$ 49,924,353	\$ 1,822,630	\$ 8,547,533	\$ 375,523	(39,178,667)
General revenues					
Property taxes, levied for general purposes					9,638,796
Property taxes, levied for debt service					8,647,428
Property taxes, levied for sinking fund					741,128
State aid - unrestricted					21,248,664
Interest and investment earnings					20,820
Gain on sale of capital assets					8,755
Other					243,247
Total general revenues					40,548,838
Change in net assets					1,370,171
Net assets - beginning					11,355,302
Net assets - ending					\$ 12,725,473

See Accompanying Notes to Financial Statements

Avondale School District
Governmental Funds
Balance Sheet
June 30, 2011

	General Fund	2010 Capital Projects Series A	Funds Series B	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 553,024	\$ 2,464,224	\$ 21,022,044	\$ 833,812	\$ 24,873,104
Taxes receivable	-	-	-	-	-
Accounts receivable	376,910	-	-	69,405	446,315
Due from other funds	4,968	-	-	64,803	69,771
Due from other governmental units	6,109,956	-	-	21,424	6,131,380
Interest receivable	-	-	-	-	-
Inventory	-	-	-	14,033	14,033
Investments	-	-	-	308,505	308,505
Prepaid items	15,159	-	-	-	15,159
Total assets	<u>\$ 7,060,017</u>	<u>\$ 2,464,224</u>	<u>\$ 21,022,044</u>	<u>\$ 1,311,982</u>	<u>\$ 31,858,267</u>
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 1,541,829	\$ 647,045	\$ 2,338,465	\$ 102,932	\$ 4,630,271
State aid anticipation note payable	3,248,426	-	-	-	3,248,426
Due to other funds	64,803	-	4,968	-	69,771
Due to other governmental units	177,521	-	-	-	177,521
Due to agency fund activities	-	-	-	-	-
Payroll deductions and withholdings	104,607	-	-	-	104,607
Accrued expenditures	-	-	-	-	-
Accrued salaries payable	2,912,063	-	-	9,507	2,921,570
Deferred revenue	-	-	-	8,117	8,117
Total liabilities	<u>8,049,249</u>	<u>647,045</u>	<u>2,343,433</u>	<u>120,556</u>	<u>11,160,283</u>

See Accompanying Notes to Financial Statements

**Avondale School District
Governmental Funds
Balance Sheet
June 30, 2011**

	<u>General Fund</u>	<u>2010 Capital Projects Series A</u>	<u>Funds Series B</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balance					
Nonspendable					
Inventory	\$ -	\$ -	\$ -	\$ 14,033	\$ 14,033
Prepaid items	5,753	-	-	-	5,753
Restricted for:					
Food service	-	-	-	163,469	163,469
Debt service	-	-	-	62,435	62,435
Capital projects	-	1,817,179	18,678,611	708,116	21,203,906
Assigned for:					
Community services	-	-	-	243,373	243,373
Unassigned (deficit)	<u>(994,985)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(994,985)</u>
Total fund balance (deficit)	<u>(989,232)</u>	<u>1,817,179</u>	<u>18,678,611</u>	<u>1,191,426</u>	<u>20,697,984</u>
Total liabilities and fund balance	<u>\$ 7,060,017</u>	<u>\$ 2,464,224</u>	<u>\$ 21,022,044</u>	<u>\$ 1,311,982</u>	<u>\$ 31,858,267</u>

See Accompanying Notes to Financial Statements

Avondale School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2011

Total fund balances for governmental funds	\$ 20,697,984
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	9,649,404
Capital assets - net of accumulated depreciation	99,748,282
Other long-term assets are not deferred in the governmental funds.	725,287
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(696,342)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(70,359)
Employee severance pay	(2,886,000)
Bonds payable	(89,824,828)
Accrued interest	(3,842,156)
School bond loan payable	(16,657,299)
Other loans payable and liabilities	<u>(4,118,500)</u>
Net assets of governmental activities	<u>\$ 12,725,473</u>

See Accompanying Notes to Financial Statements

Avondale School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011

	General Fund	2010 Capital Series A	Projects Funds Series B	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 10,297,267	\$ 1,104	\$ 6,680	\$ 10,810,348	\$ 21,115,399
State sources	23,729,606	-	-	43,619	23,773,225
Federal sources	2,457,675	-	-	828,373	3,286,048
Interdistrict sources	3,111,097	-	-	-	3,111,097
	<u>39,595,645</u>	<u>1,104</u>	<u>6,680</u>	<u>11,682,340</u>	<u>51,285,769</u>
Expenditures					
Current					
Education					
Instruction	24,694,114	-	-	-	24,694,114
Supporting services	13,350,550	-	-	-	13,350,550
Food services	-	-	-	850,540	850,540
Community services	4,780	-	-	891,397	896,177
Intergovernmental payments	157,834	-	-	-	157,834
Capital outlay	-	2,122,333	4,395,218	616,994	7,134,545
Debt service					
Principal	-	-	-	6,414,984	6,414,984
Interest and other expenditures	-	-	-	5,029,734	5,029,734
Bond issuance costs	-	61,592	332,851	-	394,443
	<u>38,207,278</u>	<u>2,183,925</u>	<u>4,728,069</u>	<u>13,803,649</u>	<u>58,922,921</u>
Deficiency of revenues over expenditures	<u>1,388,367</u>	<u>(2,182,821)</u>	<u>(4,721,389)</u>	<u>(2,121,309)</u>	<u>(7,637,152)</u>

See Accompanying Notes to Financial Statements

Avondale School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011

	General Fund	2010 Capital Series A	Projects Funds Series B	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)					
Proceeds from issuance of bonds	\$ -	\$ 4,000,000	\$ 23,400,000	\$ -	\$ 27,400,000
Proceeds from school bond loan fund	-	-	-	2,474,450	2,474,450
Proceeds from sale of capital assets	8,755	-	-	-	8,755
Transfers in	67,377	-	-	-	67,377
Transfers out	-	-	-	(67,377)	(67,377)
	<u>76,132</u>	<u>4,000,000</u>	<u>23,400,000</u>	<u>2,407,073</u>	<u>29,883,205</u>
Total other financing sources (uses)					
Net change in fund balance	1,464,499	1,817,179	18,678,611	285,764	22,246,053
Fund balance (deficit) - beginning	(2,453,731)	-	-	905,662	(1,548,069)
Fund balance (deficit) - ending	<u>\$ (989,232)</u>	<u>\$ 1,817,179</u>	<u>\$ 18,678,611</u>	<u>\$ 1,191,426</u>	<u>\$ 20,697,984</u>

See Accompanying Notes to Financial Statements

Avondale School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

Net change in fund balances - Total governmental funds \$ 22,246,053

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(3,059,968)
Capital outlay	6,579,142
Sale of capital assets (net book value)	(1,359,533)

Expenses are recorded when incurred in the statement of activities.

Interest	15,823
Special termination benefits	70,000
Compensated absences	(20,331)

Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Debt issued	(29,874,450)
Repayments of long-term debt	6,414,984
Defer bond issuance costs	394,443
Repayments of capital lease	55,514
Amortization of premiums	54,194
Amortization of gain on debt defeasance	(46,521)
Amortization bond issuance costs	(76,080)
Amortization of bond discount	(23,099)

Change in net assets of governmental activities \$ 1,370,171

See Accompanying Notes to Financial Statements

Avondale School District
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2011

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash	\$ 8,115	\$ 543,308
Liabilities		
Accounts payable	-	\$ 214
Due to agency fund activities	<u>-</u>	<u>543,094</u>
Total liabilities	<u>-</u>	<u>\$ 543,308</u>
Net assets		
Reserved for scholarships and loans	<u>\$ 8,115</u>	

See Accompanying Notes to Financial Statements

Avondale School District
Fiduciary Funds
Private Purpose Trust Funds
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2011

	<u>Private Purpose Trust Funds</u>
Additions	<u>\$ -</u>
Deductions	
Scholarships	2,700
Revolving activities	<u>5,098</u>
Total deductions	<u>7,798</u>
Change in net assets	(7,798)
Net assets - beginning	<u>15,913</u>
Net assets - ending	<u><u>\$ 8,115</u></u>

See Accompanying Notes to Financial Statements

Avondale School District
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Avondale School District (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

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. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from current year activities.

Fund Financial Statements

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

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.

Avondale School District
Notes to Financial Statements
June 30, 2011

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 government.

Fiduciary fund statements also are 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 used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Capital Projects Fund – The 2010 Capital Project Funds Series A and Series B are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, building, equipment, and for remodeling and repairs. The funds are kept open until the purpose for which the fund was created has been 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 expenditures for specified purposes. The School District's Special Revenue Funds include Food Service and Community Services Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

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

Capital Projects Fund - The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the disbursement of invoices specifically designated for acquiring new school sites, construction or repair of school buildings.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Trust Funds are funds entrusted to the School District for scholarship awards and loans and the principal and interest of the trust may be spent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property taxes and other receivables are shown net of an allowance for uncollectible amounts of \$265,590.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2011, the rates are as follows per \$1,000 of assessed value.

General Fund	
Principal residence exemption	1.3120
Non principal residence	18.0000
Commercial personal property	6.0000
Industrial personal property	1.3120
Debt Service Funds	
All property	7.0000
Sinking Fund	
All property	0.6000

Avondale School District
Notes to Financial Statements
June 30, 2011

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Oakland and remitted to the School District.

Investments – Investments are stated at fair value based on a quoted market price.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are generally recorded as expenditures when purchased rather than consumed.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. This was changed during 2010-11 from \$1,000. This resulted in a \$1.4 million loss included as an expense in the statement of activities. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings and additions, furniture, equipment, and buses and other vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	50 years
Furniture	20 years
Equipment	10 years
Buses and other vehicles	8 years

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

Employee Severance Pay - A liability for employee severance pay is reported in the government-wide statements. The School District offers an employee severance pay to certain union groups. The estimate is calculated based on language obtained within the union contracts and a five year historical average of actual severance payouts. This estimate is calculated on an annual basis

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

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources

Avondale School District
Notes to Financial Statements
June 30, 2011

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 fund balance in the following categories:

Non-spendable - assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the District's highest level of decision-making, its board of education. A fund balance commitment may be established, modified, or rescinded by a resolution of the board of education.

Assigned – amounts intended to be used for specific purposes, as determined by the Superintendent. The board of education has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standard

The Government Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which the District adopted effective July 1, 2010. The new standard changes fund balance classifications to depict the relative strength of the spending constraints and clarifies the definitions of various governmental fund types. The standard includes a new definition of special revenue funds, and athletic funds no longer meet that definition. As a result, balances and activities previously reported under the athletic fund are combined with the general fund. The athletic fund did not have a fund balance, therefore there is no effect on beginning fund balances.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby cancel all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

Avondale School District
Notes to Financial Statements
June 30, 2011

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Pupil	\$ 2,972,736	\$ 3,073,986	\$ 101,250
Instructional staff	863,029	988,517	125,488
Business	935,254	1,021,439	86,185
Operations and maintenance	3,125,632	3,138,360	12,728
Community Service Fund	882,065	891,397	9,332

Fund Deficits

The District adopted a deficit budget for the general fund. The final amended adopted budget projected that expenditures would exceed the available resources at the end of the year by \$ \$1,756,809 . Actual results from fiscal year 2011 resulted in an increase in the general fund balance of \$1,464,499 .

The District as of June 30, 2011 has a deficit fund balance in the General Fund of \$989,232 . The District has filed a deficit elimination plan with the State of Michigan.

Compliance - Bond Proceeds

The Capital Projects Funds include capital project activities funded

with bonds issued after May 1, 1994. The following is a summary of the revenue and expenditures in the 2010 Series A and B Capital Project Funds from the inception of the funds through the current fiscal year:

Revenues	\$ 27,407,784
Expenditures	6,911,994

Compliance Sinking Funds

The Capital Project 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 Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 24,873,104	\$ 551,423	\$ 25,424,527
Investments	308,505	-	308,505
	<u>\$ 25,181,609</u>	<u>\$ 551,423</u>	<u>\$ 25,733,032</u>

Avondale School District
Notes to Financial Statements
June 30, 2011

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 2,186,449
Investments in securities, mutual funds, and similar vehicles	23,546,433
Petty cash and cash on hand	150
Total	\$ 25,733,032

As of year end, the District had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
Fidelity Institutional Money Market	\$ 48,111	36 days	AAAm	Standard & Poor's
Chase Michigan Governmental Money Market Fund	23,498,322	Daily	A-1+	Standard & Poor's
	\$ 23,546,433			

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 Districts cash requirements.

Credit risk – 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 an office 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 has designated 5 banks for the deposit of its funds.

Concentration of credit risk – The District has no policy that would limit the amount that may be invested with 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.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. As of year end, \$6,390,489 of the District's bank balance of \$6,986,994 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government 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 custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law. As of year end the District's entire investment balance was held by a counter party in the District's name and uninsured and unregistered.

Avondale School District
Notes to Financial Statements
June 30, 2011

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,080,692	\$ -	\$ -	\$ 3,080,692
Construction in progress	-	6,568,712	-	6,568,712
Total capital assets not being depreciated	3,080,692	6,568,712	-	9,649,404
Capital assets being depreciated				
Buildings and additions	128,122,534	-	1,252,518	126,870,016
Equipment and furniture	10,231,819	10,430	5,855,310	4,386,939
Buses and other vehicles	1,291,598	-	632,655	658,943
Total capital assets being depreciated	139,645,951	10,430	7,740,483	131,915,898
Less accumulated depreciation for				
Buildings and additions	27,785,831	2,622,500	869,798	29,538,533
Equipment and furniture	6,680,893	359,417	4,861,788	2,178,522
Buses and other vehicles	1,021,874	78,051	649,364	450,561
Total accumulated depreciation	35,488,598	3,059,968	6,380,950	32,167,616
Net capital assets being depreciated	104,157,353	(3,049,538)	1,359,533	99,748,282
Net capital assets	\$ 107,238,045	\$ 3,519,174	\$ 1,359,533	\$ 109,397,686

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

Governmental activities	
Instruction	\$ 1,898,984
Support services	1,026,661
Food services	65,407
Community services	68,916
Total governmental activities	\$ 3,059,968

Construction Contracts

As of year end, the School District had the following construction contracts in progress:

	Total Contract	Remaining Construction Commitment at Year End	Contract Payable at Year End
Middle School and High School Construction	\$ 3,704,000	\$ 2,049,000	\$ 634,000

Contracts payable at year end represent actual contractor billings and are recorded as a Sinking Fund liability. All projects are expected to be complete by the end of next fiscal year.

Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
General Fund	2010 Capital Project Fund - Series B	\$ 4,968
Nonmajor Governmental Funds	General Fund	64,803
		\$ 69,771

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Avondale School District
Notes to Financial Statements
June 30, 2011

Interfund transfers consist of the following:

	<u>General Fund</u>	<u>Transfers Out Nonmajor Governmental Funds</u>	<u>Total</u>
Transfers in			
Nonmajor governmental funds	\$ 67,377	\$ -	\$ 67,377

Transfers were made to cover indirect costs associated with the food services program.

Note 6 - Deferred Revenue

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

	<u>Unearned</u>
Other	\$ 8,117

Note 7 - Leases

Operating Lease

The School District leases 100 computers under non-cancelable operating leases. Total costs for such leases were \$ 56,596 for the year. The future minimum lease payments for this lease is as follows:

Year ending June 30,

2012	56,596
2013	56,596
2014	<u>37,731</u>
Total	<u>\$ 150,923</u>

Note 8 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short term debt activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	\$7,200,000	\$4,385,000	\$ 8,336,574	<u>\$3,248,426</u>

Note 9 - 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. Other long-term obligations include compensated absences, claims and judgments, termination benefits,

Avondale School District
Notes to Financial Statements
June 30, 2011

and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 68,959,311	\$ 27,400,000	\$ 6,414,984	\$ 89,944,327	\$ 4,964,665
Accreted interest	5,101,000	-	982,500	4,118,500	1,171,500
School Bond Loan Fund	6,655,134	-	-	6,655,134	-
School Loan Revolving Fund	7,527,715	2,474,450	-	10,002,165	-
Accrued interest	3,056,149	786,007	-	3,842,156	-
Capital lease	55,514	-	55,514	-	-
Compensated absences	50,028	20,331	-	70,359	-
Employee severance pay	2,956,000	-	70,000	2,886,000	-
Premium on bonds	878,544	-	54,194	824,350	-
Discount on bonds	(336,257)	-	(23,099)	(313,158)	-
Deferred amount on refunding	(677,212)	-	(46,521)	(630,691)	-
Deferred issuance costs	(406,924)	(394,443)	(76,080)	(725,287)	-
Total	\$ 93,819,002	\$ 30,286,345	\$ 7,431,492	\$ 116,673,855	\$ 6,136,165

For governmental activities, the compensated absences and employee severance pay are primarily liquidated by the general fund.

General obligation bonds payable at year end, consists of the following:

1988 Building and Site Capital Appreciation Bonds- \$3,389,599 issued due in annual installments of \$282,084 to \$304,665 plus accumulated interest through May 1, 2014, interest at 7.75%	\$ 879,327
2001 Refunding Bonds- \$10,850,000 issued, due in annual installments of \$695,000 to \$765,000 through May 1, 2014, interest at 4.40% to 4.60%	2,185,000
2003 School Building and Site Bonds- \$57,645,000 issued, due in annual installments of \$2,200,000 through May 1, 2015, interest at 4.00%	8,800,000
2005 Refunding Bonds- \$7,960,000 issued, due in annual installments of \$30,000 to \$2,435,000 through May 1, 2022, interest at 3.63% to 4.00%	7,585,000
2006 Refunding Bonds- \$9,835,000 issued, due in annual installments of \$120,000 to \$2,330,000 through May 1, 2019, interest at 3.50% to 4.00%	9,515,000
2007 Refunding Bonds- \$18,240,000 issued, due in annual installments of \$65,000 to \$2,500,000 through May 1, 2029, interest at 4.00% to 4.25%	18,055,000
2009 Refunding Bonds- \$18,470,000 issued, due in annual installments of \$1,340,000 to \$1,515,000 through May 1, 2022, interest at 2.50% to 4.50%	15,525,000
2010 Building and Site Series A Bonds - \$4,000,000 issued, due in annual installments of \$1,325,000 to \$1,340,000 through May 1, 2029, interest at 5.50%	4,000,000
2010 Building and Site Series B Bonds - \$23,270,000 issued, due in annual installments of \$370,000 to \$1,950,000 through May 1, 2035, interest at 2.30% to 5.875%	23,400,000
Total general obligation bonded debt	\$ 89,944,327

Avondale School District
Notes to Financial Statements
June 30, 2011

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ 5,094,665	\$ 5,348,954	\$ 10,443,619
2013	4,897,578	5,259,737	10,157,315
2014	5,212,084	5,172,666	10,384,750
2015	4,455,000	3,339,684	7,794,684
2016	4,430,000	3,184,682	7,614,682
2017-2021	23,485,000	13,315,088	36,800,088
2022-2026	20,150,000	8,472,407	28,622,407
2027-2031	14,720,000	4,143,287	18,863,287
2032-2036	7,500,000	1,114,000	8,614,000
Total	\$ 89,944,327	\$ 49,350,505	\$ 139,294,832

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of \$ 62,435 to pay this debt. Future debt and interest will be payable from future tax levies.

State School Bond Loan and School Loan Revolving Fund

The State School Bond Loan and School Loan Revolving Funds consist of borrowing agreements with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's bond issues. Since 1988, the School District has issued bonds to renovate School District facilities. The bond election, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond vote millage of 7 mills. Since the monies generated by the 7 mills are presently not sufficient to cover the entire debt service requirements of the School District, it has been necessary for the School District to borrow a total of \$16,657,299 to meet debt service requirements. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements and all necessary borrowing from

the State School Bond Loan Fund and the School Loan Revolving Fund. During the year, the School District borrowed \$2,474,450 and had an outstanding balance at year end of \$16,657,299, from the State School Bond Loan Fund and School Loan Revolving Fund. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

Compensated Absences

Accrued compensated absences at year end, consists of \$70,359 of vacation hours earned and vested. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by vacation time earned for the year.

Employee Severance Pay

The School District's employee severance pay liability recorded on the government-wide financial statements at June 30, 2011 is \$2,886,000.

Interest and other expenditures for the fiscal year in the Debt Service Funds totaled \$ 5,029,734.

Defeased Debt

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

Avondale School District
Notes to Financial Statements
June 30, 2011

The final payment date is May 1, 2013. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

2003 Issue refunded	<u><u>\$ 33,000,000</u></u>
---------------------	-----------------------------

Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and medical benefits provided to employees (excluding dental). Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District is self-insured for dental insurance. The School District has contracted with an independent administrator to process the dental claims and perform other administrative duties. According to the provisions of this program, the School District pays 81% of dental claims, up to \$2,500 annually, to each covered employee and the remaining 19% is paid by the employee. The School District evaluates the liability related to the dental claims at the end of each fiscal year. The liability is calculated, based upon claims already incurred and reported and an estimate of incurred but not reported claims, as provided by the administrator. For governmental activities, the liability for dental benefits is primarily liquidated by the general fund.

No accrual has been recorded as of the end of the past three fiscal years, due to the insignificance of the estimated liability for dental claims. The year end claims liability and activity for the year is as follows:

	2011	2010
Estimated liability at the beginning of the year	\$ -	\$ -
Estimated claims incurred including changes in estimates	211,000	217,000
Claim payments	<u>(211,000)</u>	<u>(217,000)</u>
Estimated liability end of year	<u>\$ -</u>	<u>\$ -</u>

The School District is self-insured under the Michigan Worker's Disability Compensation Act. Workers' compensation excess insurance has been retained for the aggregate claims exceeding \$500,000 for each annual policy period, to a maximum of \$1,000,000. This excess insurance also applies to individual occurrences exceeding \$500,000, with a statutory maximum for those individual occurrences. The expenditures for the year were \$10,038. There was no liability at year end.

Note 11 – Pension Plans and Post Employment Benefits

Plan Description

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPSERS), which is a cost-sharing multiple-employer public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPSERS operates within the Michigan Department of Technology, Management and Budget, Office of Retirement Services, who has the authority to establish and amend benefit provisions. The Michigan Department of Technology, Management and Budget issues a publicly-available financial report that includes financial statements and required supplementary information for MPSERS. The report provides information for the plan as a whole and information helpful for understanding the scale of the information presented relative to

Avondale School District
Notes to Financial Statements
June 30, 2011

the District. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671 or calling 800-381-5111 or on the web at <http://www.michigan.gov/orsschools>.

Funding Policy

The District is required by the School Finance Reform Act to contribute to MPSERS an actuarially determined percentage of payroll for all participating employees. The District's actual contributions match the required contributions. Additionally, employees participating in the Member Investment Plan contributed 3% to 6.4% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPSERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPSERS pension funding for the three-year period beginning July 1, 2008 through June 30, 2011.

	2011	2010	2009
Funding percentage range	8.63 - 12.16%	9.73 - 10.13%	9.73 - 10.17%
Total payroll	\$ 22,945,097	\$ 23,020,456	\$ 23,894,327
Total covered payroll	22,333,630	22,854,472	23,793,314
School pension contributions	2,559,000	2,210,813	2,305,319
Employee MIP contributions	1,293,497	740,349	760,313
Tax deferred payment program	136,643	189,892	140,819

Defined Contribution Savings Plan

For the Pension Plus savings plan, participants are automatically enrolled and 2% of their pay is withheld and deposited into the account. Participants may elect to not contribute, or may elect to increase their personal contribution up to the annual limits established by the IRS. The District matches 50 percent of the employee contributions into the Pension Plus savings plan, up to 1 percent. Participants opting to not contribute receive no employer matching contribution. Contributions by the District and participants during the year ended June 30, 2011, were:

	School District	Participants
Contributions to the Pension Plus Savings Plan	\$ 2,954	\$ 5,908

Post Employment Benefits

In addition to the pension benefits described above, the School Finance Reform Act requires the School District to provide post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (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 care, dental and vision coverage at the time of receiving the benefits. The School's actual contributions match the required contributions.

The following table discloses pertinent information relative to MPSERS post employment benefits funding for the three-year period beginning July 1, 2008 through June 30, 2011.

	2011	2010	2009
Funding percentage range	6.81 - 8.50%	6.81%	6.55 - 6.81%
School post employment benefits contributions	\$ 1,788,774	\$ 1,486,242	\$ 1,613,486

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2011.

Avondale School District
Notes to Financial Statements
June 30, 2011

The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District's attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.

Note 13 - Subsequent Event

On August 22, 2011, the District borrowed \$3,600,000 in state aid anticipation notes through the Michigan Municipal Bond Authority. The interest rate ranges from .311% to .600%. At that time the August 20, 2010 state aid anticipation notes were paid in full.

On August 23, 2011, the District entered a bus leasing contract. The lease is effective through June 30, 2014 and may be renewed upon mutual consent. The lease consists of 13 buses for an annual fee of \$193,925.

REQUIRED SUPPLEMENTAL INFORMATION

Avondale School District
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Over (Under) Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local sources	\$ 10,980,699	\$ 10,068,565	\$ 10,297,267	\$ 228,702
State sources	21,612,543	23,647,310	23,729,606	82,296
Federal sources	3,150,824	2,718,507	2,457,675	(260,832)
Interdistrict sources	<u>2,770,320</u>	<u>2,855,427</u>	<u>3,111,097</u>	<u>255,670</u>
Total revenues	<u>38,514,386</u>	<u>39,289,809</u>	<u>39,595,645</u>	<u>305,836</u>
Expenditures				
Instruction				
Basic programs	18,513,509	20,199,050	19,843,873	(355,177)
Added needs	6,028,149	5,060,902	4,850,241	(210,661)
Supporting services				
Pupil	2,783,492	2,972,736	3,073,986	101,250
Instructional staff	1,331,054	863,029	988,517	125,488
General administration	585,124	517,415	513,262	(4,153)
School administration	2,121,070	2,265,524	2,229,812	(35,712)
Business	819,837	935,254	1,021,439	86,185
Operations and maintenance	3,279,182	3,125,632	3,138,360	12,728
Pupil transportation services	1,047,692	1,118,273	1,063,066	(55,207)
Central	813,308	819,286	772,919	(46,367)
Athletic activities	488,238	567,570	549,189	(18,381)
Community services	12,754	22,457	4,780	(17,677)
Intergovernmental payments	<u>181,950</u>	<u>187,716</u>	<u>157,834</u>	<u>(29,882)</u>
Total expenditures	<u>38,005,359</u>	<u>38,654,844</u>	<u>38,207,278</u>	<u>(447,566)</u>
Excess of revenues over expenditures	<u>509,027</u>	<u>634,965</u>	<u>1,388,367</u>	<u>753,402</u>

Avondale School District
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses)				
Proceeds from sale of capital assets	\$ -	\$ 8,755	\$ 8,755	\$ -
Transfers in	-	53,202	67,377	14,175
Total other financing sources (uses)	-	61,957	76,132	14,175
Net change in fund balance	509,027	696,922	1,464,499	767,577
Fund balance (deficit)- beginning, restated	(2,453,731)	(2,453,731)	(2,453,731)	-
Fund balance (deficit) - ending	<u>\$ (1,944,704)</u>	<u>\$ (1,756,809)</u>	<u>\$ (989,232)</u>	<u>\$ 767,577</u>

OTHER SUPPLEMENTAL INFORMATION

**Avondale School District
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011**

	Special Revenue Funds		Debt Service Funds										Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Community Services	1988	2001	2002	2003	2005	2006	2007	2009	2010 Series A	2010 Series B	Sinking	
Assets														
Cash	\$ 178,773	\$ 235,214	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,710	\$ 2,930	\$ 411,185	\$ 833,812
Accounts receivable	-	32,837	-	-	-	-	-	-	-	-	-	-	36,568	69,405
Due from other funds	-	-	9,736	5,386	7,570	15,594	1,859	3,273	6,087	12,299	153	2,846	-	64,803
Due from other governmental units	21,424	-	-	-	-	-	-	-	-	-	-	-	-	21,424
Inventory	14,033	-	-	-	-	-	-	-	-	-	-	-	-	14,033
Investments	-	-	5,654	3,938	874	5,346	1,731	3,191	5,121	5,501	-	-	277,149	308,505
Total assets	\$ 214,230	\$ 268,051	\$ 15,390	\$ 9,324	\$ 8,444	\$ 20,940	\$ 3,590	\$ 6,464	\$ 11,208	\$ 17,800	\$ 5,863	\$ 5,776	\$ 724,902	\$ 1,311,982
Liabilities and fund balance														
Liabilities														
Accounts payable	\$ 36,728	\$ 7,054	\$ 6,101	\$ 3,985	\$ 7,375	\$ 9,894	\$ 1,553	\$ 1,721	\$ 3,406	\$ 7,587	\$ 38	\$ 704	\$ 16,786	\$ 102,932
Accrued salaries payable	-	9,507	-	-	-	-	-	-	-	-	-	-	-	9,507
Deferred revenue	-	8,117	-	-	-	-	-	-	-	-	-	-	-	8,117
Total liabilities	36,728	24,678	6,101	3,985	7,375	9,894	1,553	1,721	3,406	7,587	38	704	16,786	120,556
Fund balance														
Nonspendable														
Inventory	14,033	-	-	-	-	-	-	-	-	-	-	-	-	14,033
Restricted for:														
Food service	163,469	-	-	-	-	-	-	-	-	-	-	-	-	163,469
Debt service	-	-	9,289	5,339	1,069	11,046	2,037	4,743	7,802	10,213	5,825	5,072	-	62,435
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-	708,116	708,116
Assigned for:														
Community services	-	243,373	-	-	-	-	-	-	-	-	-	-	-	243,373
Total fund balance	177,502	243,373	9,289	5,339	1,069	11,046	2,037	4,743	7,802	10,213	5,825	5,072	708,116	1,191,426
Total liabilities and fund balance	\$ 214,230	\$ 268,051	\$ 15,390	\$ 9,324	\$ 8,444	\$ 20,940	\$ 3,590	\$ 6,464	\$ 11,208	\$ 17,800	\$ 5,863	\$ 5,776	\$ 724,902	\$ 1,311,982

**Avondale School District
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011**

	Special Revenue Funds		Debt Service Funds								Capital Project Funds		Total Nonmajor Governmental Funds		
	Food Service	Community Services	1988	2001	2002	2003	2005	2006	2007	2009	2010 Series A	2010 Series B		Sinking	2003 Building and Site
Revenues															
Local sources	\$ 412,275	\$ 1,006,038	\$ 1,298,505	\$ 739,812	\$ 1,081,145	\$ 2,063,203	\$ 269,196	\$ 435,051	\$ 790,857	\$ 1,606,151	\$ 18,570	\$ 345,160	\$ 744,354	\$ 31	\$ 10,810,348
State sources	43,619	-	-	-	-	-	-	-	-	-	-	-	-	-	43,619
Federal sources	452,850	-	-	-	-	-	-	-	-	-	100,243	275,280	-	-	828,373
Total revenues	908,744	1,006,038	1,298,505	739,812	1,081,145	2,063,203	269,196	435,051	790,857	1,606,151	118,813	620,440	744,354	31	11,682,340
Expenditures															
Current															
Education															
Food services	850,540	-	-	-	-	-	-	-	-	-	-	-	-	-	850,540
Community services	-	891,397	-	-	-	-	-	-	-	-	-	-	-	-	891,397
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	616,963	31	616,994
Debt service															
Principal	-	-	314,984	795,000	1,395,000	2,195,000	-	115,000	65,000	1,535,000	-	-	-	-	6,414,984
Interest and other expenditures	-	-	1,436,110	172,810	114,719	489,323	311,281	392,750	773,269	611,116	112,988	615,368	-	-	5,029,734
Total expenditures	850,540	891,397	1,751,094	967,810	1,509,719	2,684,323	311,281	507,750	838,269	2,146,116	112,988	615,368	616,963	31	13,803,649
Excess (deficiency) of revenues over expenditures	58,204	114,641	(452,589)	(227,998)	(428,574)	(621,120)	(42,085)	(72,699)	(47,412)	(539,965)	5,825	5,072	127,391	-	(2,121,309)
Other financing sources (uses)															
Proceeds from school bond loan fund	-	-	461,000	232,500	428,500	631,000	43,700	77,000	54,250	546,500	-	-	-	-	2,474,450
Transfers out	(67,377)	-	-	-	-	-	-	-	-	-	-	-	-	-	(67,377)
Total other financing sources (uses)	(67,377)	-	461,000	232,500	428,500	631,000	43,700	77,000	54,250	546,500	-	-	-	-	2,407,073
Net change in fund balance	(9,173)	114,641	8,411	4,502	(74)	9,880	1,615	4,301	6,838	6,535	5,825	5,072	127,391	-	285,764
Fund balance - beginning	186,675	128,732	878	837	1,143	1,166	422	442	964	3,678	-	-	580,725	-	905,662
Fund balance - ending	\$ 177,502	\$ 243,373	\$ 9,289	\$ 5,339	\$ 1,069	\$ 11,046	\$ 2,037	\$ 4,743	\$ 7,802	\$ 10,213	\$ 5,825	\$ 5,072	\$ 708,116	\$ -	\$ 1,191,426

**Avondale School District
Other Supplemental Information
General Fund
Comparative Balance Sheet
June 30, 2011**

	2011	2010 (restated)
Assets		
Cash	\$ 553,024	\$ 5,662,583
Taxes receivable	-	6,742
Accounts receivable	376,910	188,830
Due from other funds	4,968	57,899
Due from other governmental units	6,109,956	4,412,441
Prepaid items	15,159	101,266
Total assets	\$ 7,060,017	\$ 10,429,761
Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 1,541,829	\$ 1,585,243
State aid anticipation note payable	3,248,426	7,200,000
Due to other funds	64,803	9,396
Due to other governmental units	177,521	185,280
Payroll deductions and withholdings	104,607	-
Accrued salaries payable	2,912,063	3,903,573
Total liabilities	8,049,249	12,883,492
Fund balance		
Nonspendable		
Prepaid items	15,159	101,266
Unassigned (deficit)	(1,004,391)	(2,554,997)
Total fund balance (deficit)	(989,232)	(2,453,731)
Total liabilities and fund balance	\$ 7,060,017	\$ 10,429,761

Avondale School District
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2011

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
1988 Building and Site Capital Appreciation Bonds					
2012	7.75	\$ -	\$ 1,490,335	\$ 304,665	\$ 1,795,000
2013	7.75	-	1,567,422	292,578	1,860,000
2014	7.75	-	1,652,916	282,084	1,935,000
		<u>\$ -</u>	<u>\$ 4,710,673</u>	<u>\$ 879,327</u>	<u>\$ 5,590,000</u>
2001 Refunding Bonds					
2012	4.40	\$ 49,128	\$ 49,128	\$ 765,000	\$ 863,256
2013	4.50	32,297	32,297	725,000	789,594
2014	4.60	15,985	15,985	695,000	726,970
		<u>\$ 97,410</u>	<u>\$ 97,410</u>	<u>\$ 2,185,000</u>	<u>\$ 2,379,820</u>
2003 School Building and Site Bonds					
2012	4.00	\$ 176,000	\$ 176,000	\$ 2,200,000	\$ 2,552,000
2013	4.00	132,000	132,000	2,200,000	2,464,000
2014	4.00	88,000	88,000	2,200,000	2,376,000
2015	4.00	44,000	44,000	2,200,000	2,288,000
		<u>\$ 440,000</u>	<u>\$ 440,000</u>	<u>\$ 8,800,000</u>	<u>\$ 9,680,000</u>

Avondale School District
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2011

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
2005 Refunding Bonds					
2012	3.63	\$ 151,328	\$ 151,328	\$ 115,000	\$ 417,656
2013	3.75	149,244	149,244	-	298,488
2014	4.00	149,244	149,244	125,000	423,488
2015	4.00	146,900	146,900	-	293,800
2016	4.00	146,900	146,900	30,000	323,800
2017	4.00	146,300	146,300	30,000	322,600
2018	4.00	145,700	145,700	30,000	321,400
2019	4.00	145,100	145,100	35,000	325,200
2020	4.00	144,400	144,400	2,435,000	2,723,800
2021	4.00	95,700	95,700	2,405,000	2,596,400
2022	4.00	47,600	47,600	2,380,000	2,475,200
		<u>\$ 1,468,416</u>	<u>\$ 1,468,416</u>	<u>\$ 7,585,000</u>	<u>\$ 10,521,832</u>
2006 Refunding Bonds					
2012	3.50	\$ 190,120	\$ 190,120	\$ -	\$ 380,240
2013	3.70	190,120	190,120	120,000	500,240
2014	3.70	187,900	187,900	-	375,800
2015	4.00	187,900	187,900	130,000	505,800
2016	4.00	185,300	185,300	2,300,000	2,670,600
2017	4.00	139,300	139,300	2,330,000	2,608,600
2018	4.00	92,700	92,700	2,305,000	2,490,400
2019	4.00	46,600	46,600	2,330,000	2,423,200
		<u>\$ 1,219,940</u>	<u>\$ 1,219,940</u>	<u>\$ 9,515,000</u>	<u>\$ 11,954,880</u>

Avondale School District
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2011

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
2007 Refunding Bonds					
2012	4.00	\$ 376,343	\$ 376,344	\$ 65,000	\$ 817,687
2013	4.00	375,044	375,044	70,000	820,088
2014	4.00	373,643	373,644	70,000	817,287
2015	4.00	372,244	372,244	75,000	819,488
2016	4.00	370,743	370,744	75,000	816,487
2017	4.00	369,244	369,244	80,000	818,488
2018	4.00	367,643	367,644	80,000	815,287
2019	4.00	366,044	366,044	85,000	817,088
2020	4.00	364,343	364,344	90,000	818,687
2021	4.00	362,544	362,544	90,000	815,088
2022	4.00	360,743	360,744	95,000	816,487
2023	4.00	358,844	358,844	2,500,000	3,217,688
2024	4.00	308,843	308,844	2,485,000	3,102,687
2025	4.25	259,144	259,144	2,470,000	2,988,288
2026	4.25	206,656	206,656	2,455,000	2,868,312
2027	4.25	154,487	154,488	2,440,000	2,748,975
2028	4.25	102,637	102,638	2,425,000	2,630,275
2029	4.25	51,106	51,106	2,405,000	2,507,212
		<u>\$ 5,500,295</u>	<u>\$ 5,500,304</u>	<u>\$ 18,055,000</u>	<u>\$ 29,055,599</u>

Avondale School District
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2011

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
2009 Refunding Bonds					
2012	2.50	\$ 274,685	\$ 274,685	\$ 1,515,000	\$ 2,064,370
2013	3.00	255,748	255,747	1,490,000	2,001,495
2014	3.00	233,398	233,397	1,470,000	1,936,795
2015	3.00	211,348	211,348	1,450,000	1,872,696
2016	3.20	189,598	189,597	1,425,000	1,804,195
2017	3.50	166,798	166,797	1,390,000	1,723,595
2018	4.50	142,473	142,472	1,365,000	1,649,945
2019	4.00	111,760	111,760	1,370,000	1,593,520
2020	4.00	84,360	84,360	1,360,000	1,528,720
2021	4.20	57,160	57,160	1,350,000	1,464,320
2022	4.30	28,810	28,810	1,340,000	1,397,620
		<u>\$ 1,756,138</u>	<u>\$ 1,756,133</u>	<u>\$ 15,525,000</u>	<u>\$ 19,037,271</u>

Avondale School District
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2011

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
2010 Building & Site Series A Bonds					
2012	-	\$ 110,000	\$ 110,000	\$ -	\$ 220,000
2013	-	110,000	110,000	-	220,000
2014	-	110,000	110,000	-	220,000
2015	-	110,000	110,000	-	220,000
2016	-	110,000	110,000	-	220,000
2017	-	110,000	110,000	-	220,000
2018	-	110,000	110,000	-	220,000
2019	-	110,000	110,000	-	220,000
2020	-	110,000	110,000	-	220,000
2021	-	110,000	110,000	-	220,000
2022	-	110,000	110,000	-	220,000
2023	-	110,000	110,000	-	220,000
2024	-	110,000	110,000	-	220,000
2025	-	110,000	110,000	-	220,000
2026	-	110,000	110,000	-	220,000
2027	5.50	110,000	110,000	1,325,000	1,545,000
2028	5.50	73,563	73,563	1,335,000	1,482,125
2029	5.50	36,850	36,850	1,340,000	1,413,700
		<u>\$ 1,870,413</u>	<u>\$ 1,870,413</u>	<u>\$ 4,000,000</u>	<u>\$ 7,740,825</u>

Avondale School District
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2011

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
2010 Building & Site Series B Bonds					
2012	-	\$ 601,705	\$ 601,705	\$ -	\$ 1,203,410
2013	-	601,705	601,705	-	1,203,410
2014	2.30	601,705	601,705	500,000	1,703,410
2015	2.55	597,450	597,450	600,000	1,794,900
2016	2.95	589,800	589,800	600,000	1,779,600
2017	3.40	580,950	580,950	700,000	1,861,900
2018	4.00	569,050	569,050	750,000	1,888,100
2019	4.15	554,050	554,050	800,000	1,908,100
2020	4.35	537,450	537,450	900,000	1,974,900
2021	5.25	517,875	517,875	1,175,000	2,210,750
2022	5.25	487,031	487,031	1,175,000	2,149,063
2023	5.25	456,188	456,188	1,225,000	2,137,375
2024	5.25	424,031	424,031	1,250,000	2,098,063
2025	5.25	391,219	391,219	1,300,000	2,082,438
2026	5.25	357,094	357,094	1,475,000	2,189,188
2027	-	318,375	318,375	-	636,750
2028	-	318,375	318,375	-	636,750
2029	-	318,375	318,375	-	636,750
2030	5.750	318,375	318,375	1,700,000	2,336,750
2031	5.750	269,500	269,500	1,750,000	2,289,000
2032	5.750	219,188	219,188	1,800,000	2,238,375
2033	5.875	167,438	167,438	1,850,000	2,184,875
2034	5.875	113,094	113,094	1,900,000	2,126,188
2035	5.875	57,281	57,281	1,950,000	2,064,563
		<u>\$ 9,967,303</u>	<u>\$ 9,967,303</u>	<u>\$ 23,400,000</u>	<u>\$ 43,334,605</u>