

**Avondale School District**

**Auburn Hills, Michigan**

**Annual Financial Statements  
and  
Auditors' Report**

**June 30, 2012**

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**Avondale School District**  
**Members of the Board of Education and Administration**  
**June 30, 2012**

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Members of the Board of Education

Sid Lockhart	President
Sean L. Johnson	Vice President
Stephen Sucher	Secretary
Scott Bittinger	Treasurer
Ken Hedrick	Trustee
Cyndi Pettit	Trustee
Cynthia Tischer	Trustee

Administration

Dr. George C. Heitsch	Superintendent
Frank E. Lams	Assistant Superintendent for Administrative Services
Karen J. Olex	Assistant Superintendent for Student Services



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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, 2012, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 8, 2012, on our consideration of 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 *Government 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 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. Such information is 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.

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, 2011, which are not presented with the accompanying financial statements. In our report dated October 26, 2011, 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 2011 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 2011 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 2011 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  
November 8, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Avondale School District**  
**Management's Discussion and Analysis**  
**June 30, 2012**

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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, 2012. 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, 2012**

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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, 2012**

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**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, 2012 and 2011.

Table 1	<b><u>Governmental Activities</u></b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>Assets</b>		
Current and other assets	\$ 16,061,390	\$ 32,513,783
Capital assets	<u>117,906,524</u>	<u>109,397,686</u>
Total Assets	<u>133,967,914</u>	<u>141,911,469</u>
<b>Liabilities</b>		
Current Liabilities	11,316,083	11,786,854
Long-term liabilities	<u>113,527,020</u>	<u>117,399,142</u>
Total Liabilities	<u>124,843,104</u>	<u>129,185,996</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	19,496,151	23,411,349
Restricted	1,098,095	21,429,810
Unrestricted	<u>(11,469,436)</u>	<u>(32,115,686)</u>
Total net assets	<u>\$ 9,124,810</u>	<u>\$ 12,725,473</u>

The School District's net assets were \$9.12 million and \$12.72 million at June 30, 2012 and 2011, respectively. Capital assets, net of related debt totaling \$19.5 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 \$11.47 million.

The (\$11.47 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, 2012**

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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 2012 and 2011. (see Table 2).

Table 2	<u><b>Governmental Activities</b></u>	
	<u><b>2012</b></u>	<u><b>2011</b></u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 1,918,922	\$ 1,822,630
Operating grants and contributions	8,069,051	8,923,056
General revenues		
Property taxes	16,312,097	19,027,352
State aid-unrestricted	21,243,538	21,248,664
Other	<u>266,027</u>	<u>272,822</u>
<b>Total revenues</b>	<u>47,809,635</u>	<u>51,294,524</u>
<b>Expenditures</b>		
Instruction	30,453,496	28,043,963
Supporting services	13,753,121	14,834,254
Food services	984,921	945,007
Community services	1,062,914	995,712
Interest on long-term debt	<u>5,155,846</u>	<u>5,105,417</u>
<b>Total expenditures</b>	<u>51,410,298</u>	<u>49,924,353</u>
<b>Change in net assets</b>	<u>\$ (3,600,663)</u>	<u>\$ 1,370,171</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$51.4 million. Certain activities were partially funded from those who benefited from the programs (\$1.92 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8.07 million). We paid for the remaining "public benefit" portion of our governmental activities with \$16.31 million in taxes, \$21.24 million in state foundation allowance, and \$.27 million with our other revenues, i.e., interest income and general entitlements.

**Avondale School District**  
**Management's Discussion and Analysis**  
**June 30, 2012**

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The School District experienced a decrease in the net assets of \$3.6 million, which decreased total net assets from \$12.7 million to \$9.1 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 \$4.8 million, which is highlighted by the 2010 Capital Project Fund Series B.

Our Special Revenue Funds (Food Services and Community Services Funds) had a combined increase in fund equity of approximately \$9,000.

Combined, the Debt Service Funds showed a fund balance decrease of approximately \$42,200. This decrease was planned to minimize any additional borrowing from the State School Loan Revolving Fund.

The Sinking Fund's fund balance increased by approximately \$155,500. This increase was planned to provide financing for projects scheduled in fiscal year 2012-2013.

**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 original 2011-2012 General Fund budget. Total budgeted revenues were decreased approximately \$.96 million due mainly to the decrease in local property taxes and lower pupil enrollment which combined for \$1.72 million. An increase in state sources of \$.96 million which consisted of state aid adjustments to compensate for declining local property tax values, an increase in federal grants of \$0.15 million and a decrease in interdistrict sources of \$0.37 million for known revenues offset the overall impact of the reduction in local sourced revenues. The variance from budget to actual for revenues was approximately 0.7 percent.

**Avondale School District**  
**Management's Discussion and Analysis**  
**June 30, 2012**

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Budgeted expenditures were decreased approximately \$69,000 primarily due to known expenditures. The variance from budget to actual for expenditures was approximately 0.20 percent.

**Capital Assets and Debt Administration**

**Capital Assets**

As of June 30, 2012, the School District had \$117.9 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 (\$8.5 million). This increase was driven primarily by construction projects funded with the 2010 Series A and B Building and Site 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 \$85 million in bonds outstanding versus \$89.9 million in the previous year (a decrease of 6 percent). The decrease is due to scheduled debt service repayments. The outstanding bonds consisted of the following:

1988 Building and Site Capital Appreciation Bonds	\$ 574,662
2001 Refunding Bonds	1,420,000
2003 School Building and Site Bonds	6,600,000
2005 Refunding Bonds	7,470,000
2006 Refunding Bonds	9,515,000
2007 Refunding Bonds	17,990,000
2009 Refunding Bonds	14,010,000
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 Bond 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 (\$162 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. All of the School District's outstanding general obligation debt of \$85 million is qualified by the State.

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.

**Avondale School District**  
**Management's Discussion and Analysis**  
**June 30, 2012**

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

Our elected officials and administration consider many factors when setting the School District's 2012-2013 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 2012-2013 fiscal year is 90 percent and 10 percent of October 2012 and February 2013 student counts, respectively. The 2012-2013 budget was adopted in June 2012, based on an estimate of students that will be enrolled in October 2012. Approximately 61.6 percent of total General Fund revenue is from the foundation allowance another 5.2 percent of revenues is derived from other state sources. 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 2012-2013 budget is above the projected target. Once the final student count and related per pupil funding is validated, the School District will amend the budget to more accurately reflect the resources available and adjust original appropriations to reflect known changes in its operating obligations.

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 2013 budget adoption the foundation allowance will be the same as compared with the 2011-2012 foundation. The School District has qualified for additional funding based on meeting State of Michigan incentives for "Best Practices" and will apply for additional available funding based on student achievement growth. Even with these supplements to the foundation allowance, it is evident that additional 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 2012-2013 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

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**Avondale School District**  
**Statement of Net Assets**  
**June 30, 2012**

	Governmental Activities
<b>Assets</b>	
Cash	\$ 9,082,393
Taxes receivable	3,178
Accounts receivable	202,371
Due from other governmental units	5,225,897
Inventory	14,828
Investments	858,714
Prepaid items	20,971
Other assets	653,038
Capital assets not being depreciated	5,038,322
Capital assets - net of accumulated depreciation	<u>112,868,202</u>
Total assets	<u>133,967,914</u>
<b>Liabilities</b>	
Accounts payable	4,124,294
State aid anticipation note payable	2,780,856
Due to other governmental units	169,829
Payroll deductions and withholdings	47,721
Accrued expenditures	676,658
Accrued salaries payable	3,498,532
Deferred revenue	18,193
Noncurrent liabilities	
Due within one year	6,262,783
Due in more than one year	<u>107,264,238</u>
Total liabilities	<u>124,843,104</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	19,496,151
Restricted for:	
Food service	214,288
Debt service	20,174
Capital projects	863,633
Unrestricted (deficit)	<u>(11,469,436)</u>
<b>Total net assets</b>	<u>\$ 9,124,810</u>

See Accompanying Notes to Financial Statements



**Avondale School District**  
**Statement of Activities**  
**For the Year Ended June 30, 2012**

	Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
<b>Functions/Programs</b>					
Governmental activities					
Instruction	\$ 30,453,496	\$ 310,115	\$ 5,159,748	\$ -	\$ (24,983,633)
Supporting services	13,753,121	176,416	1,258,207	-	(12,318,498)
Food services	984,921	432,167	539,610	-	(13,144)
Community services	1,062,914	1,000,224	-	372,751	310,061
Interest on long-term debt	5,155,846	-	-	738,735	(4,417,111)
<b>Total governmental activities</b>	<b><u>\$ 51,410,298</u></b>	<b><u>\$ 1,918,922</u></b>	<b><u>\$ 6,957,565</u></b>	<b><u>\$ 1,111,486</u></b>	<b><u>(41,422,325)</u></b>
General revenues					
Property taxes, levied for general purposes					7,611,069
Property taxes, levied for debt service					8,014,180
Property taxes, levied for sinking fund					686,848
State aid - unrestricted					21,243,538
Interest and investment earnings					18,307
Gain on sale of capital assets					48,669
Other					<u>199,051</u>
Total general revenues					<u>37,821,662</u>
Change in net assets					(3,600,663)
Net assets - beginning					<u>12,725,473</u>
<b>Net assets - ending</b>					<b><u>\$ 9,124,810</u></b>

See Accompanying Notes to Financial Statements

**Avondale School District**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2012**

	General Fund	2010 Capital Series A	Projects Funds Series B	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 2,248,716	\$ 306,157	\$ 6,527,520	\$ -	\$ 9,082,393
Taxes receivable	2,234	-	-	944	3,178
Accounts receivable	189,398	-	-	12,973	202,371
Due from other funds	12,771	-	15,155	543,369	571,295
Due from other governmental units	5,219,622	-	-	6,275	5,225,897
Inventory	-	-	-	14,828	14,828
Investments	-	-	-	858,714	858,714
Prepaid items	20,971	-	-	-	20,971
<b>Total assets</b>	<b><u>\$ 7,693,712</u></b>	<b><u>\$ 306,157</u></b>	<b><u>\$ 6,542,675</u></b>	<b><u>\$ 1,437,103</u></b>	<b><u>\$ 15,979,647</u></b>
<b>Liabilities and fund balance</b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,965,094	\$ 133,278	\$ 1,929,510	\$ 88,712	\$ 4,116,594
State aid anticipation note payable	2,780,856	-	-	-	2,780,856
Due to other funds	566,224	-	-	12,771	578,995
Due to other governmental units	169,829	-	-	-	169,829
Payroll deductions and withholdings	47,721	-	-	-	47,721
Accrued salaries payable	3,491,409	-	-	7,123	3,498,532
Deferred revenue	-	-	-	18,193	18,193
<b>Total liabilities</b>	<b><u>9,021,133</u></b>	<b><u>133,278</u></b>	<b><u>1,929,510</u></b>	<b><u>126,799</u></b>	<b><u>11,210,720</u></b>

See Accompanying Notes to Financial Statements

**Avondale School District  
Governmental Funds  
Balance Sheet  
June 30, 2012**

	<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	\$ -	\$ -	\$ -	\$ 14,828	\$ 14,828
Prepaid items	20,971	-	-	-	20,971
Restricted for:					
Food service	-	-	-	214,288	214,288
Debt service	-	-	-	20,174	20,174
Capital projects	-	172,879	4,613,165	863,633	5,649,677
Assigned for:					
Community services	-	-	-	197,381	197,381
Unassigned (deficit)	<u>(1,348,392)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,348,392)</u>
Total fund balance (deficit)	<u>(1,327,421)</u>	<u>172,879</u>	<u>4,613,165</u>	<u>1,310,304</u>	<u>4,768,927</u>
<b>Total liabilities and fund balance</b>	<b><u>\$ 7,693,712</u></b>	<b><u>\$ 306,157</u></b>	<b><u>\$ 6,542,675</u></b>	<b><u>\$ 1,437,103</u></b>	<b><u>\$ 15,979,647</u></b>

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, 2012**

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<b>Total fund balances for governmental funds</b>	<b>\$ 4,768,927</b>
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	5,038,322
Capital assets - net of accumulated depreciation	112,868,202
Other long-term assets are not deferred in the governmental funds.	653,038
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(649,089)
Unemployment claims	(27,569)
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	(86,764)
Employee severance pay	(2,662,000)
Bonds payable	(84,876,118)
Accrued interest	(4,634,605)
School bond loan payable	(18,320,299)
Other loans payable and liabilities	(2,947,235)
<b>Net assets of governmental activities</b>	<b>\$ 9,124,810</b>

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, 2012**

	General Fund	2010 Capital Series A	Projects Funds Series B	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local sources	\$ 8,307,296	\$ 438	\$ 5,840	\$ 10,134,803	\$ 18,448,377
State sources	24,367,733	-	-	38,981	24,406,714
Federal sources	1,250,609	-	-	1,239,364	2,489,973
Interdistrict sources	2,415,902	-	-	-	2,415,902
	<u>36,341,540</u>	<u>438</u>	<u>5,840</u>	<u>11,413,148</u>	<u>47,760,966</u>
Total revenues					
<b>Expenditures</b>					
Current					
Education					
Instruction	24,191,750	-	-	-	24,191,750
Supporting services	12,616,636	-	-	-	12,616,636
Food services	-	-	-	905,347	905,347
Community services	10,823	-	-	966,216	977,039
Intergovernmental payments	4,005	-	-	-	4,005
Capital outlay	-	1,644,738	14,071,286	532,515	16,248,539
Debt service					
Principal	-	-	-	4,964,665	4,964,665
Interest and other expenditures	-	-	-	5,493,711	5,493,711
	<u>36,823,214</u>	<u>1,644,738</u>	<u>14,071,286</u>	<u>12,862,454</u>	<u>65,401,692</u>
Total expenditures					
Deficiency of revenues over expenditures	<u>(481,674)</u>	<u>(1,644,300)</u>	<u>(14,065,446)</u>	<u>(1,449,306)</u>	<u>(17,640,726)</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, 2012**

	General Fund	2010 Capital Series A	Projects Funds Series B	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other financing sources (uses)</b>					
Proceeds from school bond loan fund	\$ -	\$ -	\$ -	\$ 1,663,000	\$ 1,663,000
Proceeds from sale of capital assets	48,669	-	-	-	48,669
Transfers in	94,816	-	-	1,069	95,885
Transfers out	-	-	-	(95,885)	(95,885)
	<u>143,485</u>	<u>-</u>	<u>-</u>	<u>1,568,184</u>	<u>1,711,669</u>
Total other financing sources (uses)					
Net change in fund balance	(338,189)	(1,644,300)	(14,065,446)	118,878	(15,929,057)
Fund balance (deficit) - beginning	<u>(989,232)</u>	<u>1,817,179</u>	<u>18,678,611</u>	<u>1,191,426</u>	<u>20,697,984</u>
<b>Fund balance (deficit) - ending</b>	<u>\$ (1,327,421)</u>	<u>\$ 172,879</u>	<u>\$ 4,613,165</u>	<u>\$ 1,310,304</u>	<u>\$ 4,768,927</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, 2012**

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**Net change in fund balances - Total governmental funds** \$ (15,929,057)

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	(3,396,197)
Capital outlay	11,909,492
Sale of capital assets (net book value)	(4,457)

Expenses are recorded when incurred in the statement of activities.

Interest	426,069
Unemployment claims	(27,569)
Special termination benefits	224,000
Compensated absences	(16,405)

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	(1,663,000)
Repayments of long-term debt	4,964,665
Amortization of premiums	53,414
Amortization of amount on deferred refunding	(46,353)
Amortization bond issuance costs	(72,249)
Amortization of bond discount	(23,016)

**Change in net assets of governmental activities** \$ (3,600,663)

See Accompanying Notes to Financial Statements

**Avondale School District**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2012**

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	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash	\$ 8,116	\$ 554,214
Due from other funds	<u>7,700</u>	<u>-</u>
Total assets	<u>15,816</u>	<u>\$ 554,214</u>
<b>Liabilities</b>		
Accounts payable	-	\$ 18,675
Due to agency fund activities	<u>-</u>	<u>535,539</u>
Total liabilities	<u>-</u>	<u>\$ 554,214</u>
<b>Net assets</b>		
Assets held for scholarships and loans	<u>\$ 15,816</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, 2012**

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	<u>Private Purpose Trust Funds</u>
<b>Additions</b>	
Local sources	\$ <u>7,701</u>
<b>Deductions</b>	
Change in net assets	<u>-</u> 7,701
Net assets - beginning	<u>8,115</u>
<b>Net assets - ending</b>	<u>\$ 15,816</u>

See Accompanying Notes to Financial Statements

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2012**

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**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.

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2012**

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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 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 expenditures for invoices specifically designed 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 the Food Service Fund 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 expenditures for 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.

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2012**

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**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.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts of zero as of June 30, 2012.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2012, the rates are as follows per \$1,000 of assessed value.

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

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 by May 15.

Investments – Investments are stated at fair value based on a quoted market price. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed, although significant amounts of inventory are capitalized at year end.

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. 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.

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2012**

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Buildings, equipment, and 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 consist 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 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.

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2012**

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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.

### **Upcoming Accounting and Reporting Changes**

The Government Accounting Standards Board has issued Statements 63 and 65, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and Items Previously Reported as Assets and Liabilities*. The new standards provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related disclosures. These statements will be adopted for the fiscal year ending June 30, 2013.

The Government Accounting Standards Board has issued *Statements 67, Financial Reporting for Pension Plans and 68 Accounting and Financial Reporting for Pensions*. Statement 67 changes how public employee pension plans calculate and report their total pension liability. Statement 68 requires governments

participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The effect of these changes has not been determined. Statement 67 is effective for the year ending June 30, 2014 and Statement 68 is effective for the year ending June 30, 2015.

### **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 canceling 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.

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.

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2012**

**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			
Added needs	\$ 4,846,702	\$ 5,048,545	\$ 201,843
General administration	502,784	554,368	51,584
Business	938,852	1,291,597	352,745
Operations and maintenance	2,830,750	2,970,598	139,848
Other	523,911	545,835	21,924
Food Service Fund	869,992	905,347	35,355
Community Service Fund	948,893	966,216	17,323

**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 \$605,968. Actual results from fiscal year 2012 resulted in a decrease in the general fund balance of \$338,189.

The District has a deficit fund balance in the General Fund of \$1,327,421 as of June 30, 2012. 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	\$27,414,062
Expenditures	22,628,018

**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	\$ 9,082,393	\$ 562,330	\$ 9,644,723
Investments	858,714	-	858,714
	<u>\$ 9,941,107</u>	<u>\$ 562,330</u>	<u>\$ 10,503,437</u>

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2012**

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 217,309
Investments in securities, mutual funds, and similar vehicles	10,285,978
Petty cash and cash on hand	<u>150</u>
Total	<u><u>\$ 10,503,437</u></u>

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

Investment	Fair Value	Maturities	Rating	Rating Organization
Fidelity Institutional Money Market	\$ 35,076	36 days	AAAm	Standard & Poor's
Bank of America Public Funds Interest checking	2,593,586	N/A	N/A	N/A
JP Morgan Chase checking	6,833,677	Daily	A-1	Standard & Poor's
Bank of America Money Market	<u>823,639</u>	Daily	A-1+	Standard & Poor's
	<u><u>\$ 10,285,978</u></u>			

*Interest rate risk* – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. The School District's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing

operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

*Credit risk* – State 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 District's deposits for custodial credit risk. As of year end, none of the District's bank balance of \$217,309 was exposed to custodial credit risk.



**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2012**

*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. As of year end, none of the district’s investments were exposed to custodial credit risk.

**NOTE 4 - CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 3,080,692	\$ -	\$ -	\$ 3,080,692
Construction in progress	6,568,712	1,957,630	6,568,712	1,957,630
<b>Total capital assets not being depreciated</b>	<b>9,649,404</b>	<b>1,957,630</b>	<b>6,568,712</b>	<b>5,038,322</b>
Capital assets being depreciated				
Buildings and additions	126,870,015	16,514,480	35,657	143,348,838
Equipment and furniture	4,386,940	6,094	20,835	4,372,199
Buses and other vehicles	658,943	-	-	658,943
<b>Total capital assets being depreciated</b>	<b>131,915,898</b>	<b>16,520,574</b>	<b>56,492</b>	<b>148,379,980</b>
Less accumulated depreciation for				
Buildings and additions	29,538,533	2,981,665	31,200	32,488,998
Equipment and furniture	2,178,522	336,481	20,835	2,494,168
Buses and other vehicles	450,561	78,051	-	528,612
<b>Total accumulated depreciation</b>	<b>32,167,616</b>	<b>3,396,197</b>	<b>52,035</b>	<b>35,511,778</b>
<b>Net capital assets being depreciated</b>	<b>99,748,282</b>	<b>13,124,377</b>	<b>4,457</b>	<b>112,868,202</b>
<b>Net capital assets</b>	<b>\$ 109,397,686</b>	<b>\$ 15,082,007</b>	<b>\$ 6,573,169</b>	<b>\$ 117,906,524</b>

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

<b>Governmental activities</b>	
Instruction	\$ 2,123,502
Support services	1,107,463
Food services	79,470
Community services	85,762
	<u>85,762</u>
Total governmental activities	<u>\$ 3,396,197</u>

**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
Various construction projects throughout the District	<u>\$ 19,586,057</u>	<u>\$ 2,761,774</u>	<u>\$ 1,761,908</u>

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

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2012**

**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	Nonmajor Governmental Funds	\$ 543,369
General Fund	Private Purpose Trust Fund	7,700
General Fund	2010 Capital Projects Fund - Series B	15,155
Nonmajor Governmental Funds	General Fund	12,771
		<u>\$ 578,995</u>

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. Interfund transfers consist of the following:

	<b>Transfers Out</b>
<b>Transfers in</b>	Nonmajor Governmental Funds
General Fund	\$ 94,816
Nonmajor governmental funds	1,069
	<u>\$ 95,885</u>

These transfers were made to cover indirect costs associated with the food service program and community education program as well as a reclassification of revenue in the debt service funds.

**NOTE 6 - 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:

	Unearned
Other	<u>\$ 18,193</u>

**NOTE 7 - 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 30<sup>th</sup>.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	<u>\$ 3,248,426</u>	<u>\$ 3,600,000</u>	<u>\$ 4,067,570</u>	<u>\$ 2,780,856</u>

The state aid anticipation note agreement includes an irrevocable set-aside of \$819,144 at year end that is considered defeased debt and not included in the ending balance.

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2012**

**NOTE 8 - 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, 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	\$ 89,944,327	\$ -	\$ 4,964,665	\$ 84,979,662	\$ 4,897,578
Accreted interest	4,118,500	-	1,171,265	2,947,235	1,365,205
School Bond Loan Fund	6,655,134	-	-	6,655,134	-
School Loan Revolving Fund	10,002,165	1,663,000	-	11,665,165	-
Accrued interest	3,842,156	1,441,538	-	5,283,694	-
Compensated absences	70,359	16,405	-	86,764	-
Employee severance pay	2,886,000	-	224,000	2,662,000	-
Premium on bonds	824,350	-	53,414	770,936	-
Discount on bonds	(313,158)	-	(23,016)	(290,142)	-
Deferred amount on refunding	(630,691)	-	(46,353)	(584,338)	-
Deferred issuance costs	(725,287)	-	(72,249)	(653,038)	-
<b>Total</b>	<b><u>\$ 116,673,855</u></b>	<b><u>\$ 3,120,943</u></b>	<b><u>\$ 6,271,726</u></b>	<b><u>\$ 113,523,072</u></b>	<b><u>\$ 6,262,783</u></b>

For governmental activities, compensated absences and retirement incentives 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 \$292,578 plus accumulated interest through May 1, 2014, interest at 7.75%	\$ 574,662
2001 Refunding Bonds- \$10,850,000 issued, due in annual installments of \$695,000 to \$725,000 through May 1, 2014, interest at 4.50% to 4.60%	1,420,000
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%	6,600,000
2005 Refunding Bonds- \$7,960,000 issued, due in annual installments of \$30,000 to \$2,435,000 through May 1, 2022, interest at 3.75% to 4.00%	7,470,000
2006 Refunding Bonds- \$9,835,000 issued, due in annual installments of \$120,000 to \$2,330,000 through May 1, 2019, interest at 3.70% to 4.00%	9,515,000
2007 Refunding Bonds- \$18,240,000 issued, due in annual installments of \$70,000 to \$2,500,000 through May 1, 2029, interest at 4.00% to 4.25%	17,990,000
2009 Refunding Bonds- \$18,470,000 issued, due in annual installments of \$1,340,000 to \$1,490,000 through May 1, 2022, interest at 3.00% to 4.50%	14,010,000
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 \$500,000 to \$1,950,000 through May 1, 2035, interest at 2.30% to 5.875%	23,400,000
<b>Total general obligation bonded debt</b>	<b><u>\$ 84,979,662</u></b>

**Avondale School District**  
**Notes to Financial Statements**  
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Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 4,897,578	\$ 5,259,737	\$ 10,157,315
2014	5,342,084	5,172,666	10,514,750
2015	4,455,000	3,339,684	7,794,684
2016	4,430,000	3,184,682	7,614,682
2017	4,530,000	3,025,183	7,555,183
2018-2022	23,945,000	12,358,275	36,303,275
2023-2027	18,925,000	7,569,763	26,494,763
2028-2032	12,755,000	3,415,937	16,170,937
2033-2036	5,700,000	675,625	6,375,625
<b>Total</b>	<b>\$ 84,979,662</b>	<b>\$ 44,001,552</b>	<b>\$ 128,981,214</b>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$20,174 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest and other expenditures for the fiscal year in the Debt Service Funds totaled \$5,493,711

**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 debit 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 requirement of the School

District, it has been necessary for the School District to borrow a total of \$18,320,299 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 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 \$1,663,000 and had an outstanding balance at year end of \$18,320,299, 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 \$86,764 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 sick 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, 2012 is \$2,662,000.

**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

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2012**

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.

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>\$ 33,000,000</u>
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**NOTE 9 - 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 health and vision claims. 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 processes the dental claims and performs other administrative duties. According to the provisions of this program, the School District's liability is limited to the contractual amount of \$210,000 for dental claims.

No accrual has been recorded as of the end of the past three fiscal years, due to the District reaching the maximum contractual amounts. The year end claims liability and activity for the year is as follows:

	2012	2011	2010
Claims incurred	\$ 205,000	\$ 211,000	\$ 217,000
Claim payments	(205,000)	(211,000)	(217,000)
Liability end of year	\$ -	\$ -	\$ -

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 \$19,520.

**NOTE 10 - 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 (MPERS), which is a cost-sharing multiple-employer public employee retirement system (PERS).

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2012**

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

In 2010 MPSERS created a new Pension Plus plan. All Michigan public school employees who begin work on or after July 1, 2010, are enrolled in the Pension Plus plan. The Pension Plus plan includes two components: (a) a defined benefit pension component, and (b) a defined contribution savings component.

**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 retirement plan funding for the three-year period beginning July 1, 2009 through June 30, 2012.

	2012	2011	2010
Funding percentage range	10.66-15.96%	8.63 - 12.16%	9.73 - 10.13%
Total payroll	\$ 21,824,484	\$ 22,945,097	\$ 23,020,456
Total covered payroll	20,373,149	22,333,630	22,854,472
School pension contributions	3,107,324	2,559,000	2,210,813
Employee MIP contributions	1,278,303	1,293,497	740,349
Tax deferred payment program	120,441	136,643	189,892

**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, 2012, were:

	School District	Participants
Contributions to the Pension Plus Savings Plan	\$ 4,070	\$ 8,265

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2012**

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**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 District'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, 2009 through June 30, 2012.

	2012	2011	2010
Funding percentage range	8.50%	6.81 - 8.50%	6.81%
School post employment benefits contributions	\$ 1,654,903	\$ 1,788,774	\$ 1,486,242

**NOTE 11 - 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, 2012.

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 12 - SUBSEQUENT EVENT**

Subsequent to June 30, 2012, the School District has paid the balance of the \$2,780,856 and accrued interest on the short-term state aid anticipation note borrowed in August 2011 and has subsequently borrowed \$2,225,000 in short-term state aid anticipation notes through the Michigan Municipal Bond Authority with an interest rates ranging from .27% to 1.48%. Proceeds from the borrowing will be distributed to the School District on August 20, 2012.

Subsequent to year end the School District was notified that an audit of tax years 1994 through 2001 was conducted and it was found that the City of Auburn Hills had reported that it was keeping 100% of the captures under a Taxable Increment Financing Authority, when it was actually sharing 50% of the capture to affected school districts. This resulted in an overstatement of the capture, and an overpayment of State School Aid for those years to the affected districts. Based on the changes in captured value, a liability was recorded as of June 30, 2012 in the amount of \$499,374.

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2012**

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Avondale has entered into a repayment agreement where amounts will be repaid in October of the following fiscal years:

2013	\$	99,875
2014		99,875
2015		99,875
2016		99,875
2017		<u>99,874</u>
	\$	<u>499,374</u>



## REQUIRED SUPPLEMENTAL INFORMATION

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**Avondale School District**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>			Over (Under) Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Local sources	\$ 9,911,728	\$ 8,189,735	\$ 8,307,296	\$ 117,561
State sources	23,165,072	24,127,967	24,367,733	239,766
Federal sources	1,218,000	1,378,145	1,250,609	(127,536)
Interdistrict sources	<u>2,752,386</u>	<u>2,384,658</u>	<u>2,415,902</u>	<u>31,244</u>
Total revenues	<u>37,047,186</u>	<u>36,080,505</u>	<u>36,341,540</u>	<u>261,035</u>
<b>Expenditures</b>				
Instruction				
Basic programs	19,176,189	19,416,089	19,143,205	(272,884)
Added needs	4,883,508	4,846,702	5,048,545	201,843
Supporting services				
Pupil	2,985,466	3,063,069	2,904,876	(158,193)
Instructional staff	764,462	661,859	609,143	(52,716)
General administration	551,910	502,784	554,368	51,584
School administration	2,178,045	2,199,669	2,033,011	(166,658)
Business	882,515	938,852	1,291,597	352,745
Operations and maintenance	3,162,817	2,830,750	2,970,598	139,848
Pupil transportation services	989,389	1,094,709	1,024,550	(70,159)
Central	825,115	783,625	682,658	(100,967)
Athletic activities	550,464	523,911	545,835	21,924
Community services	-	17,152	10,823	(6,329)
Intergovernmental payments	<u>6,450</u>	<u>8,015</u>	<u>4,005</u>	<u>(4,010)</u>
Total expenditures	<u>36,956,330</u>	<u>36,887,186</u>	<u>36,823,214</u>	<u>(63,972)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>90,856</u>	<u>(806,681)</u>	<u>(481,674)</u>	<u>325,007</u>

**Avondale School District**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	\$ -	\$ 46,713	\$ 48,669	\$ 1,956
Transfers in	<u>54,000</u>	<u>154,000</u>	<u>94,816</u>	<u>(59,184)</u>
Total other financing sources (uses)	<u>54,000</u>	<u>200,713</u>	<u>143,485</u>	<u>(57,228)</u>
Net change in fund balance	144,856	(605,968)	(338,189)	267,779
Fund balance (deficit)- beginning	<u>(989,232)</u>	<u>(989,232)</u>	<u>(989,232)</u>	<u>-</u>
<b>Fund balance (deficit) - ending</b>	<u><u>\$ (844,376)</u></u>	<u><u>\$ (1,595,200)</u></u>	<u><u>\$ (1,327,421)</u></u>	<u><u>\$ 267,779</u></u>

## OTHER SUPPLEMENTAL INFORMATION

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**Avondale School District  
Other Supplemental Information  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2012**

	Special Revenue Funds		Debt Service Funds				
	Food Service	Community Services	1988	2001	2002	2003	2005
<b>Assets</b>							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes receivable	-	-	161	93	-	242	25
Accounts receivable	10,770	2,203	-	-	-	-	-
Due from other funds	222,395	224,630	-	1,225	-	-	-
Due from other governmental units	6,275	-	-	-	-	-	-
Inventory	14,828	-	-	-	-	-	-
Investments	-	-	2,801	2,626	-	2,611	1,569
<b>Total assets</b>	<b>\$ 254,268</b>	<b>\$ 226,833</b>	<b>\$ 2,962</b>	<b>\$ 3,944</b>	<b>\$ -</b>	<b>\$ 2,853</b>	<b>\$ 1,594</b>
<b>Liabilities and fund balance</b>							
<b>Liabilities</b>							
Accounts payable	\$ 25,152	\$ 4,136	\$ 605	\$ 485	\$ -	\$ 1,425	\$ 234
Due to other funds	-	-	1,819	-	-	338	382
Accrued salaries payable	-	7,123	-	-	-	-	-
Deferred revenue	-	18,193	-	-	-	-	-
<b>Total liabilities</b>	<b>25,152</b>	<b>29,452</b>	<b>2,424</b>	<b>485</b>	<b>-</b>	<b>1,763</b>	<b>616</b>
<b>Fund balance</b>							
Nonspendable							
Inventory	14,828	-	-	-	-	-	-
Restricted for:							
Food service	214,288	-	-	-	-	-	-
Debt service	-	-	538	3,459	-	1,090	978
Capital projects	-	-	-	-	-	-	-
Assigned for:							
Community services	-	197,381	-	-	-	-	-
<b>Total fund balance</b>	<b>229,116</b>	<b>197,381</b>	<b>538</b>	<b>3,459</b>	<b>-</b>	<b>1,090</b>	<b>978</b>
<b>Total liabilities and fund balance</b>	<b>\$ 254,268</b>	<b>\$ 226,833</b>	<b>\$ 2,962</b>	<b>\$ 3,944</b>	<b>\$ -</b>	<b>\$ 2,853</b>	<b>\$ 1,594</b>

**Avondale School District  
Other Supplemental Information  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2012**

	Debt Service Funds					Capital Project Fund	Total Nonmajor Governmental Funds
	2006	2007	2009	2010 Series A	2010 Series B	Sinking	
<b>Assets</b>							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes receivable	25	74	174	3	73	74	944
Accounts receivable	-	-	-	-	-	-	12,973
Due from other funds	-	-	-	-	-	95,119	543,369
Due from other governmental units	-	-	-	-	-	-	6,275
Inventory	-	-	-	-	-	-	14,828
Investments	1,591	1,785	3,672	5,618	12,802	823,639	858,714
<b>Total assets</b>	<b>\$ 1,616</b>	<b>\$ 1,859</b>	<b>\$ 3,846</b>	<b>\$ 5,621</b>	<b>\$ 12,875</b>	<b>\$ 918,832</b>	<b>\$ 1,437,103</b>
<b>Liabilities and fund balance</b>							
<b>Liabilities</b>							
Accounts payable	\$ 263	\$ 324	\$ 703	\$ 7	\$ 179	\$ 55,199	\$ 88,712
Due to other funds	589	1,064	1,580	31	6,968	-	12,771
Accrued salaries payable	-	-	-	-	-	-	7,123
Deferred revenue	-	-	-	-	-	-	18,193
<b>Total liabilities</b>	<b>852</b>	<b>1,388</b>	<b>2,283</b>	<b>38</b>	<b>7,147</b>	<b>55,199</b>	<b>126,799</b>
<b>Fund balance</b>							
Nonspendable							
Inventory	-	-	-	-	-	-	14,828
Restricted for:							
Food service	-	-	-	-	-	-	214,288
Debt service	764	471	1,563	5,583	5,728	-	20,174
Capital projects	-	-	-	-	-	863,633	863,633
Assigned for:							
Community services	-	-	-	-	-	-	197,381
<b>Total fund balance</b>	<b>764</b>	<b>471</b>	<b>1,563</b>	<b>5,583</b>	<b>5,728</b>	<b>863,633</b>	<b>1,310,304</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,616</b>	<b>\$ 1,859</b>	<b>\$ 3,846</b>	<b>\$ 5,621</b>	<b>\$ 12,875</b>	<b>\$ 918,832</b>	<b>\$ 1,437,103</b>

**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, 2012**

	Special Revenue Funds		Debt Service Funds				
	Food Service	Community Services	1988	2001	2002	2003	2005
<b>Revenues</b>							
Local sources	\$ 432,167	\$ 1,000,224	\$ 1,487,653	\$ 858,411	\$ -	\$ 2,226,949	\$ 229,358
State sources	38,981	-	-	-	-	-	-
Federal sources	500,629	-	-	-	-	-	-
<b>Total revenues</b>	<b>971,777</b>	<b>1,000,224</b>	<b>1,487,653</b>	<b>858,411</b>	<b>-</b>	<b>2,226,949</b>	<b>229,358</b>
<b>Expenditures</b>							
Current							
Education							
Food services	905,347	-	-	-	-	-	-
Community services	-	966,216	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service							
Principal	-	-	304,665	765,000	-	2,200,000	115,000
Interest and other expenditures	-	-	1,510,692	114,495	-	408,968	308,088
<b>Total expenditures</b>	<b>905,347</b>	<b>966,216</b>	<b>1,815,357</b>	<b>879,495</b>	<b>-</b>	<b>2,608,968</b>	<b>423,088</b>
Excess (deficiency) of revenues over expenditures	66,430	34,008	(327,704)	(21,084)	-	(382,019)	(193,730)
<b>Other financing sources (uses)</b>							
Proceeds from school bond loan fund	-	-	318,953	19,204	-	370,994	192,671
Transfers in	-	-	-	-	-	1,069	-
Transfers out	(14,816)	(80,000)	-	-	(1,069)	-	-
<b>Total other financing sources (uses)</b>	<b>(14,816)</b>	<b>(80,000)</b>	<b>318,953</b>	<b>19,204</b>	<b>(1,069)</b>	<b>372,063</b>	<b>192,671</b>
Net change in fund balance	51,614	(45,992)	(8,751)	(1,880)	(1,069)	(9,956)	(1,059)
Fund balance - beginning	177,502	243,373	9,289	5,339	1,069	11,046	2,037
<b>Fund balance - ending</b>	<b>\$ 229,116</b>	<b>\$ 197,381</b>	<b>\$ 538</b>	<b>\$ 3,459</b>	<b>\$ -</b>	<b>\$ 1,090</b>	<b>\$ 978</b>

**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, 2012**

	Debt Service Funds					Capital Project Fund	Total Nonmajor Governmental Funds
	2006	2007	2009	2010 Series A	2010 Series B	Sinking	
<b>Revenues</b>							
Local sources	\$ 229,378	\$ 686,619	\$ 1,604,670	\$ 23,215	\$ 668,127	\$ 688,032	\$ 10,134,803
State sources	-	-	-	-	-	-	38,981
Federal sources	-	-	-	197,200	541,535	-	1,239,364
	<u>229,378</u>	<u>686,619</u>	<u>1,604,670</u>	<u>220,415</u>	<u>1,209,662</u>	<u>688,032</u>	<u>11,413,148</u>
<b>Expenditures</b>							
Current							
Education							
Food services	-	-	-	-	-	-	905,347
Community services	-	-	-	-	-	-	966,216
Capital outlay	-	-	-	-	-	532,515	532,515
Debt service							
Principal	-	65,000	1,515,000	-	-	-	4,964,665
Interest and other expenditures	386,063	764,275	571,467	220,657	1,209,006	-	5,493,711
	<u>386,063</u>	<u>829,275</u>	<u>2,086,467</u>	<u>220,657</u>	<u>1,209,006</u>	<u>532,515</u>	<u>12,862,454</u>
Total expenditures							
	<u>386,063</u>	<u>829,275</u>	<u>2,086,467</u>	<u>220,657</u>	<u>1,209,006</u>	<u>532,515</u>	<u>12,862,454</u>
Excess (deficiency) of revenues over expenditures	(156,685)	(142,656)	(481,797)	(242)	656	155,517	(1,449,306)
<b>Other financing sources (uses)</b>							
Proceeds from school bond loan fund	152,706	135,325	473,147	-	-	-	1,663,000
Transfers in	-	-	-	-	-	-	1,069
Transfers out	-	-	-	-	-	-	(95,885)
	<u>152,706</u>	<u>135,325</u>	<u>473,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,568,184</u>
Total other financing sources (uses)							
	<u>152,706</u>	<u>135,325</u>	<u>473,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,568,184</u>
Net change in fund balance	(3,979)	(7,331)	(8,650)	(242)	656	155,517	118,878
Fund balance - beginning	4,743	7,802	10,213	5,825	5,072	708,116	1,191,426
<b>Fund balance - ending</b>	<u>\$ 764</u>	<u>\$ 471</u>	<u>\$ 1,563</u>	<u>\$ 5,583</u>	<u>\$ 5,728</u>	<u>\$ 863,633</u>	<u>\$ 1,310,304</u>



**Avondale School District  
Other Supplemental Information  
General Fund  
Comparative Balance Sheet  
June 30, 2012**

	2012	2011
<b>Assets</b>		
Cash	\$ 2,248,716	\$ 553,024
Taxes receivable	2,234	-
Accounts receivable	189,398	376,910
Due from other funds	12,771	4,968
Due from other governmental units	5,219,622	6,109,956
Prepaid items	20,971	15,159
<b>Total assets</b>	<b>\$ 7,693,712</b>	<b>\$ 7,060,017</b>
<b>Liabilities and fund balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,965,094	\$ 1,541,829
State aid anticipation note payable	2,780,856	3,248,426
Due to other funds	566,224	64,803
Due to other governmental units	169,829	177,521
Payroll deductions and withholdings	47,721	104,607
Accrued salaries payable	3,491,409	2,912,063
Total liabilities	9,021,133	8,049,249
<b>Fund balance</b>		
Nonspendable		
Prepaid items	20,971	15,159
Unassigned (deficit)	(1,348,392)	(1,004,391)
Total fund balance (deficit)	(1,327,421)	(989,232)
<b>Total liabilities and fund balance</b>	<b>\$ 7,693,712</b>	<b>\$ 7,060,017</b>

**Avondale School District**  
**Other Supplemental Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2012**

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
<b>1988 Building and Site Capital Appreciation Bonds</b>					
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>\$ 3,220,338</u>	<u>\$ 574,662</u>	<u>\$ 3,795,000</u>
<b>2001 Refunding Bonds</b>					
2013	4.50	\$ 32,297	\$ 32,297	\$ 725,000	\$ 789,594
2014	4.60	15,985	15,985	695,000	726,970
		<u>\$ 48,282</u>	<u>\$ 48,282</u>	<u>\$ 1,420,000</u>	<u>\$ 1,516,564</u>
<b>2003 School Building and Site Bonds</b>					
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>\$ 264,000</u>	<u>\$ 264,000</u>	<u>\$ 6,600,000</u>	<u>\$ 7,128,000</u>

**Avondale School District**  
**Other Supplemental Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2012**

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
<b>2005 Refunding Bonds</b>					
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>\$ 1,317,088</u>	<u>\$ 1,317,088</u>	<u>\$ 7,470,000</u>	<u>\$ 10,104,176</u>
<b>2006 Refunding Bonds</b>					
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>\$ 1,029,820</u>	<u>\$ 1,029,820</u>	<u>\$ 9,515,000</u>	<u>\$ 11,574,640</u>

**Avondale School District**  
**Other Supplemental Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2012**

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
<b>2007 Refunding Bonds</b>					
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>\$ 5,123,952</u>	<u>\$ 5,123,960</u>	<u>\$ 17,990,000</u>	<u>\$ 28,237,912</u>

**Avondale School District**  
**Other Supplemental Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2012**

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
<b>2009 Refunding Bonds</b>					
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>\$ 1,481,453</u>	<u>\$ 1,481,448</u>	<u>\$ 14,010,000</u>	<u>\$ 16,972,901</u>

**Avondale School District**  
**Other Supplemental Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2012**

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
<b>2010 Building &amp; Site Series A Bonds</b>					
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>\$ 1,760,413</u>	<u>\$ 1,760,413</u>	<u>\$ 4,000,000</u>	<u>\$ 7,520,825</u>

**Avondale School District**  
**Other Supplemental Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2012**

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
<b>2010 Building &amp; Site Series B Bonds</b>					
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>\$ 9,365,598</u>	<u>\$ 9,365,598</u>	<u>\$ 23,400,000</u>	<u>\$ 42,131,195</u>

**Avondale School District**  
**Continuing Disclosure Undertaking**  
**Property Tax Data**  
**(Unaudited)**  
**Year Ended June 30, 2012**

	General Fund	Debt Service Funds	Capital Projects Sinking Fund	Total
2011-2012 adjusted levy	\$ 7,587,934	\$ 7,940,776	\$ 680,638	\$ 16,209,348
2011-2012 collections, write-offs, and adjustments	7,570,044	7,920,336	678,789	16,169,169
Balance receivable - June 30, 2012	<u>\$ 17,890</u>	<u>\$ 20,440</u>	<u>\$ 1,849</u>	<u>\$ 40,179</u>

	2011-2012	
	Homestead	Nonhomestead
Other Information		
Final taxable value of property assessed in the School District	<u>\$ 616,853,691</u>	<u>\$ 401,771,303</u>

Tax levy (mills):		
General Fund	0.0000	18.0000
Debt Service Funds	7.0000	7.0000
Capital Projects - Sinking Fund	0.6000	0.6000
Total tax levy (mills)	<u>7.6000</u>	<u>25.6000</u>

Official student enrollment (blended pupil count)	<u>3,728</u>
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**Avondale School District**  
**Continuing Disclosure Undertaking**  
**(Unaudited)**  
**Year Ended June 30, 2012**

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Avondale School District  
County of Oakland, State of Michigan

\$574,662 1988 School Building and Site Appreciation Bonds  
1,420,000 2001 Refunding Bonds  
6,600,000 2003 School Building and Site Bonds  
7,470,000 2005 Refunding Bonds  
9,515,000 2006 Refunding Bonds  
17,990,000 2007 Refunding Bonds  
14,010,000 2009 Refunding Bonds  
4,000,000 2010 Series A Qualified School Construction Bonds  
23,400,000 2010 Series B Recovery Zone Economic Development Bonds

**Enrollment**

**Ten-Year Enrollment History**

<u>School Year</u>	<u>Enrollment</u>	<u>School Year</u>	<u>Enrollment</u>
2011-2012	3,728	2006-2007	3,902
2010-2011	3,812	2005-2006	3,816
2009-2010	3,838	2004-2005	3,844
2008-2009	3,817	2003-2004	3,856
2007-2008	3,867	2002-2003	3,893

2011-2012 Fall Head Count

Pre-Kindergarten	42.6	8th		261
Kindergarten	267	9th		272
1st	255	10th		294
2nd	270	11th		268
3rd	262	12th		245
4th	258	Post High School		11
5th	246	Alternative education		135
6th	273	Lutheran Shared Time Program		112
7th	263	Total		3,991

**Avondale School District**  
**Continuing Disclosure Undertaking**  
**(Unaudited)**  
**Year Ended June 30, 2012**

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**Labor Relations**

<u>Class</u>	<u>Number</u>	<u>Affiliation</u>	<u>Contract Expires</u>
Teachers	204	Avondale Education Associations, MEA/NEA	8/31/2013
Teachers Non-Affiliates	22	AFSCME	6/30/2013
Bus drivers	15	Avondale Administrators Association	6/30/2012
Administrators	9	Avondale Association of Educational Secretaries, MEA/NEA	6/30/2013
Secretaries	20	Avondale Para-Educational Assoc., MEA/NEA	6/30/2013
Para-educators	47	Not Affiliated	None
Other	59		
Total	376		

During the past ten years, the School District has not experienced a strike by any of its bargaining units.

**Avondale School District**  
**Continuing Disclosure Undertaking**  
**(Unaudited)**  
**Year Ended June 30, 2012**

**Retirement Plan**

Contribution Period	Contribution Rate (Percent)
October 1, 2011 - October 31, 2012	24.46
November 1, 2010 - September 30, 2011	20.66
October 1, 2010 - October 31, 2011	19.41
October 1, 2009 - September 30, 2010	16.94
October 1, 2008 - September 30, 2009	16.54
October 1, 2007 - September 30, 2008	16.72
October 1, 2006 - September 30, 2007	17.74

  

Fiscal Year Ended June 30,	Contributions to MPSERS
2012	\$ 4,766,297
2011	4,346,079
2010	3,839,310
2009	3,918,805
2008	3,989,975

**History of Valuations (1)**

Year	Homestead Taxable Value	Nonhomestead Taxable Value	Total Taxable Value	Adjusted CFT/IFT Valuation (2)	Total Valuation Subject to Tax
2012	616,853,691	401,771,303	1,018,624,994	6,477,113	1,025,102,107
2011	737,722,292	404,983,377	1,142,705,669	6,095,500	1,148,801,169
2010	785,394,610	459,324,580	1,244,719,190	7,636,855	1,252,356,045
2009	879,372,329	517,168,172	1,396,540,501	5,028,535	1,401,569,036
2008	932,540,140	515,455,270	1,447,995,410	4,743,660	1,452,739,070
2007	824,466,867	635,817,633	1,460,284,500	5,894,785	1,466,179,285
2006	767,345,754	575,218,861	1,342,564,615	969,410	1,343,534,025
2005	765,316,690	579,844,250	1,345,160,940	1,143,060	1,346,304,000
2004	710,838,813	560,746,770	1,271,585,583	3,886,930	1,275,472,513

(1) Sources: Oakland County Equalization Department and Assessor's offices of respective municipalities.

(2) Represents 50% of the IFT taxable value for new facilities and 100% of the IFT taxable value for rehabilitated facilities.

**Avondale School District**  
**Continuing Disclosure Undertaking**  
**(Unaudited)**  
**Year Ended June 30, 2012**

Tax Levies and Collections

School Year	Operating Tax Levy	Current Collections to March 1		Received by School District to June 30	
		Amount	Percent	Amount	Percent
2011-2012	\$ 7,587,934	\$ 6,924,802	91.26%	\$ 7,570,044	99.76%
2010-2011	9,552,085	7,618,968	79.76	9,383,604	98.24
2009-2010	10,452,153	9,636,356	92.19	10,427,102	99.76
2008-2009	10,424,544	9,629,933	92.38	10,360,991	99.39
2007-2008	12,326,398	11,655,230	94.56	12,275,687	99.59

State Aid Payments

School Year	Blended Pupil Count	Foundation Allowance per Pupil	Total State Aid Payments
2011-2012	3,728	\$ 8,019	\$ 24,214,342
2010-2011	3,812	8,451	23,069,335
2009-2010	3,843	8,451	21,746,150
2008-2009	3,823	8,755	22,326,294
2007-2008	3,873	8,699	21,982,611

School District Tax Rates (per \$1,000 of Valuation)

Year	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008
Operating: (1)					
Voted Non-Homestead	18.0000	18.0000	18.0000	18.0000	18.0000
Voted Principal Residence	0.0000	1.3120	1.1526	1.0998	1.2602
Sinking Fund (2)	0.6000	0.6000	0.6000	0.6000	0.5936
Debt	7.0000	7.0000	7.0000	7.0000	7.0000
Total Principal Residence	7.6000	8.9120	8.7526	8.6998	8.8538
Total Non-Homestead	25.6000	25.6000	25.6000	25.6000	25.5936

(1) The School District levies 18 mills on non-homestead property and no longer levies a supplemental millage on homestead property. The School District operating millage expires with the December 2017 tax levy.

(2) The sinking fund millage expires with the December 2017 tax levy.

**Avondale School District**  
**Continuing Disclosure Undertaking**  
**(Unaudited)**  
**Year Ended June 30, 2012**

**Largest Taxpayers (1)**

Shown below are the 10 largest identifiable taxpayers in the School District based on their 2012 total valuation. The taxpayers listed below represent 9.38% of the School District's 2012 Taxable Valuation of \$1,1534,396,604

Taxpayer	Service or Product	Valuation Subject to Taxation
Volkswagen of America (2)	Automotive Manufacturing	\$ 20,302,660
Comerica AHOC LLC/Comerica Properties (3)	Banking	18,696,890
Detroit Edison	Public Utility	10,561,870
Tall Oaks of Auburn Hills	Apartments	9,121,810
American Axle	Automotive Parts Manufacturing	8,887,770
HP Financial Services	Leasing and Financing	8,149,040
First Industrial Realty Trust (3)	Property management	7,955,180
Joel Nosanchuk	Industrial Buildings	7,805,430
Hi Tech Mold	Automotive Parts Manufacturing	7,505,150
American House (3)	Retirement Housing	7,440,660
	Total	<u>\$ 106,426,460</u>

(1) Sources: Respective municipalities.

(2) Owner of Volkswagen of America Inc. property. The operating manager of the Volkswagen building is Core Resources Inc.

(3) These taxpayers are appealing their personal property tax assessments.

**Debt Statement**

Date	Direct Debt	Amount
01/04/1989	1988 School Building and Site Bonds (UTQ)	\$ 574,662
02/06/2001	2001 Refunding Bonds (UTQ)	1,420,000
10/07/2003	2003 School Building and Site Bonds (UTQ)	6,600,000
12/21/2005	2005 Refunding Bonds (UTQ)	7,470,000
01/04/2006	2006 Refunding Bonds (UTQ)	9,515,000
03/21/2007	2007 Refunding Bonds (UTQ)	17,990,000
09/28/2009	2009 Refunding Bonds (UTQ)	14,010,000
08/03/2010	2010 Series A Qualified School Construction Bonds	4,000,000
08/03/2010	2010 Series B Recovery Zone Economic Development Bonds	23,400,000
	Total direct debt	<u>\$ 84,979,662</u>

**Avondale School District  
Continuing Disclosure Undertaking  
(Unaudited)  
Year Ended June 30, 2012**

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Legal Debt Margin

2012 State Equalized Valuation		\$ 1,134,396,604
Debt Limit (15% of 2012 State Equalized Valuation)		170,159,491
Debt outstanding at June 30, 2012	\$ 84,979,662	
Less bonds not subject to debt limit	<u>(84,979,662)</u>	
Total subject to debt limit		<u>-</u>
Additional debt that can be legally incurred		<u><u>\$ 170,159,491</u></u>

**School Bond Loan Fund and the School Loan Revolving Fund**

As of June 30, 2012, the School District had an outstanding balance, including interest, of \$22,954,904.

**Avondale School District**

**Auburn Hills, Michigan**

**Single Audit Report**

**June 30, 2012**

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**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited the 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, 2012, which collectively comprise Avondale School District's basic financial statements and have issued our report thereon dated October 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Avondale School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Avondale School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Avondale School District's internal control over financial reporting.

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

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

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of Avondale School District in a separate letter dated November 8, 2012.

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

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
November 8, 2012

**Independent Auditors' Report on Compliance with Requirements That  
Could Have a Direct and Material Effect on Each  
Major Program and on Internal Control Over Compliance  
in Accordance with OMB Circular A-133**

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

**Compliance**

We have audited Avondale School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Avondale School District's major federal programs for the year ended June 30, 2012. Avondale School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Avondale School District's management. Our responsibility is to express an opinion on Avondale School District's compliance based on our audit.

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

In our opinion, Avondale School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**Internal Control Over Compliance**

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

Accordingly, we do not express an opinion on the effectiveness of Avondale School District's internal control over compliance.

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

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

#### **Schedule of Expenditure of Federal Awards**

We have audited the 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, 2012, and have issued our report thereon dated October 26, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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 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.

Management's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Management's response and, accordingly, we express no opinion on the response.

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

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
November 8, 2012

**Avondale School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2011	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2012
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance (commodities)								
National School Lunch Program								
Entitlement Commodities	10.555	\$ 57,563	\$ -	\$ -	\$ 57,563	\$ 57,563	\$ -	\$ -
Bonus Commodities		9,825	-	-	9,825	9,825	-	-
			<u>-</u>	<u>-</u>	<u>67,388</u>	<u>67,388</u>	<u>-</u>	<u>-</u>
Cash assistance								
111970 NSL Breakfast	10.553	62,829	2,878	57,033	5,796	8,674	-	-
121970 NSL Breakfast		63,651	-	-	63,651	61,252	-	2,399
111950 NSL Section 4 Lunches	10.555	57,633	2,157	57,633	-	2,157	-	-
111960 NSL Section 11 - Free and Reduced		323,360	10,716	283,222	40,138	50,854	-	-
121960 NSL Section 11 - Free and Reduced		323,656	-	-	323,656	315,286	-	8,370
			<u>15,751</u>	<u>397,888</u>	<u>433,241</u>	<u>438,223</u>	<u>-</u>	<u>10,769</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>15,751</u>	<u>397,888</u>	<u>500,629</u>	<u>505,611</u>	<u>-</u>	<u>10,769</u>
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I Cluster								
111530 1011 Title I Part A	84.010a	341,483	268,696	268,696	-	268,696	-	-
121530 1112 Title I Part A		396,813	-	-	390,077	180,196	-	209,881
111535 0910 ARRA Title I Part A	84.389a	87,337	87,337	87,337	-	87,337	-	-
Total Title I Cluster			<u>356,033</u>	<u>356,033</u>	<u>390,077</u>	<u>536,229</u>	<u>-</u>	<u>209,881</u>
Passed through Oakland County Intermediate School District								
Special Education Cluster								
110450 1011 IDEA Flowthrough	84.027a	653,928	609,958	609,958	43,970	638,903	-	15,025
120450 1112 IDEA Flowthrough		659,778	-	-	586,057	207,101	-	378,956
100450 0910 IDEA Flowthrough		666,664	150,352	666,664	-	150,352	-	-
			<u>760,310</u>	<u>1,276,622</u>	<u>630,027</u>	<u>996,356</u>	<u>-</u>	<u>393,981</u>
110460 1011 Preschool Incentive	84.173a	18,797	18,797	18,797	-	18,797	-	-
120460 1112 Preschool Incentive		20,728	-	-	20,728	12,820	-	7,908
			<u>18,797</u>	<u>18,797</u>	<u>20,728</u>	<u>31,617</u>	<u>-</u>	<u>7,908</u>
100455 0911 ARRA IDEA Flowthrough	84.391a	816,974	321,404	816,974	-	321,404	-	-
Total Special Education Cluster			<u>1,100,511</u>	<u>2,112,393</u>	<u>650,755</u>	<u>1,349,377</u>	<u>-</u>	<u>401,889</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Avondale School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2011	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2012
Passed through Michigan Department of Education Title III Limited English								
110580 1011 Title III Limited English	84.365a	\$ 60,370	\$ 11,150	\$ 11,150	\$ -	\$ 11,150	\$ -	\$ -
120580 1112 Title III Limited English		77,041	-	-	48,714	-	-	48,714
			<u>11,150</u>	<u>11,150</u>	<u>48,714</u>	<u>11,150</u>	<u>-</u>	<u>48,714</u>
Passed through Michigan Department of Education Title II Part A								
110520 1011 Title II Part A	84.367a	203,492	108,723	108,723	-	108,723	-	-
120520 0910 Title II Part A		179,815	-	-	161,063	67,995	-	93,068
			<u>108,723</u>	<u>108,723</u>	<u>161,063</u>	<u>176,718</u>	<u>-</u>	<u>93,068</u>
Passed through Michigan Department of Education 114295 0910 ARRA Title II Part D Carryover	84.318	6,455	<u>5,349</u>	<u>5,349</u>	<u>-</u>	<u>2,437</u>	<u>(2,912)</u>	<u>-</u>
Total U.S. Department of Education			<u>1,581,766</u>	<u>2,593,648</u>	<u>1,250,609</u>	<u>2,075,911</u>	<u>(2,912)</u>	<u>753,552</u>
Total Federal Financial Awards			<u>\$ 1,597,517</u>	<u>\$ 2,991,536</u>	<u>\$ 1,751,238</u>	<u>\$ 2,581,522</u>	<u>\$ (2,912)</u>	<u>\$ 764,321</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Avondale School District**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2012**

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1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2012.
3. The federal amounts reported on the form Grant Auditor Report are in agreement with the schedule of Expenditures of Federal Awards with the exception of the following:

	All Lunches 111950	Breakfast 111970	Free and Reduced Lunches 111960	Title 1 111530	Title III 110580	Title II 110520	Education Jobs Fund 112545
Amount reported on Grant Auditors Report	\$ -	\$ 5,796	\$ 40,138	\$ 51,827	\$ 1,472	\$ 100,848	\$ 252,182
Included in June 30, 2011 Grant Auditor Report but not received by the district until July 2011	<u>2,157</u>	<u>2,879</u>	<u>10,716</u>	<u>216,869</u>	<u>9,678</u>	<u>7,875</u>	<u>-</u>
Correction made on the current year Grant Auditor Report for an amount improperly listed on the 2011 Grant Auditor Report	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(252,182)</u>
Amount reported on the Schedule of Expenditures of Federal Awards	<u>\$ 2,157</u>	<u>\$ 8,675</u>	<u>\$ 50,854</u>	<u>\$ 268,696</u>	<u>\$ 11,150</u>	<u>\$ 108,723</u>	<u>\$ -</u>

4. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.
5. The following is a reconciliation between the federal revenues reported in the financial statements and the schedule of federal awards.

Federal revenues per the financial statements	\$ 2,489,973
Less federal reimbursed interest	<u>738,735</u>
Federal revenues per schedule of federal awards	<u>\$ 1,751,238</u>

**Avondale School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2012**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
  
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes      X   none

Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
  
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes      X   none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?   X   yes    \_\_\_\_\_ no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.555, 10.553	Nutrition Cluster

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

Auditee qualified as low-risk auditee?   x   yes    \_\_\_\_\_ no



**Avondale School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2012**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2012.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding 2012-01 – Adult Meal Pricing (Noncompliance)**

**Program Information** –National School Lunch, U.S. Department of Agriculture, passed through Michigan Department of Education. CFDA # 10.555.

**Criteria** – Adult lunch prices must equal at least the price charged to paying students plus the current value of federal cash and commodity assistance for full price meals and 6% sales tax.

**Condition** – The District did not include all factors when pricing lunch prices for adult meals. Adult lunch prices were not high enough to comply with program requirement.

**Cause/Effect** – The District did not collect \$.29 for each adult lunch served.

**Recommendation** – We recommend that all factors be considered when pricing adult meals.

**Management's Response** – The Director of Business Services and the Food Service Manager will annually review the adult meal pricing to ensure the adult meal price is in line with compliance requirements. The calculation will include looking at the student lunch price, the commodity allocation and the meal reimbursement rate. This calculation will be done electronically and saved in a file by the Director of Business Services. The rate was increased \$.75 at the start of the 2013 fiscal year.

**Avondale School District**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2012**

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**SECTION IV – PRIOR AUDIT FINDINGS**

There were no audit findings for the year ended June 30, 2011.



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November 8, 2012

Management and the Board of Education Directors  
Avondale School District  
Auburn Hills, Michigan

We have completed our audit of the financial statements of Avondale School District as of and for the year ended June 30, 2012 and have issued our report dated November 8, 2012. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel in the organization during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Education, and others within the district, and are not intended to be and should not be used by anyone other than those specified parties.

*Yeo & Yeo, P.C.*  
Saginaw, Michigan

Appendix I  
Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 1, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies are described in Note 1 of the financial statements. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

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

<b>Estimates</b>	<b>Management's Basis</b>
Compensated absences accrual	Based on accumulated vacation days and salary and wage rates in effect.
Retirement severance accrual	The estimate is calculated based on language obtained within the union contracts and a five year historical average of actual severance payouts.

Disclosures in the financial statements are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all but the following adjustments:

	Overstated (Understated)			
	<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Expenditures</u>
<b>General Fund</b>				
Revenues received more than 60 days after June 30, 2012	\$ -	\$ (28,714)	\$ 28,714	\$ -
Effect of prior year passed adjustments- 60 day revenue, August state aid and payroll liabilities	-	-	(37,352)	(89,082)
<b>Totals</b>	<u>\$ -</u>	<u>\$ (28,714)</u>	<u>\$ (8,638)</u>	<u>\$ (89,082)</u>
<b>District-wide</b>				
Effect of PY passed adjustment for August 2011 State Aid adjustment and PY payroll liability adjustment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,523</u>	<u>\$ (106,682)</u>

Management has determined that the effects of the uncorrected misstatements attached are immaterial both individually and in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole.

The following misstatements were detected as a result of audit procedures and corrected by management.

	decrease (increase) in General Fund change in net assets	decrease (increase) in Food Service change in net assets	decrease (increase) in 2010 Capital Projeces Series A change in net assets
Adjustment to correct the over transfer of indirect costs to the General Fund from Food Service Fund	\$ 12,184	\$ (12,184)	\$ -
To record an additional payable	-	-	3,761
To correct accrued payroll	28,540	-	-
	<u>\$ 40,724</u>	<u>\$ (12,184)</u>	<u>\$ 3,761</u>

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

### *Management's Consultations with Other Accountants*

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

### *Other Audit Findings or Issues*

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

### *Other Reports*

Other information that is required to be reported to you is included in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, and the Schedule of Findings and Questioned Costs. Please read all information included in that report to ensure you are aware of relevant information.

### *Other Information in Documents Containing Audited Financial Statements*

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

## Appendix II Management Comments

In planning and performing our audit of the financial statements of Avondale School District as of and for the year ended June 30, 2012, we considered Avondale School District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the district's internal control. Accordingly, we do not express an opinion on the effectiveness of the district's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report dated date, on the financial statements of Avondale School District. Our comments and recommendations regarding those matters are:

### **General Fund Deficit**

The District adopted a deficit general fund budget for fiscal year 2012. The District's final adopted budget for the general fund had budgeted expenditures exceeding available resources by \$605,968 with an ending deficit of \$1,595,200. The actual was better than budget by \$267,779.

At the end of fiscal year 2012, the District has an accumulated a deficit fund balance in the general fund of \$1,327,421. We strongly recommend that Administration and the Board continue to follow the deficit elimination plan. The current plan has the District coming out of a deficit by the end of the 2014 fiscal year. In addition, we recommend the District complete the necessary correspondence with the Michigan Department of Education to update the deficit elimination plan.

### **Indirect Cost Calculation**

During our audit we noted that the transfer from the food service fund to the general fund was overstated as it included amounts from contracts in excess of \$25,000 in the calculation. Management recalculated the amount and adjusted the transfer amount. We recommend in the future that the amount of contracts in excess of \$25,000 be excluded from the calculation.

### **Written policies and procedures for federal programs**

We noted that the District does not have any written policies and procedures specific to federal programs. We recommend that a policy and procedure manual be developed that is based on what the District's internal controls are specific to the fourteen compliance areas as specified by the Federal Government. This will assist the District in case of an unexpected absence of an individual that is assigned to monitoring one of the compliance areas. The document will provide someone temporarily filling in for that position with guidance on how to proceed.

### **Budget and Salary Compensation Transparency**

There are certain requirements that are required to be posted in the transparency section of the district's website. We noted that District's website includes a listing of what those required items are. Most of the required items were present; however, the districts most recent budget was not

posted in the Transparency section. We were able to find the budget in another section of the District's website, but we do recommend that the budget be posted in required location on the website in order to be in compliance with guidelines.