

Avondale School District

Auburn Hills, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2013

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Avondale School District
Members of the Board of Education and Administration
June 30, 2013

Members of the Board of Education

Sid Lockhart	President
Sean L. Johnson	Vice President
Ken Hedrick	Secretary
Scott Bittinger	Treasurer
Stephen Sucher	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

Management and the Board of Education
Avondale School District

Report on the Financial Statements

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, 2013 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2013, the District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplemental Information

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

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Avondale School District's basic financial statements. The list of the Members of the Board of Education and Administration, other supplemental information, and Continuing Disclosure Undertaking, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, 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 basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, other than the prior year information, the other supplemental information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The list of the Members of the Board of Education and Administration and Continuing Disclosure Undertaking, which is the responsibility of management, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Prior Year Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Avondale School District's financial statements as of and for the year ended June 30, 2012, which are not presented with the accompanying financial statements. In our report dated November 8, 2012 we expressed unmodified 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 2012 information in the comparative supplemental schedules 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 2012 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 2012 information in the comparative supplemental schedules is fairly stated in all material respects in relation to the financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2013 on our consideration of '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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Avondale School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Saginaw, MI
October 29, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Avondale School District
Management's Discussion and Analysis
June 30, 2013

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, 2013. 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 B), with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net position, 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 position 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, 2013

These two statements report the School District's net position - the difference between assets, deferred outflows of resources and liabilities, as reported in the statement of net position - 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 position - 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 position 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 position 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 position. 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, 2013

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2013 and 2012.

Table 1	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u> <u>(restated)</u>
Assets		
Current and other assets	\$ 9,557,717	\$ 16,061,390
Capital assets	<u>17,042,490</u>	<u>117,906,524</u>
Total Assets	<u>126,600,207</u>	<u>133,967,914</u>
Deferred Outflows of Resources	<u>538,165</u>	<u>-</u>
Liabilities		
Current Liabilities	14,793,487	11,316,083
Long-term liabilities	<u>103,449,593</u>	<u>112,873,983</u>
Total Liabilities	<u>118,243,080</u>	<u>124,190,066</u>
Net Position		
Net investment in capital assets	17,354,592	18,843,113
Restricted	1,120,133	1,098,095
Unrestricted	<u>(9,579,433)</u>	<u>(11,469,436)</u>
Total net position	<u>\$ 8,895,292</u>	<u>\$ 8,471,772</u>

The School District's net position was \$8.9 million and \$8.5 million at June 30, 2013 and 2012, respectively. Net investment in capital assets totaling \$17.4 million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Net position restrictions are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use net position for day-to-day operations. The remaining amount of net position is an unrestricted deficit and totals \$9.6 million.

Avondale School District
Management's Discussion and Analysis
June 30, 2013

The (\$9.6 million) in unrestricted net position (deficit) of governmental activities represents the accumulated results of all past years' operations. A positive unrestricted net position 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 position balance is currently in deficit position, which signals we will experience 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 position 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 position for fiscal years 2013 and 2012. (see Table 2).

Table 2	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Revenues		
Program revenues		
Charges for services	\$ 1,624,358	\$ 1,918,922
Operating grants and contributions	7,123,525	6,957,565
Capital grants and contributions	776,735	1,111,486
General revenues		
Property taxes	15,124,564	16,312,097
State aid-unrestricted	22,723,441	21,243,538
Other	<u>277,696</u>	<u>266,027</u>
Total revenues	<u>47,650,319</u>	<u>47,809,635</u>
Expenditures		
Instruction	26,413,830	30,453,496
Supporting services	13,759,477	13,753,121
Food services	1,147,718	984,921
Community services	984,132	1,062,914
Interest on long-term debt	<u>4,921,642</u>	<u>5,155,846</u>
Total expenditures	<u>47,226,799</u>	<u>51,410,298</u>
Change in net position	<u>\$ 423,520</u>	<u>\$ (3,600,663)</u>

Avondale School District
Management's Discussion and Analysis
June 30, 2013

As reported in the statement of activities, the cost of all of our governmental activities this year was \$47.2 million. Certain activities were partially funded from those who benefited from the programs (\$1.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7.9 million). We paid for the remaining "public benefit" portion of our governmental activities with \$15.1 million in taxes, \$22.7 million in state foundation allowance, and \$.28 million with our other revenues, i.e., interest income and general entitlements.

The School District experienced an increase in net position of \$.4 million, and total net position increased from \$8.5 million to \$8.9 million.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of 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 \$2.3 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 decrease in fund equity of approximately \$28,600.

Combined, the Debt Service Funds showed a fund balance increase of approximately \$122,000. This increase was planned to assist with cash flows during the 2013-14 fiscal year.

The Sinking Fund's fund balance increased by approximately \$115,000. This increase was planned to provide financing for projects scheduled in fiscal year 2013-2014.

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.

Avondale School District
Management's Discussion and Analysis
June 30, 2013

There were revisions made to the original 2012-2013 General Fund budget. Total budgeted revenues were increased approximately \$1.7 million due mainly to an increase in student enrollment and the resultant increase in total foundation based revenues (state & local composite). An additional increase in state sources of \$.76 million consisted of state aid categorical payments not anticipated in the original budget. The variance from budget to actual for revenues was approximately 0.8 percent.

Budgeted expenditures were increased approximately \$1.9. \$.86 million of this increase was in basic instruction due to increase retirement costs and expenditures related to the addition of an added shared time program at the secondary level. Added needs increased \$.6 million due to student caseloads and business services increased \$.1 million primarily due to adjustments on prior years tax collections. The remainder of the expenditure variances were for other assorted known increases to expenditures. The variance from budget to actual for expenditures was approximately 1.6 percent.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2013, the School District had \$117 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 (\$.9 million). This decrease was driven primarily by depreciation of buildings and additions..

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 \$80.1 million in bonds outstanding versus \$84.9 million in the previous year (a decrease of 5.76 percent). The decrease is due to scheduled debt service repayments. The outstanding bonds consisted of the following:

1988 Building and Site Capital Appreciation Bonds	\$ 282,084
2001 Refunding Bonds	695,000
2003 School Building and Site Bonds	4,400,000
2005 Refunding Bonds	7,470,000
2006 Refunding Bonds	9,395,000
2007 Refunding Bonds	17,920,000
2009 Refunding Bonds	12,520,000
2010 Building and Site Series A	4,000,000
2010 Building and Site Series B	23,400,000

Avondale School District
Management's Discussion and Analysis
June 30, 2013

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 (\$164 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 \$80.1 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.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's 2013-14 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 2013-14 fiscal year is 90 percent and 10 percent of October 2013 and February 2014 student counts, respectively. The 2013-2014 budget was adopted in June 2013, based on an estimate of students that will be enrolled in October 2013. Approximately 85 percent of total General Fund revenue is from the foundation allowance another 4.35 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 2013-2014 budget is slightly 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 2014 budget adoption the foundation allowance will be slightly higher as compared against the 2012-2013 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 2013-2014 and what the impact will be on revenues.

Contacting the School District's Administration

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

BASIC FINANCIAL STATEMENTS

Avondale School District
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets	
Cash	\$ 2,679,476
Accounts receivable	192,813
Due from other governmental units	5,570,525
Inventory	12,624
Investments	1,056,190
Prepaid items	46,089
Capital assets not being depreciated	3,550,825
Capital assets - net of accumulated depreciation	<u>113,491,665</u>
Total assets	126,600,207
Deferred Outflows of Resources	
Deferred amount on debt refunding	<u>538,165</u>
Total assets and deferred outflows of resources	<u>127,138,372</u>
Liabilities	
Accounts payable	1,284,646
State aid anticipation note payable	1,364,429
Due to other governmental units	989,837
Payroll deductions and withholdings	210,839
Accrued expenditures	598,441
Accrued salaries payable	3,398,191
Deferred revenue	22,990
Noncurrent liabilities	
Due within one year	6,924,114
Due in more than one year	<u>103,449,593</u>
Total liabilities	<u>118,243,080</u>
Net Position	
Net investment in capital assets	17,354,592
Restricted for:	
Food service	192,195
Debt service	142,206
Capital projects	785,732
Unrestricted (deficit)	<u>(9,579,433)</u>
Total net position	<u><u>\$ 8,895,292</u></u>

See Accompanying Notes to Financial Statements

Avondale School District
Statement of Activities
For the Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs					
Governmental activities					
Instruction	\$ 26,413,830	\$ 181,129	\$ 4,300,996	\$ -	\$ (21,931,705)
Supporting services	13,759,477	166,965	2,240,472	-	(11,352,040)
Food services	1,147,718	396,209	582,057	-	(169,452)
Community services	984,132	880,055	-	38,000	(66,077)
Interest on long-term debt	4,921,642	-	-	738,735	(4,182,907)
	<u>\$ 47,226,799</u>	<u>\$ 1,624,358</u>	<u>\$ 7,123,525</u>	<u>\$ 776,735</u>	<u>(37,702,181)</u>
General revenues					
Property taxes, levied for general purposes					6,772,250
Property taxes, levied for debt service					7,714,225
Property taxes, levied for sinking fund					638,089
State aid - unrestricted					22,723,441
Interest and investment earnings					10,991
Gain on sale of capital assets					10,516
Other					256,189
					<u>38,125,701</u>
Change in net position					423,520
Net position - beginning, as restated					<u>8,471,772</u>
Net position - ending					<u><u>\$ 8,895,292</u></u>

See Accompanying Notes to Financial Statements

Avondale School District
Governmental Funds
Balance Sheet
June 30, 2013

	<u>General Fund</u>	<u>2010 Capital Project Fund Series B</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 1,558,605	\$ 1,120,831	\$ 40	\$ 2,679,476
Accounts receivable	192,135	-	678	192,813
Due from other funds	1,588	192,672	665,649	859,909
Due from other governmental units	5,564,489	-	6,036	5,570,525
Inventory	-	-	12,624	12,624
Investments	-	-	1,056,190	1,056,190
Prepaid items	46,089	-	-	46,089
Total assets	<u>\$ 7,362,906</u>	<u>\$ 1,313,503</u>	<u>\$ 1,741,217</u>	<u>\$ 10,417,626</u>
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 975,258	\$ 111,357	\$ 190,531	\$ 1,277,146
State aid anticipation note payable	1,364,429	-	-	1,364,429
Due to other funds	673,149	1,588	192,672	867,409
Due to other governmental units	989,837	-	-	989,837
Payroll deductions and withholdings	210,839	-	-	210,839
Accrued salaries payable	3,388,956	-	9,235	3,398,191
Unearned revenue	-	-	22,990	22,990
Total liabilities	<u>7,602,468</u>	<u>112,945</u>	<u>415,428</u>	<u>8,130,841</u>

See Accompanying Notes to Financial Statements

Avondale School District
Governmental Funds
Balance Sheet
June 30, 2013

	<u>General Fund</u>	<u>2010 Capital Project Fund Series B</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balance				
Nonspendable				
Inventory	\$ -	\$ -	\$ 12,624	\$ 12,624
Prepaid items	46,089	-	-	46,089
Restricted for:				
Food service	-	-	179,571	179,571
Debt service	-	-	142,206	142,206
Capital projects	-	1,200,558	785,732	1,986,290
Assigned for:				
Community services	-	-	205,656	205,656
Unassigned (deficit)	<u>(285,651)</u>	<u>-</u>	<u>-</u>	<u>(285,651)</u>
Total fund balance (deficit)	<u>(239,562)</u>	<u>1,200,558</u>	<u>1,325,789</u>	<u>2,286,785</u>
Total liabilities and fund balance	<u>\$ 7,362,906</u>	<u>\$ 1,313,503</u>	<u>\$ 1,741,217</u>	<u>\$ 10,417,626</u>

See Accompanying Notes to Financial Statements

Avondale School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2013

Total fund balances for governmental funds	\$ 2,286,785
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	3,550,825
Capital assets - net of accumulated depreciation	113,491,665
Deferred outflows of resources resulting from debt refunding	538,165
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(598,441)
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	(98,137)
Employee severance pay	(2,320,000)
Bonds payable	(80,533,157)
Accrued interest	(5,485,084)
School bond loan payable	(20,355,299)
Other loans payable and liabilities	<u>(1,582,030)</u>
Net assets of governmental activities	<u>\$ 8,895,292</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, 2013

	General Fund	2010 Capital Project Funds Series B	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 7,384,370	\$ 800	\$ 9,630,932	\$ 17,016,102
State sources	26,234,108	-	31,871	26,265,979
Federal sources	1,008,507	-	1,288,921	2,297,428
Interdistrict sources	2,060,294	-	-	2,060,294
	<u>36,687,279</u>	<u>800</u>	<u>10,951,724</u>	<u>47,639,803</u>
Expenditures				
Current				
Education				
Instruction	23,321,933	-	-	23,321,933
Supporting services	12,272,995	-	-	12,272,995
Food services	-	-	1,021,679	1,021,679
Community services	4,279	-	871,779	876,058
Intergovernmental payments	4,237	-	-	4,237
Capital outlay	-	3,604,079	698,338	4,302,417
Debt service				
Principal	-	-	4,897,578	4,897,578
Interest and other expenditures	-	2,000	5,468,564	5,470,564
	<u>35,603,444</u>	<u>3,606,079</u>	<u>12,957,938</u>	<u>52,167,461</u>
Total expenditures	<u>35,603,444</u>	<u>3,606,079</u>	<u>12,957,938</u>	<u>52,167,461</u>
Deficiency of revenues over expenditures	<u>1,083,835</u>	<u>(3,605,279)</u>	<u>(2,006,214)</u>	<u>(4,527,658)</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, 2013

	General Fund	2010 Capital Project Funds Series B	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)				
Proceeds from school bond loan fund	\$ -	\$ -	\$ 2,035,000	\$ 2,035,000
Proceeds from sale of capital assets	10,516	-	-	10,516
Transfers in	4,480	-	10,972	15,452
Transfers out	<u>(10,972)</u>	<u>-</u>	<u>(4,480)</u>	<u>(15,452)</u>
Total other financing sources (uses)	<u>4,024</u>	<u>-</u>	<u>2,041,492</u>	<u>2,045,516</u>
Net change in fund balance	1,087,859	(3,605,279)	35,278	(2,482,142)
Fund balance (deficit) - beginning, as restated	<u>(1,327,421)</u>	<u>4,805,837</u>	<u>1,290,511</u>	<u>4,768,927</u>
Fund balance (deficit) - ending	<u><u>\$ (239,562)</u></u>	<u><u>\$ 1,200,558</u></u>	<u><u>\$ 1,325,789</u></u>	<u><u>\$ 2,286,785</u></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, 2013

Net change in fund balances - Total governmental funds \$ (2,482,142)

Total change in net position 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	(3,442,135)
Capital outlay	3,761,228
Sale of capital assets (net book value)	(1,183,127)

Expenses are recorded when incurred in the statement of activities.

Interest	565,374
Unemployment claims	27,569
Special termination benefits	342,000
Compensated absences	(11,373)

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 position, 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 position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.

Debt issued	(2,035,000)
Repayments of long-term debt	4,897,578
Amortization of premiums	52,647
Amortization of amount on deferred refunding	(46,173)
Amortization of bond discount	(22,926)
	(22,926)

Change in net position of governmental activities **\$ 423,520**

See Accompanying Notes to Financial Statements

Avondale School District
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2013

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash	\$ 8,117	\$ 569,728
Due from other funds	<u>7,500</u>	<u>-</u>
Total assets	<u>15,617</u>	<u>\$ 569,728</u>
Liabilities		
Accounts payable	-	\$ 209
Due to agency fund activities	<u>-</u>	<u>569,519</u>
Total liabilities	<u>-</u>	<u>\$ 569,728</u>
Net position		
Assets held for scholarships and loans	<u>\$ 15,617</u>	

See Accompanying Notes to Financial Statements

Avondale School District
Fiduciary Funds
Private Purpose Trust Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2013

	<u>Private Purpose Trust Funds</u>
Additions	\$ -
Deductions	<u>199</u>
Change in net position	(199)
Net Position - beginning	<u>15,816</u>
Net Position - ending	<u><u>\$ 15,617</u></u>

See Accompanying Notes to Financial Statements

Avondale School District
Notes to Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of 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 position 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 position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3)

unrestricted net position. 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 position resulting from current year activities.

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough

Avondale School District
Notes to Financial Statements
June 30, 2013

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 Series B Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, building, equipment, and for remodeling and repairs. The fund is 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.

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

Capital Projects Fund – The 2010 Capital Project Series A Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, building, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

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

Assets, Liabilities and Net Position or 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.

Avondale School District
Notes to Financial Statements
June 30, 2013

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2013, 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. Approximately 100% of the School District's tax roll lies within Oakland County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 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. 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

Deferred outflows of resources - A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

Deferred inflows of resources - A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

Avondale School District
Notes to Financial Statements
June 30, 2013

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 the 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.

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable - amounts 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 that have been formally set aside by the Board of Education for specific purposes. A fund balance

commitment may be established, modified, or rescinded by a resolution of the Board of Education.

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

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

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Avondale School District
Notes to Financial Statements
June 30, 2013

Eliminations and Reclassifications

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

Adoption of New Accounting Standards

The Government Accounting Standards Board 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*, which the government adopted effective July 1, 2012. The new standards provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of net position and related disclosures.

Upcoming Accounting and Reporting Changes

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, & 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, 2013

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			
Operations and maintenance	\$ 2,875,409	\$ 2,928,838	\$ 53,429
Other	527,664	534,624	6,960

Fund Deficits

The District has a deficit fund balance in the General Fund of \$239,562 as of June 30, 2013. The District has filed a deficit elimination plan with the State of Michigan. The District also has a deficit unrestricted net position in the amount of \$9,579,433 on the statement of Net Position.

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	\$ 27,414,874
Expenditures	26,214,316

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	\$ 2,679,476	\$ 577,845	\$ 3,257,321
Investments	1,056,190	-	1,056,190
	<u>\$ 3,735,666</u>	<u>\$ 577,845</u>	<u>\$ 4,313,511</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 59,007
Investments in securities, mutual funds, and similar vehicles	4,254,314
Petty cash and cash on hand	190
Total	<u>\$ 4,313,511</u>

Avondale School District
Notes to Financial Statements
June 30, 2013

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

Investment	Fair Value	Maturities	Rating	Rating Organization
Fidelity Institutional Money Market	\$ 78,323	36 days	AAAm	Standard & Poor's
Bank of America Public Funds Interest checking	2,069,176	N/A	N/A	N/A
JP Morgan Chase checking	1,120,831	Daily	A-1	Standard & Poor's
Bank of America Money Market	<u>985,984</u>	Daily	A-1+	Standard & Poor's
	<u>\$ 4,254,314</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 deposits were exposed to custodial credit risk.

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, the District's bank balance of \$3,135,961 was exposed to custodial credit risk as it was uninsured.

Avondale School District
Notes to Financial Statements
June 30, 2013

CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,080,692	\$ 378,937	\$ -	\$ 3,459,629
Construction in progress	1,957,630	91,196	1,957,630	91,196
Total capital assets not being depreciated	<u>5,038,322</u>	<u>470,133</u>	<u>1,957,630</u>	<u>3,550,825</u>
Capital assets being depreciated				
Buildings and additions	143,348,838	5,193,962	1,091,996	147,450,804
Equipment and furniture	4,372,199	19,999	1,014,441	3,377,757
Buses and other vehicles	658,943	34,764	67,300	626,407
Total capital assets being depreciated	<u>148,379,980</u>	<u>5,248,725</u>	<u>2,173,737</u>	<u>151,454,968</u>
Less accumulated depreciation for				
Buildings and additions	32,488,998	3,092,126	572,632	35,008,492
Equipment and furniture	2,494,168	287,523	350,678	2,431,013
Buses and other vehicles	528,612	62,486	67,300	523,798
Total accumulated depreciation	<u>35,511,778</u>	<u>3,442,135</u>	<u>990,610</u>	<u>37,963,303</u>
Net capital assets being depreciated	<u>112,868,202</u>	<u>1,806,590</u>	<u>1,183,127</u>	<u>113,491,665</u>
Net capital assets	<u>\$ 117,906,524</u>	<u>\$ 2,276,723</u>	<u>\$ 3,140,757</u>	<u>\$ 117,042,490</u>

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

Governmental activities	
Instruction	\$ 2,141,145
Support services	1,126,762
Food services	93,799
Community services	80,429
Total governmental activities	<u>\$ 3,442,135</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>\$14,807,615</u>	<u>\$ 864,175</u>	<u>\$ 92,586</u>

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

NOTE 4 - 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	\$ 665,649
General Fund	Private Purpose Trust Fund	7,500
2010 Capital Projects Fund - Series B	General Fund	1,588
Nonmajor Governmental Funds	2010 Capital Projects Fund - Series B	<u>192,672</u>
		<u>\$ 867,409</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.

Avondale School District
Notes to Financial Statements
June 30, 2013

Interfund transfers consist of the following:

	Transfers Out		<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	
Transfers in			
General Fund	\$ -	\$ 4,480	\$ 4,480
Nonmajor governmental funds	<u>10,972</u>	<u>-</u>	<u>10,972</u>
	<u>\$ 10,972</u>	<u>\$ 4,480</u>	<u>\$ 15,452</u>

These transfers were made to cover the costs of School District programs that were in excess of revenues generated from those activities.

NOTE 5 - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the unearned revenue was \$22,990.

NOTE 6 - DUE TO OTHER GOVERNMENTS

Due to other governments is made up of the following as of June 30, 2013:

Unfunded Accrued Actuarial Liability	\$ 386,924
Recapture of TIFA	417,658
Other payables	<u>185,255</u>
	<u>\$ 989,837</u>

During fiscal year 2013, 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 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. During 2013, \$81,716 was repaid and the amount still outstanding was \$417,658 as of June 30, 2013. Avondale has entered into a repayment agreement where amounts will be repaid during the following fiscal years:

2014	\$ 99,875
2015	99,875
2016	99,875
2017	99,875
2018	<u>18,158</u>
	<u>\$ 417,658</u>

Avondale School District
Notes to Financial Statements
June 30, 2013

NOTE 7 - OPERATING LEASES

The School District leases buses under non-cancelable operating leases. Total costs for such leases were \$193,925 for the year. The future minimum lease payments for these leases are an additional \$193,925 through June 30, 2014.

NOTE 8 - STATE AID ANTICIPATION NOTE

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

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

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$2,780,856	\$2,225,000	\$ 3,641,427	\$ 1,364,429

The state aid anticipation note agreement includes an irrevocable set-aside of \$860,571 at year end that is considered defeased debt and not included in the ending balance.

NOTE 9 - LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, 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	\$ 84,979,662	\$ -	\$ 4,897,578	\$ 80,082,084	\$ 5,342,084
Accreted interest	2,947,235	-	1,365,205	1,582,030	1,582,030
School Bond Loan Fund	6,655,134	-	-	6,655,134	-
School Loan Revolving Fund	11,665,165	2,035,000	-	13,700,165	-
SBLF - accrued interest	4,685,253	799,831	-	5,485,084	-
Compensated absences	86,764	11,373	-	98,137	-
Employee severance pay	2,662,000	-	342,000	2,320,000	-
Premium on bonds	770,936	-	52,647	718,289	-
Discount on bonds	(290,142)	-	(22,926)	(267,216)	-
Total	<u>\$ 114,162,007</u>	<u>\$ 2,846,204</u>	<u>\$ 6,634,504</u>	<u>\$ 110,373,707</u>	<u>\$ 6,924,114</u>

For governmental activities, compensated absences and retirement incentives are primarily liquidated by the general fund.

Avondale School District
Notes to Financial Statements
June 30, 2013

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 plus accumulated interest through May 1, 2014, interest at 7.75%	\$ 282,084
2001 Refunding Bonds- \$10,850,000 issued, due in annual installments of \$725,000 through May 1, 2014, interest at 4.60%	695,000
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%	4,400,000
2005 Refunding Bonds- \$7,960,000 issued, due in annual installments of \$30,000 to \$2,435,000 through May 1, 2022, interest at 4.00%	7,470,000
2006 Refunding Bonds- \$9,835,000 issued, due in annual installments of \$130,000 to \$2,330,000 through May 1, 2019, interest at 3.70% to 4.00%	9,395,000
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%	17,920,000
2009 Refunding Bonds- \$18,470,000 issued, due in annual installments of \$1,340,000 to \$1,470,000 through May 1, 2022, interest at 3.00% to 4.50%	12,520,000
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%	<u>23,400,000</u>
Total general obligation bonded debt	<u>\$ 80,082,084</u>

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

	Principal	Interest	Total
Year Ending June 30,			
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	4,530,000	2,855,132	7,385,132
2019-2023	23,140,000	11,353,206	34,493,206
2024-2028	18,960,000	6,708,850	25,668,850
2029-2033	10,845,000	2,761,662	13,606,662
2034-2036	3,850,000	340,749	4,190,749
Total	<u>\$ 80,082,084</u>	<u>\$ 38,741,814</u>	<u>\$ 118,823,898</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of \$142,206 to pay this debt. Future debt and interest will be payable from future tax levies.

State School Bond Loan

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 \$20,355,299 to meet debt service requirements. Management of the School district anticipates that as the other bonds mature, the

Avondale School District
Notes to Financial Statements
June 30, 2013

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 \$2,035,000 and had an outstanding balance at year end of \$20,355,299, 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 \$98,137 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, 2013 is \$2,320,000.

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and 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 \$220,000 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:

	2013	2012	2011
Claims incurred	\$ 200,500	\$ 205,000	\$ 211,000
Claim payments	(200,500)	(205,000)	(211,000)
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 \$27,940.

NOTE 11 - PENSION PLANS AND POST EMPLOYMENT BENEFITS

Plan Description

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

The plans provide 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, under the authority established by the Michigan Public School Employees Retirement Act (Retirement Act), as enacted and amended by the Michigan Legislature. The Michigan Legislature has the authority to

Avondale School District
Notes to Financial Statements
June 30, 2013

amend the Retirement Act. The Michigan Department of Technology, Management and Budget issues a publicly-available financial report that includes financial statements and required supplemental information for MPSERS. The report provides information for the plans as a whole and information helpful for understanding the scale of the information presented relative to the School District. 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 the Michigan legislature created a new Pension Plus plan under MPSERS. All eligible Michigan public school employees who began 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 including an employee contribution, and (b) a defined contribution savings component.

In September 2012, the Michigan legislature enacted additional changes (2012 Retirement Reform) to the Retirement Act, with different aspects becoming effective in late 2012 and early 2013. With these changes MPSERS offers eight retirement plans: Basic, Member Investment Plan (MIP), Basic 4%, MIP 7%, Basic DC Converted, MIP DC Converted, Pension Plus, and the Defined Contribution (DC) plan. Multiple options exist within some of these plans.

Full details on each of these plans are available on the MPSERS website at the address provided above.

Funding Policy

For the defined benefit plans the District is required by state law to contribute to MPSERS an actuarially determined percentage of payroll for all eligible participating employees. The District's actual contributions match the required contributions. Additionally, employees participating in the various defined benefit pension plans contribute the following amounts of their pretax salaries: (a) Member Investment Plan participants contribute 3% to 6.4%; (b) Basic 4%

participants contribute 4%; and (c) MIP 7% participants contribute 3.9% to 7%. The following table discloses pertinent information relative to MPSERS defined benefit pension retirement plan funding for the three-year period beginning July 1, 2010 through June 30, 2013.

	2013	2012	2011
Funding percentage range	12.78 - 16.25 %	10.66 - 15.96 %	8.63 - 12.16 %
School district defined benefit pension contributions	<u>\$ 3,005,326</u>	<u>\$ 3,107,324</u>	<u>\$ 2,559,000</u>

Defined Contribution Savings Plan

For the Pension Plus savings plan, eligible 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. Participants in the Basic DC Converted and MIP DC Converted plans receive 4% employer contributions to a tax-deferred 401(k) plan. The Defined Contribution Plan provides a 50% employer match (up to 3% of salary) on employee contributions. Participants in any of these defined contribution options may elect to make contributions to a tax-deferred 457 account up to the maximum amounts permitted by the IRS.

Avondale School District
Notes to Financial Statements
June 30, 2013

Contributions by the District and participants during the year ended June 30, 2013, were:

	School District	Participants
Contributions to the:		
Pension Plus Savings Plan	\$ 6,710	\$ 30,479
Basic DC Converted and MIP DC Converted Plans	36,132	-
Defined Contribution Plan	14,232	15,661
Total	\$ 57,074	\$ 46,140

Post Employment Benefits

In addition to the pension benefits described above, state law requires the District to provide post-retirement healthcare benefits for eligible retirees and beneficiaries through MPSERS.

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes 2% of their salary, and receives a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

The District's actual contributions match the required contributions.

The following table discloses pertinent information relative to the District's MPSERS defined benefit post employment benefits funding for the three-year period beginning July 1, 2010 through June 30, 2013.

	2013	2012	2011
Funding percentage range	8.18 - 9.11 %	8.50 %	6.81 - 8.50 %
School district defined benefit post employment benefit plan contributions	\$ 1,777,461	\$ 1,654,903	\$ 1,788,774

Contributions by the District and participants to the MPSERS defined contribution Personal Healthcare Fund during the year ended June 30, 2013, were:

	School District	Participants
Contributions to the Personal Healthcare Fund	\$ 10,932	\$ 11,216

Unfunded Accrued Actuarial Liability

During the year ended June 30, 2013, the District had contributions in the amount of \$386,924 to the Michigan Public School Employee Retirement System (MPSERS). This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was 4.56% for the year. These contributions are not included in the above tables.

Avondale School District
Notes to Financial Statements
June 30, 2013

NOTE 12 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2013.

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

NOTE 13 - SUBSEQUENT EVENT

Subsequent to June 30, 2013, the School District has paid the balance of the \$1,364,429 and accrued interest on the short-term state aid anticipation note borrowed in August, 2012 and has subsequently borrowed \$1,400,000 in short-term state aid anticipation notes through the Michigan Municipal Bond Authority with an interest rate of .43%. Proceeds from the borrowing will be distributed to the School District on August 20, 2013.

NOTE 14 - PRIOR PERIOD ADJUSTMENTS

As indicated in Note 1, the District has adopted Government Accounting Standards Board Statements 63 and 65. These statements require bond issuance costs to be expensed. Previously these costs were capitalized in the statement of net position and amortized. The standards require this change be applied retroactively. The impact of this change is to reduce beginning net position in the

statement of activities as of July 1, 2012, by \$653,038, restating it from \$9,124,810 to \$8,471,772.

During 2012, purchases were made out of the 2010 Capital Projects Series B Fund that should have been paid for by the Sinking Fund. The impact of this change is to reduce beginning fund balance of the Sinking Fund in the non major funds combining statement of revenues, expenditures and changes in fund balance as of July 1, 2012, by \$192,672, restating it from \$863,633 to \$670,961 and to increase beginning fund balance of the 2010 Capital Projects Series B Fund in the statement of revenues, expenditures and changes in fund balance as of July 1, 2012, by \$192,672, restating it from \$4,613,165 to \$4,805,837.

REQUIRED SUPPLEMENTAL INFORMATION

Avondale School District
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 9,540,251	\$ 7,427,774	\$ 7,384,370	\$ (43,404)
State sources	22,086,150	25,690,010	26,234,108	544,098
Federal sources	1,060,000	1,216,800	1,008,507	(208,293)
Interdistrict sources	<u>2,022,000</u>	<u>2,060,446</u>	<u>2,060,294</u>	<u>(152)</u>
Total revenues	<u>34,708,401</u>	<u>36,395,030</u>	<u>36,687,279</u>	<u>292,249</u>
Expenditures				
Instruction				
Basic programs	17,981,300	18,838,544	18,652,181	(186,363)
Added needs	4,235,803	4,832,591	4,669,752	(162,839)
Supporting services				
Pupil	2,539,755	2,785,005	2,671,337	(113,668)
Instructional staff	504,478	741,344	716,281	(25,063)
General administration	548,401	558,335	528,291	(30,044)
School administration	2,174,385	2,061,102	2,054,112	(6,990)
Business	903,686	1,006,268	988,449	(17,819)
Operations and maintenance	2,896,959	2,875,409	2,928,838	53,429
Pupil transportation services	1,087,416	1,137,928	1,099,506	(38,422)
Central	803,967	809,747	751,557	(58,190)
Athletic activities	551,773	527,664	534,624	6,960
Community services	16,000	8,790	4,279	(4,511)
Intergovernmental payments	<u>2,315</u>	<u>4,500</u>	<u>4,237</u>	<u>(263)</u>
Total expenditures	<u>34,246,238</u>	<u>36,187,227</u>	<u>35,603,444</u>	<u>(583,783)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>462,163</u>	<u>207,803</u>	<u>1,083,835</u>	<u>876,032</u>

Avondale School District
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses)				
Proceeds from sale of capital assets	\$ -	\$ 10,500	\$ 10,516	\$ 16
Transfers in	115,000	70,000	4,480	(65,520)
Transfers out	<u>-</u>	<u>(10,972)</u>	<u>(10,972)</u>	<u>-</u>
Total other financing sources (uses)	<u>115,000</u>	<u>69,528</u>	<u>4,024</u>	<u>(65,504)</u>
Net change in fund balance	577,163	277,331	1,087,859	810,528
Fund balance (deficit)- beginning	<u>(1,327,421)</u>	<u>(1,327,421)</u>	<u>(1,327,421)</u>	<u>-</u>
Fund balance (deficit) - ending	<u><u>\$ (750,258)</u></u>	<u><u>\$ (1,050,090)</u></u>	<u><u>\$ (239,562)</u></u>	<u><u>\$ 810,528</u></u>

OTHER SUPPLEMENTAL INFORMATION

**Avondale School District
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2013**

	Special Revenue Funds		Debt Service Funds				
	Food Service	Community Services	1988	2001	2003	2005	2006
Assets							
Cash	\$ -	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	157	521	-	-	-	-	-
Due from other funds	309,102	275,117	13,951	7,515	20,449	2,169	2,158
Due from other governmental units	6,036	-	-	-	-	-	-
Inventory	12,624	-	-	-	-	-	-
Investments	-	-	10,357	6,391	12,969	3,541	3,916
Total assets	\$ 327,919	\$ 275,678	\$ 24,308	\$ 13,906	\$ 33,418	\$ 5,710	\$ 6,074
Liabilities and fund balance							
Liabilities							
Accounts payable	\$ 135,724	\$ 37,797	\$ 164	\$ 88	\$ 240	\$ 25	\$ 25
Due to other funds	-	-	-	-	-	-	-
Accrued salaries payable	-	9,235	-	-	-	-	-
Unearned revenue	-	22,990	-	-	-	-	-
Total liabilities	135,724	70,022	164	88	240	25	25
Fund balance							
Nonspendable							
Inventory	12,624	-	-	-	-	-	-
Restricted for:							
Food service	179,571	-	-	-	-	-	-
Debt service	-	-	24,144	13,818	33,178	5,685	6,049
Capital projects	-	-	-	-	-	-	-
Assigned for:							
Community services	-	205,656	-	-	-	-	-
Total fund balance	192,195	205,656	24,144	13,818	33,178	5,685	6,049
Total liabilities and fund balance	\$ 327,919	\$ 275,678	\$ 24,308	\$ 13,906	\$ 33,418	\$ 5,710	\$ 6,074

**Avondale School District
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2013**

	Debt Service Funds				Capital Project Funds		Total Nonmajor Governmental Funds
	2007	2009	2010 Series A	2010 Series B	Sinking	2010 Series A	
Assets							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40
Accounts receivable	-	-	-	-	-	-	678
Due from other funds	5,066	15,550	256	5,768	8,548	-	665,649
Due from other governmental units	-	-	-	-	-	-	6,036
Inventory	-	-	-	-	-	-	12,624
Investments	6,730	11,026	7,938	7,338	985,984	-	1,056,190
Total assets	\$ 11,796	\$ 26,576	\$ 8,194	\$ 13,106	\$ 994,532	\$ -	\$ 1,741,217
Liabilities and fund balance							
Liabilities							
Accounts payable	\$ 76	\$ 183	\$ 3	\$ 78	\$ 16,128	\$ -	\$ 190,531
Due to other funds	-	-	-	-	192,672	-	192,672
Accrued salaries payable	-	-	-	-	-	-	9,235
Unearned revenue	-	-	-	-	-	-	22,990
Total liabilities	76	183	3	78	208,800	-	415,428
Fund balance							
Nonspendable							
Inventory	-	-	-	-	-	-	12,624
Restricted for:							
Food service	-	-	-	-	-	-	179,571
Debt service	11,720	26,393	8,191	13,028	-	-	142,206
Capital projects	-	-	-	-	785,732	-	785,732
Assigned for:							
Community services	-	-	-	-	-	-	205,656
Total fund balance	11,720	26,393	8,191	13,028	785,732	-	1,325,789
Total liabilities and fund balance	\$ 11,796	\$ 26,576	\$ 8,194	\$ 13,106	\$ 994,532	\$ -	\$ 1,741,217

**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, 2013**

	Special Revenue Funds		Debt Service Funds				
	Food Service	Community Services	1988	2001	2003	2005	2006
Revenues							
Local sources	\$ 396,209	\$ 880,054	\$ 1,433,417	\$ 771,413	\$ 2,099,519	\$ 222,676	\$ 222,749
State sources	31,871	-	-	-	-	-	-
Federal sources	550,186	-	-	-	-	-	-
Total revenues	<u>978,266</u>	<u>880,054</u>	<u>1,433,417</u>	<u>771,413</u>	<u>2,099,519</u>	<u>222,676</u>	<u>222,749</u>
Expenditures							
Current							
Education							
Food services	1,021,679	-	-	-	-	-	-
Community services	-	871,779	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service							
Principal	-	-	292,578	725,000	2,200,000	-	120,000
Interest and other expenditures	-	-	1,601,233	85,054	331,431	304,969	388,464
Total expenditures	<u>1,021,679</u>	<u>871,779</u>	<u>1,893,811</u>	<u>810,054</u>	<u>2,531,431</u>	<u>304,969</u>	<u>508,464</u>
Excess (deficiency) of revenues over expenditures	<u>(43,413)</u>	<u>8,275</u>	<u>(460,394)</u>	<u>(38,641)</u>	<u>(431,912)</u>	<u>(82,293)</u>	<u>(285,715)</u>
Other financing sources (uses)							
Proceeds from school bond loan fund	-	-	484,000	49,000	464,000	87,000	291,000
Transfers in	10,972	-	-	-	-	-	-
Transfers out	(4,480)	-	-	-	-	-	-
Total other financing sources (uses)	<u>6,492</u>	<u>-</u>	<u>484,000</u>	<u>49,000</u>	<u>464,000</u>	<u>87,000</u>	<u>291,000</u>
Net change in fund balance	(36,921)	8,275	23,606	10,359	32,088	4,707	5,285
Fund balance - beginning, as restated	<u>229,116</u>	<u>197,381</u>	<u>538</u>	<u>3,459</u>	<u>1,090</u>	<u>978</u>	<u>764</u>
Fund balance - ending	<u>\$ 192,195</u>	<u>\$ 205,656</u>	<u>\$ 24,144</u>	<u>\$ 13,818</u>	<u>\$ 33,178</u>	<u>\$ 5,685</u>	<u>\$ 6,049</u>

**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, 2013**

	Debt Service Funds				Capital Project Funds		Total Nonmajor Governmental Funds
	2007	2009	2010 Series A	2010 Series B	Sinking	2010 Series A	
Revenues							
Local sources	\$ 663,444	\$ 1,597,668	\$ 26,427	\$ 677,126	\$ 640,218	\$ 12	\$ 9,630,932
State sources	-	-	-	-	-	-	31,871
Federal sources	-	-	197,200	541,535	-	-	1,288,921
Total revenues	<u>663,444</u>	<u>1,597,668</u>	<u>223,627</u>	<u>1,218,661</u>	<u>640,218</u>	<u>12</u>	<u>10,951,724</u>
Expenditures							
Current							
Education							
Food services	-	-	-	-	-	-	1,021,679
Community services	-	-	-	-	-	-	871,779
Capital outlay	-	-	-	-	525,447	172,891	698,338
Debt service							
Principal	70,000	1,490,000	-	-	-	-	4,897,578
Interest and other expenditures	<u>768,195</u>	<u>549,838</u>	<u>221,019</u>	<u>1,218,361</u>	<u>-</u>	<u>-</u>	<u>5,468,564</u>
Total expenditures	<u>838,195</u>	<u>2,039,838</u>	<u>221,019</u>	<u>1,218,361</u>	<u>525,447</u>	<u>172,891</u>	<u>12,957,938</u>
Excess (deficiency) of revenues over expenditures	<u>(174,751)</u>	<u>(442,170)</u>	<u>2,608</u>	<u>300</u>	<u>114,771</u>	<u>(172,879)</u>	<u>(2,006,214)</u>
Other financing sources (uses)							
Proceeds from school bond loan fund	186,000	467,000	-	7,000	-	-	2,035,000
Transfers in	-	-	-	-	-	-	10,972
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,480)</u>
Total other financing sources (uses)	<u>186,000</u>	<u>467,000</u>	<u>-</u>	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>2,041,492</u>
Net change in fund balance	11,249	24,830	2,608	7,300	114,771	(172,879)	35,278
Fund balance - beginning, as restated	<u>471</u>	<u>1,563</u>	<u>5,583</u>	<u>5,728</u>	<u>670,961</u>	<u>172,879</u>	<u>1,290,511</u>
Fund balance - ending	<u>\$ 11,720</u>	<u>\$ 26,393</u>	<u>\$ 8,191</u>	<u>\$ 13,028</u>	<u>\$ 785,732</u>	<u>\$ -</u>	<u>\$ 1,325,789</u>

**Avondale School District
Other Supplemental Information
General Fund
Comparative Balance Sheet
June 30, 2013**

	2013	2012
Assets		
Cash	\$ 1,558,605	\$ 2,248,716
Taxes receivable	-	2,234
Accounts receivable	192,135	189,398
Due from other funds	1,588	12,771
Due from other governmental units	5,564,489	5,219,622
Prepaid items	46,089	20,971
Total assets	\$ 7,362,906	\$ 7,693,712
Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 975,258	\$ 1,465,720
State aid anticipation note payable	1,364,429	2,780,856
Due to other funds	673,149	566,224
Due to other governmental units	989,837	669,203
Payroll deductions and withholdings	210,839	47,721
Accrued salaries payable and payroll related liabilities	3,388,956	3,491,409
Total liabilities	7,602,468	9,021,133
Fund balance		
Nonspendable		
Prepaid items	46,089	20,971
Unassigned (deficit)	(285,651)	(1,348,392)
Total fund balance (deficit)	(239,562)	(1,327,421)
Total liabilities and fund balance	\$ 7,362,906	\$ 7,693,712

Avondale School District
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2013

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
1988 Building and Site Capital Appreciation Bonds					
2014	7.75	\$ -	\$ 1,652,916	\$ 282,084	\$ 1,935,000
2001 Refunding Bonds					
2014	4.60	\$ 15,985	\$ 15,985	\$ 695,000	\$ 726,970
2003 School Building and Site Bonds					
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>\$ 132,000</u>	<u>\$ 132,000</u>	<u>\$ 4,400,000</u>	<u>\$ 4,664,000</u>

Avondale School District
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2013

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
2005 Refunding Bonds					
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>\$ 1,167,844</u>	<u>\$ 1,167,844</u>	<u>\$ 7,470,000</u>	<u>\$ 9,805,688</u>
2006 Refunding Bonds					
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>\$ 839,700</u>	<u>\$ 839,700</u>	<u>\$ 9,395,000</u>	<u>\$ 11,074,400</u>

Avondale School District
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2013

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
2007 Refunding Bonds					
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>\$ 4,748,908</u>	<u>\$ 4,748,916</u>	<u>\$ 17,920,000</u>	<u>\$ 27,417,824</u>

Avondale School District
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2013

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
2009 Refunding Bonds					
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>\$ 1,225,705</u>	<u>\$ 1,225,701</u>	<u>\$ 12,520,000</u>	<u>\$ 14,971,406</u>

Avondale School District
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2013

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
2010 Building & Site Series A Bonds					
2014	5.50	\$ 110,000	\$ 110,000	\$ -	\$ 220,000
2015	5.50	110,000	110,000	-	220,000
2016	5.50	110,000	110,000	-	220,000
2017	5.50	110,000	110,000	-	220,000
2018	5.50	110,000	110,000	-	220,000
2019	5.50	110,000	110,000	-	220,000
2020	5.50	110,000	110,000	-	220,000
2021	5.50	110,000	110,000	-	220,000
2022	5.50	110,000	110,000	-	220,000
2023	5.50	110,000	110,000	-	220,000
2024	5.50	110,000	110,000	-	220,000
2025	5.50	110,000	110,000	-	220,000
2026	5.50	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>\$ 1,650,413</u>	<u>\$ 1,650,413</u>	<u>\$ 4,000,000</u>	<u>\$ 7,300,825</u>

Avondale School District
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2013

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
2010 Building & Site Series B Bonds					
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	5.75	318,375	318,375	-	636,750
2028	5.75	318,375	318,375	-	636,750
2029	5.75	318,375	318,375	-	636,750
2030	5.75	318,375	318,375	1,700,000	2,336,750
2031	5.75	269,500	269,500	1,750,000	2,289,000
2032	5.75	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>\$ 8,763,893</u>	<u>\$ 8,763,893</u>	<u>\$ 23,400,000</u>	<u>\$ 40,927,785</u>

CONTINUING DISCLOSURE UNDERTAKING (UNAUDITED)

Avondale School District
Continuing Disclosure Undertaking
Property Tax Data
(Unaudited)
Year Ended June 30, 2013

	General Fund	Debt Service Funds	Capital Projects Sinking Fund	Total
2012-2013 adjusted levy	\$ 6,662,019	\$ 7,504,072	\$ 620,229	\$ 14,786,320
2012-2013 collections, write-offs, and adjustments	6,650,950	7,470,310	617,335	14,738,595
Balance receivable - June 30, 2013	<u>\$ 11,069</u>	<u>\$ 33,762</u>	<u>\$ 2,894</u>	<u>\$ 47,725</u>

	2012-2013	
	Homestead	Nonhomestead
Other Information		
Final taxable value of property assessed in the School District	<u>\$ 727,674,829</u>	<u>\$ 359,059,210</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>3,790</u>
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Avondale School District
Continuing Disclosure Undertaking
(Unaudited)
Year Ended June 30, 2013

Avondale School District
 County of Oakland, State of Michigan

\$282,084	1988 School Building and Site Appreciation Bonds
695,000	2001 Refunding Bonds
4,400,000	2003 School Building and Site Bonds
7,470,000	2005 Refunding Bonds
9,395,000	2006 Refunding Bonds
17,920,000	2007 Refunding Bonds
12,520,000	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>
2012-2013	3,790	2007-2008	3,867
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

2012-2013 Fall Head Count

Pre-Kindergarten	40	8th	284
Kindergarten	269	9th	270
1st	258	10th	252
2nd	245	11th	270
3rd	267	12th	242
4th	249	Post High School	9
5th	247	Alternative Education	172
6th	246	Lutheran Shared Time Program	301
7th	246	Oakland Christian Shared Time Program	504
		Total	<u>4,371</u>

Avondale School District
Continuing Disclosure Undertaking
(Unaudited)
Year Ended June 30, 2013

Labor Relations

<u>Class</u>	<u>Number</u>	<u>Affiliation</u>	<u>Contract Expires</u>
Teachers	216	Avondale Education Associations, MEA/NEA	8/31/2013
Teachers Non-Affiliates	27	Teachers Non-Affiliated	not applicable
Bus drivers	16	AFSCME	6/30/2016
Bargaining Administrators	9	Avondale Administrators Association	6/30/2014
Secretaries	23	Avondale Association of Educational Secretaries, MEA/NEA	6/30/2013
Para-educators	47	Avondale Para-Educational Assoc., MEA/NEA	6/30/2013
Other	65	Non Affiliated	not applicable
Total	403		

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, 2013**

Retirement Plan

Contribution Period	Contribution Rate (Percent)
February 1, 2013 - September 30, 2013	20.96 - 24.32
October 1, 2012 - January 31, 2013	20.96 - 25.36
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
	Contributions to MPSERS
Fiscal Year Ended June 30,	
2013	\$ 4,807,952
2012	4,766,297
2011	4,346,079
2010	3,839,310
2009	3,918,805

History of Valuations (1)

Year	Homestead Taxable Value	Nonhomestead Taxable Value	Total Taxable Value	Adjusted CFT/IFT Valuation (2)	Total Valuation Subject to Tax
2013	727,674,829	359,059,210	1,086,734,039	4,827,900	1,091,561,939
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

(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, 2013

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
2012-2013	\$ 6,662,019	\$ 5,576,717	83.71%	\$ 6,650,950	99.83%
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
2012-2013	3,790	\$ 8,019	\$ 25,865,204
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

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

Year	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009
Operating: (1)					
Voted Non-Homestead	18.0000	18.0000	18.0000	18.0000	18.0000
Voted Principal Residence	0.0000	0.0000	1.3120	1.1526	1.0998
Sinking Fund (2)	0.6000	0.6000	0.6000	0.6000	0.6000
Debt	7.0000	7.0000	7.0000	7.0000	7.0000
Total Principal Residence	7.6000	7.6000	8.9120	8.7526	8.6998
Total Non-Homestead	25.6000	25.6000	25.6000	25.6000	25.6000

(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, 2013

Largest Taxpayers (1)

Shown below are the 10 largest identifiable taxpayers in the School District based on their 2013 total valuation. The taxpayers listed below represent 10.6% of the School District's 2013 Ad Valorem Taxable Valuation of \$1,069,267,279.

Taxpayer	Service or Product	Valuation Subject to Taxation
Volkswagen of America (2)	Automotive Manufacturing	\$ 25,555,220
Comerica AHOC LLC/Comerica Properties (3)	Banking	18,588,630
HP Financial Services	Leasing and Financing	10,874,490
Detroit Edison	Public Utility	10,728,470
Tall Oaks of Auburn Hills	Apartments	9,136,860
American Axle	Automotive Parts Manufacturing	8,912,820
First Industrial Realty Trust (3)	Property management	7,964,580
Webasto Sunroof	Automotive Parts Manufacturing	7,681,910
American House (3)	Retirement Housing	7,481,310
Charrington Estates	Real Estate	6,847,480
	Total	<u>\$ 113,771,770</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)	\$ 282,084
02/06/2001	2001 Refunding Bonds (UTQ)	695,000
10/07/2003	2003 School Building and Site Bonds (UTQ)	4,400,000
12/21/2005	2005 Refunding Bonds (UTQ)	7,470,000
01/04/2006	2006 Refunding Bonds (UTQ)	9,395,000
03/21/2007	2007 Refunding Bonds (UTQ)	17,920,000
09/28/2009	2009 Refunding Bonds (UTQ)	12,520,000
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>\$ 80,082,084</u>

**Avondale School District
Continuing Disclosure Undertaking
(Unaudited)
Year Ended June 30, 2013**

Legal Debt Margin

2013 State Equalized Valuation		\$ 1,091,561,939
Debt Limit (15% of 2013 State Equalized Valuation)		163,734,291
Debt outstanding at June 30, 2013	\$ 80,082,084	
Less bonds not subject to debt limit	<u>(80,082,084)</u>	
Total subject to debt limit		<u>-</u>
Additional debt that can be legally incurred		<u><u>\$ 163,734,291</u></u>

School Bond Loan Fund and the School Loan Revolving Fund

As of June 30, 2013, the School District had an outstanding balance, including interest, of \$25,840,382.89