

**Avondale School District**

**Auburn Hills, Michigan**

**Annual Financial Statements  
and  
Independent Auditors' Report**

**June 30, 2014**

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**Avondale School District**  
**Members of the Board of Education and Administration**  
**June 30, 2014**

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Members of the Board of Education

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

Administration

Dr. George C. Heitsch	Superintendent
Frank E. Lams	Assistant Superintendent for Financial Services
Karen J. Olex	Assistant Superintendent for Student Services
Frederick J. Cromie	Assistant Superintendent for Administrative 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, 2014, 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, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters:**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as 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 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, and other supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary 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. Such 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 supplementary 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 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, 2013, which are not presented with the accompanying financial statements. In our report dated October 29, 2013, 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 2013 information in the comparative supplementary 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 2013 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 2013 information in the comparative supplementary 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 November 14, 2014 on our consideration of Avondale School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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  
November 14, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Avondale School District**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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This section of the Avondale School District's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended June 30, 2014. 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 2014 Debt Service Fund (Series A), 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, 2014**

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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, 2014**

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**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, 2014 and 2013.

Table 1	<b><u>Governmental Activities</u></b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
<b>Assets</b>		
Current and other assets	\$ 8,403,240	\$ 9,557,717
Capital assets	114,785,097	117,042,490
Total Assets	<u>123,188,337</u>	<u>126,600,207</u>
Deferred Outflows of Resources	<u>492,172</u>	<u>538,165</u>
<b>Liabilities</b>		
Current Liabilities	6,169,306	14,793,487
Long-term liabilities	<u>106,462,308</u>	<u>103,449,593</u>
Total Liabilities	<u>112,631,614</u>	<u>118,243,080</u>
<b>Net Position</b>		
Net investment in capital assets	11,699,355	17,354,592
Restricted	1,566,510	1,120,133
Unrestricted	<u>(2,219,763)</u>	<u>(9,579,433)</u>
Total net position	<u>11,046,102</u>	<u>8,895,292</u>

The School District's net position was \$11 million and \$8.9 million at June 30, 2014 and 2013, respectively. Net investment in capital assets totaling \$11.7 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 \$2.2 million.

**Avondale School District**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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The (\$2.2 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 2014 and 2013. (see Table 2).

Table 2	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2013</b>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 1,663,464	\$ 1,624,358
Operating grants and contributions	7,781,253	7,123,525
Capital grants and contributions	680,005	776,735
General revenues		
Property taxes	15,618,501	15,124,564
State aid-unrestricted	22,236,375	22,723,441
Other	342,388	277,696
<b>Total revenues</b>	<b>48,321,986</b>	<b>47,650,319</b>
<b>Expenditures</b>		
Instruction	26,204,675	26,413,830
Supporting services	13,429,218	13,759,477
Food services	1,095,249	1,147,718
Community services	995,858	984,132
Interest on long-term debt	4,446,176	4,921,642
<b>Total expenditures</b>	<b>46,171,176</b>	<b>47,226,799</b>
<b>Change in net position</b>	<b>\$ 2,150,810</b>	<b>\$ 423,520</b>

**Avondale School District**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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As reported in the statement of activities, the cost of all of our governmental activities this year was \$48.3 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 (\$8.5 million). We paid for the remaining "public benefit" portion of our governmental activities with \$15.6 million in taxes, \$22.2 million in state foundation allowance, and \$.34 million with our other revenues, i.e., interest income and general entitlements.

The School District experienced an increase in net position of \$2.2 million, and total net position increased from \$8.9 million to \$11 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 \$2.6 million.

Our Special Revenue Funds (Food Services and Community Services Funds) had a combined increase in fund equity of approximately \$29,700.

Combined, the Debt Service Funds showed a fund balance increase of approximately \$3,700.

The Sinking Fund's fund balance decreased by approximately \$544,000. 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.

There were revisions made to the original 2013-2014 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

**Avondale School District**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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additional increase in state sources of \$1.3 million consisted of state aid categorical payments not anticipated in the original budget. The variance from budget to actual for revenues was approximately 0.1 percent.

Budgeted expenditures were increased approximately \$2.1 million. \$1.2 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 \$0.4 million due to student caseloads and operations and maintenance increased \$0.3 million primarily due to higher utility costs. The remainder of the expenditure variances were for other assorted known increases to expenditures. The variance from budget to actual for expenditures was approximately 1.7 percent.

**Capital Assets and Debt Administration**

**Capital Assets**

As of June 30, 2014, the School District had \$115 million invested in a broad range of capital assets, including land, construction in progress, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of (\$2.3 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 \$103.8 million in bonds outstanding versus \$80.1 million in the previous year (an increase of 29.6 percent). The increase is due to the issuance of the 2014 Bonds Series A and B. The outstanding bonds consisted of the following:

2003 School Building and Site Bonds	\$2,200,000
2005 Refunding Bonds	7,345,000
2006 Refunding Bonds	9,395,000
2007 Refunding Bonds	17,850,000
2009 Refunding Bonds	11,050,000
2010 Building and Site Series A	4,000,000
2010 Building and Site Series B	22,900,000
2014 Refunding Series A Bonds	28,610,000
2014 Building and Site Series B	400,000

The School District's general obligation bonds are qualified for participation by the State in the Michigan School Bond Loan Program. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School

**Avondale School District**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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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 \$103.8 million is qualified by the State.

During the 2013/2014 school year, the District issued \$28,610,000 in bonds to repay the state school loan revolving fund and school bond loan fund. Total principal and interest repaid was \$28,607,747.

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 2014-15 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 2014-15 fiscal year is 90 percent and 10 percent of October 2014 and February 2015 student counts, respectively. The 2014-2015 budget was adopted in June 2014, based on an estimate of students that will be enrolled in October 2014. 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 2014-2015 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 2015 budget adoption the foundation allowance will be slightly higher as compared against the 2013-2014 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 2014-2015 and what the impact will be on revenues.

**Avondale School District**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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**Contacting the School District's Administration**

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



## BASIC FINANCIAL STATEMENTS

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**Avondale School District**  
**Statement of Net Position**  
**June 30, 2014**

	Governmental Activities
<b>Assets</b>	
Cash	\$ 2,390,708
Taxes receivable	12,104
Accounts receivable	174,165
Due from other governmental units	5,172,605
Interest receivable	235,817
Inventory	22,168
Investments	386,769
Prepaid items	8,904
Capital assets not being depreciated	3,585,343
Capital assets - net of accumulated depreciation	<u>111,199,754</u>
Total assets	123,188,337
<b>Deferred Outflows of Resources</b>	
Deferred amount on debt refunding	<u>492,172</u>
Total assets and deferred outflows of resources	<u>123,680,509</u>
<b>Liabilities</b>	
Accounts payable	1,240,561
State aid anticipation note payable	275,582
Due to other governmental units	845,365
Payroll deductions and withholdings	360,820
Accrued expenditures	655,376
Accrued salaries payable	2,783,058
Deferred revenue	11,337
Noncurrent liabilities	
Due within one year	5,005,000
Due in more than one year	<u>101,457,308</u>
Total liabilities	<u>112,634,407</u>
<b>Net Position</b>	
Net investment in capital assets	11,699,355
Restricted for:	
Food service	238,353
Capital projects	1,328,157
Unrestricted (deficit)	<u>(2,219,763)</u>
<b>Total net position</b>	<u>\$ 11,046,102</u>

See Accompanying Notes to Financial Statements

**Avondale School District**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Functions/Programs</b>					
Governmental activities					
Instruction	\$ 26,204,675	\$ 199,929	\$ 3,995,140	\$ -	\$ (22,009,606)
Supporting services	13,429,218	165,046	3,139,039	-	(10,125,133)
Food services	1,095,249	403,729	647,074	-	(44,446)
Community services	995,858	894,760	-	-	(101,098)
Interest on long-term debt	4,446,176	-	-	680,005	(3,766,171)
	<u>\$ 46,171,176</u>	<u>\$ 1,663,464</u>	<u>\$ 7,781,253</u>	<u>\$ 680,005</u>	<u>(36,046,454)</u>
General revenues					
Property taxes, levied for general purposes					6,878,416
Property taxes, levied for debt service					8,075,844
Property taxes, levied for sinking fund					664,241
State aid - unrestricted					22,236,375
Interest and investment earnings					8,401
Gain on sale of capital assets					7,517
Other					<u>326,470</u>
					<u>38,197,264</u>
Change in net position					2,150,810
Net position - beginning					<u>8,895,292</u>
<b>Net position - ending</b>					<u><b>\$ 11,046,102</b></u>

See Accompanying Notes to Financial Statements

**Avondale School District**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2014**

	<u>General Fund</u>	<u>2014A Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash	\$ 1,256,913	\$ -	\$ 1,133,795	\$ 2,390,708
Taxes receivable	8,447	-	3,657	12,104
Accounts receivable	173,796	-	369	174,165
Due from other funds	11,196	-	474,495	485,691
Due from other governmental units	5,134,290	-	38,315	5,172,605
Inventory	-	-	22,168	22,168
Investments	-	1,753	385,016	386,769
Prepaid items	7,904	500	500	8,904
<b>Total assets</b>	<u>\$ 6,592,546</u>	<u>\$ 2,253</u>	<u>\$ 2,058,315</u>	<u>\$ 8,653,114</u>
<b>Liabilities and fund balance</b>				
Liabilities				
Accounts payable	\$ 1,113,325	\$ -	\$ 127,236	\$ 1,240,561
State aid anticipation note payable	275,582	-	-	275,582
Due to other funds	467,481	-	18,210	485,691
Due to other governmental units	845,365	-	-	845,365
Payroll deductions and withholdings	360,820	-	-	360,820
Accrued salaries payable	2,783,058	-	-	2,783,058
Unearned revenue	-	-	11,337	11,337
<b>Total liabilities</b>	<u>5,845,631</u>	<u>-</u>	<u>156,783</u>	<u>6,002,414</u>

See Accompanying Notes to Financial Statements

**Avondale School District  
Governmental Funds  
Balance Sheet  
June 30, 2014**

	<u>General Fund</u>	<u>2014A Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balance				
Nonspendable				
Inventory	\$ -	\$ -	\$ 22,168	\$ 22,168
Prepaid items	7,904	500	500	8,904
Restricted for:				
Food service	-	-	216,185	216,185
Debt service	-	1,753	145,856	147,609
Capital projects	-	-	1,327,657	1,327,657
Assigned for:				
Community services	-	-	189,166	189,166
Unassigned	<u>739,011</u>	<u>-</u>	<u>-</u>	<u>739,011</u>
Total fund balance	<u>746,915</u>	<u>2,253</u>	<u>1,901,532</u>	<u>2,650,700</u>
<b>Total liabilities and fund balance</b>	<u>\$ 6,592,546</u>	<u>\$ 2,253</u>	<u>\$ 2,058,315</u>	<u>\$ 8,653,114</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, 2014**

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<b>Total fund balances for governmental funds</b>	<b>\$ 2,650,700</b>
Total net assets for governmental activities in the statement of net assets is different because:	
Receivables related to interest subsidy to offset the accrued interest payable	235,817
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	3,585,343
Capital assets - net of accumulated depreciation	111,199,754
Deferred outflows of resources resulting from debt refunding	492,172
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(649,584)
Unemployment claims	(5,792)
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	(42,288)
Employee severance pay	(2,248,000)
Bonds payable	<u>(104,172,020)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 11,046,102</u></b>

See Accompanying Notes to Financial Statements

**Avondale School District**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2014**

	General Fund	2014A Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 7,567,826	\$ -	\$ 10,040,646	\$ 17,608,472
State sources	26,149,500	-	40,924	26,190,424
Federal sources	1,190,347	-	1,286,155	2,476,502
Interdistrict sources	<u>2,030,207</u>	<u>-</u>	<u>-</u>	<u>2,030,207</u>
Total revenues	<u>36,937,880</u>	<u>-</u>	<u>11,367,725</u>	<u>48,305,605</u>
<b>Expenditures</b>				
Current				
Education				
Instruction	23,643,712	-	-	23,643,712
Supporting services	12,312,982	-	-	12,312,982
Food services	-	-	1,004,645	1,004,645
Community services	2,226	-	911,250	913,476
Capital outlay	-	-	1,714,849	1,714,849
Debt service				
Principal	-	22,138,299	5,342,084	27,480,383
Interest and other expenditures	<u>-</u>	<u>6,469,448</u>	<u>5,211,576</u>	<u>11,681,024</u>
Total expenditures	<u>35,958,920</u>	<u>28,607,747</u>	<u>14,184,404</u>	<u>78,751,071</u>
Excess (deficiency) of revenues over expenditures	<u>978,960</u>	<u>(28,607,747)</u>	<u>(2,816,679)</u>	<u>(30,445,466)</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, 2014**

	<u>General Fund</u>	<u>2014A Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Other financing sources (uses)</b>				
Proceeds from issuance of bonds	\$ -	\$ 28,610,000	\$ 400,000	\$ 29,010,000
Premium on issuance of bonds	-	-	8,864	8,864
Proceeds from school bond loan fund	-	-	1,783,000	1,783,000
Proceeds from sale of capital assets	7,517	-	-	7,517
Transfers in	-	-	43,426	43,426
Transfers out	-	-	(43,426)	(43,426)
	<u>7,517</u>	<u>28,610,000</u>	<u>2,191,864</u>	<u>30,809,381</u>
Total other financing sources (uses)				
Net change in fund balance	986,477	2,253	(624,815)	363,915
Fund balance (deficit) - beginning	<u>(239,562)</u>	<u>-</u>	<u>2,526,347</u>	<u>2,286,785</u>
<b>Fund balance - ending</b>	<u>\$ 746,915</u>	<u>\$ 2,253</u>	<u>\$ 1,901,532</u>	<u>\$ 2,650,700</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, 2014**

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**Net change in fund balances - Total governmental funds** \$ 363,915

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	(3,415,734)
Capital outlay	1,158,341

Expenses are recorded when incurred in the statement of activities.

Interest	7,251,788
Unemployment claims	(5,792)
Special termination benefits	72,000
Compensated absences	55,849

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	(30,793,000)
Repayments of long-term debt	27,480,383
Amortization of premiums	51,890
Amortization of amount on refunding	(45,993)
Amortization of bond discount	(22,837)
	(22,837)

**Change in net position of governmental activities** \$ 2,150,810

See Accompanying Notes to Financial Statements

**Avondale School District**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2014**

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	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash	\$ 14,270	\$ 485,662
<b>Liabilities</b>		
Accounts payable	-	\$ 216
Due to agency fund activities	-	<u>485,446</u>
Total liabilities	<u>-</u>	<u>\$ 485,662</u>
<b>Net position</b>		
Assets held for scholarships and loans	<u>\$ 14,270</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, 2014**

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	<u>Private Purpose Trust Funds</u>
<b>Additions</b>	\$ -
<b>Deductions</b>	<u>1,546</u>
Change in net position	(1,546)
Net Position - beginning	<u>15,816</u>
<b>Net Position - ending</b>	<u><u>\$ 14,270</u></u>

See Accompanying Notes to Financial Statements

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2014**

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**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 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.). 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 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

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2014**

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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.

2014A Debt Service Fund – This 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 related to the 2014A Debt Service.

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 Capital Projects Funds are 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.

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.

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2014**

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Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2014, 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	7.3000
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.

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

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2014**

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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.

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.

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.

#### **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.

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Upcoming Accounting and Reporting Changes**

The Government Accounting Standards Board has issued 68, *Accounting and Financial Reporting for Pensions*, and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 net pension liability will be recorded on the government-wide statements. Statement 71 amends Statement 68 to address an issue concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and non-employer contributing entities. The District is evaluating the impact these standards will have on its financial reporting. Statement 68 is effective for the year ending June 30, 2015.

The GASB has also issued Statement 69, *Government Combinations and Disposals of Government Operations*. Statement 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation of termination of services, and the legal structure of the new or continuing entity. Statement 69 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.

**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:



**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2014**

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Operations and maintenance	\$ 3,060,753	\$ 3,083,832	\$ 23,079
Athletic activities	524,245	544,435	20,190
Community Service Fund	888,453	911,250	22,797

**Fund Deficit**

The District has a deficit unrestricted net position in the amount of \$2,219,763 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. For these capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The projects related to the 2010 Series A and B Capital Project Funds were considered complete as of June 30, 2014, which is the substantial completion date. 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	\$ 27,415,058
Expenditures	26,719,424

**Compliance - Sinking Funds**

The Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, management believes the School District has complied, in all material respects, 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	\$ 2,390,708	\$ 499,932	\$ 2,890,640
Investments	386,769	-	386,769
	<u>\$ 2,777,477</u>	<u>\$ 499,932</u>	<u>\$ 3,277,409</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 494,201
Investments in securities, mutual funds, and similar vehicles	2,782,918
Petty cash and cash on hand	290
Total	<u>\$ 3,277,409</u>

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2014**

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

Investment	Fair Value	Maturities	Rating	Rating Organization
Fidelity Institutional Money Market	\$ 158,504	N/A	AAAm	Standard & Poor's
Bank of America Public Funds Interest checking	1,638,268	N/A	N/A	N/A
JP Morgan Chase checking	743,611	Daily	A-1	Standard & Poor's
Bank of America Money Market	242,535	Daily	AAAm	Standard & Poor's
	<u>\$ 2,782,918</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 District does not have a deposit policy for custodial credit risk. As of year end, \$3,018,750 of the District's bank balance of \$3,518,750 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments* – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the district's investments were exposed to custodial credit risk.

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 4 - CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 3,459,629	\$ 7,404	\$ -	\$ 3,467,033
Construction in progress	91,196	118,310	91,196	118,310
Total capital assets not being depreciated	<u>3,550,825</u>	<u>125,714</u>	<u>91,196</u>	<u>3,585,343</u>
Capital assets being depreciated				
Buildings and additions	147,450,804	1,076,823	-	148,527,627
Equipment and furniture	3,377,757	47,000	-	3,424,757
Buses and other vehicles	626,407	-	34,535	591,872
Total capital assets being depreciated	<u>151,454,968</u>	<u>1,123,823</u>	<u>34,535</u>	<u>152,544,256</u>
Less accumulated depreciation for				
Buildings and additions	35,008,492	3,134,914	-	38,143,406
Equipment and furniture	2,431,013	231,900	-	2,662,913
Buses and other vehicles	523,798	48,920	34,535	538,183
Total accumulated depreciation	<u>37,963,303</u>	<u>3,415,734</u>	<u>34,535</u>	<u>41,344,502</u>
Net capital assets being depreciated	<u>113,491,665</u>	<u>(2,291,911)</u>	<u>-</u>	<u>111,199,754</u>
Net capital assets	<u>\$ 117,042,490</u>	<u>\$ (2,166,197)</u>	<u>\$ 91,196</u>	<u>\$ 114,785,097</u>

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

<b>Governmental activities</b>	
Instruction	\$ 2,132,210
Support services	1,110,526
Food services	90,610
Community services	82,388
Total governmental activities	<u>\$ 3,415,734</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>\$ 977,997</u>	<u>\$ 930,525</u>	<u>\$ 47,472</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 5 - INTERFUND RECEIVABLE AND PAYABLE AND TRANSFERS**

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 467,481
Nonmajor Governmental Funds	General Fund	11,196
Nonmajor Governmental Funds	Nonmajor Governmental Funds	7,014
		<u>\$ 485,691</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, 2014**

Interfund transfers consist \$29,981 from the 1988 Debt Service Fund to the 2010 Series B Debt service fund as well as a transfer of \$13,445 from the 2001 Debt Service Fund to the 2010 Series A Debt Service Fund. These transfers were made to attempt to close out the funds into other debt service funds.

2015	\$	99,875
2016		99,875
2017		99,875
2018		18,158
		<u>317,783</u>
	\$	<u>317,783</u>

**NOTE 6 - 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 \$11,337.

**NOTE 7 - DUE TO OTHER GOVERNMENTS**

Due to other governments is made up of the following as of June 30, 2014:

Unfunded Accrued Actuarial Liability	\$	280,222
Recapture of TIFA		317,783
Other payables		247,360
		<u>845,365</u>
	\$	<u>845,365</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 2014, \$99,875 was repaid and the amount still outstanding was \$317,783 as of June 30, 2014. Avondale has entered into a repayment agreement where amounts will be repaid during the following fiscal years:

**NOTE 8 - OPERATING LEASES**

The School District leases buses under non-cancelable operating leases. Total costs for such leases were \$206,885 for the year. The future minimum lease payments for these leases are as follows:

2015	\$	222,080
2016		222,080
2017		222,080
		<u>666,240</u>
	\$	<u>666,240</u>

**NOTE 9 - STATE AID ANTICIPATION NOTE**

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

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

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$1,364,429	\$1,400,000	\$2,488,847	\$ 275,582

The state aid anticipation note agreement includes an irrevocable set-aside of \$1,124,418 at year end that is considered defeased debt and not included in the ending balance.

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 10 - 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	\$ 80,082,084	\$ 29,010,000	\$ 5,342,084	\$ 103,750,000	\$ 5,005,000
Accreted interest	1,582,030	-	1,582,030	-	-
School Bond Loan Fund	6,655,134	-	6,655,134	-	-
School Loan Revolving Fund	13,700,165	1,783,000	15,483,165	-	-
SBLF - accrued interest	5,485,084	756,782	6,241,866	-	-
Compensated absences	98,137	-	55,849	42,288	-
Employee severance pay	2,320,000	-	72,000	2,248,000	-
Premium on bonds	718,289	-	51,890	666,399	-
Discount on bonds	(267,216)	-	(22,837)	(244,379)	-
<b>Total</b>	<b>\$ 110,373,707</b>	<b>\$ 31,549,782</b>	<b>\$ 35,461,181</b>	<b>\$ 106,462,308</b>	<b>\$ 5,005,000</b>

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

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

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%	\$ 2,200,000
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%	7,345,000
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%	17,850,000
2009 Refunding Bonds- \$18,470,000 issued, due in annual installments of \$1,340,000 to \$1,535,000 through May 1, 2022, interest at 3.00% to 4.50%	11,050,000
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%	22,900,000
2014 Taxable Refunding Bonds - \$28,610,000 issued, due in annual installments of \$550,000 to \$11,730,000 through May 1, 2018, interest at .50% to 2.35%	28,610,000
2014 Building and Site Series B Bonds - \$400,000 issued, due in one installment of \$400,000 on November 1, 2017 with interest payable annually at 2.00%	400,000
<b>Total general obligation bonded debt</b>	<b>\$ 103,750,000</b>

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2014**

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

Year Ending June 30,	Principal	Interest	Total
2015	\$ 5,005,000	\$ 3,894,587	\$ 8,899,587
2016	5,490,000	3,732,430	9,222,430
2017	18,340,000	3,555,171	21,895,171
2018	18,120,000	3,142,975	21,262,975
2019	4,620,000	2,667,108	7,287,108
2020-2024	22,255,000	10,371,847	32,626,847
2025-2029	18,970,000	5,835,762	24,805,762
2030-2034	9,000,000	2,175,188	11,175,188
2035-2036	1,950,000	114,563	2,064,563
<b>Total</b>	<b>\$ 103,750,000</b>	<b>\$ 35,489,629</b>	<b>\$ 139,239,629</b>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of \$189,166 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. The School District repaid the School Bond Loan fund during the year in the amount of \$6,655,134. During the year the School District had proceeds of \$1,783,000 from the School Loan Revolving funds, and repaid the remaining outstanding balance of \$15,483,165. Both loans had a balance of zero as of June 30, 2014.

**Compensated Absences**

Accrued compensated absences at year end, consists of \$42,288 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, 2014 is \$2,248,000.

**NOTE 11 - 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.

**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2014**

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:

	2014	2013	2012
Claims incurred	\$ 213,503	\$ 200,500	\$ 205,000
Claim payments	(213,503)	(200,500)	(205,000)
Liability end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The School District is self-insured under the Michigan Worker's Disability Compensation Act. Workers' compensation excess insurance has been retained for the aggregate claims exceeding \$500,000 for each annual policy period, to a maximum of \$1,000,000. This excess insurance also applies to individual occurrences exceeding \$500,000, with a statutory maximum for those individual occurrences. The expenditures for the year were \$27,940.

**NOTE 12 - 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. The system provides postemployment healthcare benefits to retirees and their beneficiaries who elect to receive the benefits.

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 amend the Retirement Act. The Michigan Department of Technology, Management and Budget issues a publicly-available financial report that includes financial statements and required Supplementary information for MPSERS. The report provides information for the 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>.

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

**Pension Benefits**

Employer contributions to MPSERS result from the applying rules and applicable changes of the School Finance Reform Act. Accordingly, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. Depending on the plan selected, a plan member's contribution may range from 0% to 7% of their gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

For the period July 1, 2013 through September 30, 2013, employees had the following plan options with the corresponding employer contribution rates:

**Avondale School District  
Notes to Financial Statements  
June 30, 2014**

	Basic MIP	Pension Plus	Pension Plus PHF (first worked September 4, 2012 or later)	Pension Plus to DC with PHF (first worked September 4, 2012 or later)	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	15.21%	15.02%	15.02%	12.78%	12.78%	12.78%	15.21%
Health contributions	9.11%	9.11%	8.18%	8.18%	9.11%	8.18%	8.18%
Defined contribution plan employer contributions:							
DC	0.00%	100%	100%	3.00%	4.00%	4.00%	0.00%
PHF	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

For the period October 1, 2013 through June 30, 2014, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF (first worked September 4, 2012 or later)	Plus to DC with PHF (first worked September 4, 2012 or later)	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	18.34%	18.11%	18.11%	15.44%	15.44%	15.44%	18.34%
Health contributions	6.45%	6.45%	5.52%	5.52%	6.45%	5.52%	5.52%
Defined contribution plan employer contributions:							
DC	0.00%	100%	100%	3.00%	4.00%	4.00%	0.00%
PHF	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

The School District's required and actual contributions to the plans for the years ended June 30, 2014, 2013, and 2012 were \$3,540,675, \$3,005,326, and \$3,107,324, respectively. Contributions made by the participants of the plan for the year ended June 30, 2014 were \$1,300,299.

### 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.

For the periods July 1, 2013 through September 30, 2013, and October 1, 2013 through June 30, 2014, the employer contribution rate ranged from 8.18% to 9.11% and 5.52% to 6.45%, respectively. See above two tables for rates.

The District's actual contributions match the required contributions for the years ended June 30, 2014, 2013, and 2012 and were \$1,434,823, \$1,777,461, and \$1,654,903, respectively.



**Avondale School District**  
**Notes to Financial Statements**  
**June 30, 2014**

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**Unfunded Accrued Actuarial Liability**

During the year ended June 30, 2014, the District had contributions in the amount of \$970,810 to the Michigan Public School Employee Retirement System (MPERS). This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 4.56% for the year. These contributions are not included in the above tables.

On November 4<sup>th</sup>, the voters within the school district approved \$2,175,000 in State Qualified Bonds for the purpose of purchasing school buses and technology. These bonds will be issued during the 2014/2015 fiscal year .

**NOTE 13 - 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, 2014.

The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in one case there is a potential liability estimated in the amount of \$400,000. This has not been accrued in the financial statements as of June 30, 2014 as the terms and amounts of the settlement is not currently known.

**NOTE 14 - SUBSEQUENT EVENT**

Subsequent to June 30, 2014, the School District has paid the balance of the \$1,400,000 and accrued interest on the short-term state aid anticipation note borrowed in August, 2013 and has subsequently borrowed \$2,300,000 in short-term state aid anticipation notes through the Michigan Municipal Bond Authority with an interest rate of .42%. Proceeds from the borrowing will be distributed to the School District on August 20, 2014.

## REQUIRED SUPPLEMENTARY INFORMATION

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**Avondale School District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Local sources	\$ 7,284,250	\$ 7,476,025	\$ 7,567,826	\$ 91,801
State sources	24,883,608	26,158,591	26,149,500	(9,091)
Federal sources	1,002,116	1,317,910	1,190,347	(127,563)
Interdistrict sources	2,049,000	1,962,940	2,030,207	67,267
Total revenues	<u>35,218,974</u>	<u>36,915,466</u>	<u>36,937,880</u>	<u>22,414</u>
<b>Expenditures</b>				
Instruction				
Basic programs	17,866,926	19,101,560	18,935,900	(165,660)
Added needs	4,420,405	4,774,850	4,707,812	(67,038)
Supporting services				
Pupil	2,681,987	2,830,736	2,724,252	(106,484)
Instructional staff	676,238	809,814	764,650	(45,164)
General administration	554,827	550,205	520,020	(30,185)
School administration	2,087,287	2,167,548	2,147,564	(19,984)
Business	889,642	652,593	544,599	(107,994)
Operations and maintenance	2,761,135	3,060,753	3,083,832	23,079
Pupil transportation services	1,090,302	1,220,268	1,189,221	(31,047)
Central	889,045	875,570	794,409	(81,161)
Athletic activities	544,254	524,245	544,435	20,190
Community services	4,380	4,421	2,226	(2,195)
Intergovernmental payments	2,315	2,315	-	(2,315)
Total expenditures	<u>34,468,743</u>	<u>36,574,878</u>	<u>35,958,920</u>	<u>(615,958)</u>
Excess of revenues over expenditures	<u>750,231</u>	<u>340,588</u>	<u>978,960</u>	<u>638,372</u>

**Avondale School District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	\$ 3,000	\$ 4,500	\$ 7,517	\$ 3,017
Transfers in	<u>112,000</u>	<u>66,000</u>	<u>-</u>	<u>(66,000)</u>
Total other financing sources (uses)	<u>115,000</u>	<u>70,500</u>	<u>7,517</u>	<u>(62,983)</u>
Net change in fund balance	865,231	411,088	986,477	575,389
Fund balance (deficit)- beginning	<u>(239,562)</u>	<u>(239,562)</u>	<u>(239,562)</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 625,669</u>	<u>\$ 171,526</u>	<u>\$ 746,915</u>	<u>\$ 575,389</u>

## OTHER SUPPLEMENTARY INFORMATION

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**Avondale School District  
Other Supplementary Information  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2014**

	Special Revenue Funds		Debt Service Funds				
	Food Service	Community Services	1988	2001	2003	2005	2006
<b>Assets</b>							
Cash	\$ -	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes receivable	-	-	-	-	837	124	124
Accounts receivable	228	141	-	-	-	-	-
Due from other funds	228,406	205,629	-	-	-	2	-
Due from other governmental units	38,315	-	-	-	-	-	-
Inventory	22,168	-	-	-	-	-	-
Investments	-	-	-	-	41,500	6,577	6,333
Prepaid items	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 289,117</b>	<b>\$ 205,810</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 42,337</b>	<b>\$ 6,703</b>	<b>\$ 6,457</b>
<b>Liabilities and fund balance</b>							
<b>Liabilities</b>							
Accounts payable	\$ 45,079	\$ 5,307	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	5,685	-	-	-	-	-	2
Unearned revenue	-	11,337	-	-	-	-	-
<b>Total liabilities</b>	<b>50,764</b>	<b>16,644</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>
<b>Fund balance</b>							
<b>Nonspendable</b>							
Inventory	22,168	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
<b>Restricted for:</b>							
Food service	216,185	-	-	-	-	-	-
Debt service	-	-	-	-	42,337	6,703	6,455
Capital projects	-	-	-	-	-	-	-
<b>Assigned for:</b>							
Community services	-	189,166	-	-	-	-	-
<b>Total fund balance</b>	<b>238,353</b>	<b>189,166</b>	<b>-</b>	<b>-</b>	<b>42,337</b>	<b>6,703</b>	<b>6,455</b>
<b>Total liabilities and fund balance</b>	<b>\$ 289,117</b>	<b>\$ 205,810</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 42,337</b>	<b>\$ 6,703</b>	<b>\$ 6,457</b>

**Avondale School District  
Other Supplementary Information  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2014**

	Debt Service Funds				Capital Project Funds			Total Nonmajor Governmental Funds
	2007	2009	2010 Series A	2010 Series B	Sinking	2010 Series B	2014 Series B	
<b>Assets</b>								
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 743,611	\$ 390,144	\$ 1,133,795
Taxes receivable	282	692	282	1,034	282	-	-	3,657
Accounts receivable	-	-	-	-	-	-	-	369
Due from other funds	-	-	23	-	40,435	-	-	474,495
Due from other governmental units	-	-	-	-	-	-	-	38,315
Inventory	-	-	-	-	-	-	-	22,168
Investments	13,714	36,486	6,457	31,414	242,535	-	-	385,016
Prepaid items	-	-	-	-	-	-	500	500
<b>Total assets</b>	<b>\$ 13,996</b>	<b>\$ 37,178</b>	<b>\$ 6,762</b>	<b>\$ 32,448</b>	<b>\$ 283,252</b>	<b>\$ 743,611</b>	<b>\$ 390,644</b>	<b>\$ 2,058,315</b>
<b>Liabilities and fund balance</b>								
<b>Liabilities</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 41,373	\$ 35,477	\$ -	\$ 127,236
Due to other funds	23	-	-	-	-	12,500	-	18,210
Unearned revenue	-	-	-	-	-	-	-	11,337
<b>Total liabilities</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,373</b>	<b>47,977</b>	<b>-</b>	<b>156,783</b>
<b>Fund balance</b>								
<b>Nonspendable</b>								
Inventory	-	-	-	-	-	-	-	22,168
Prepaid items	-	-	-	-	-	-	500	500
<b>Restricted for:</b>								
Food service	-	-	-	-	-	-	-	216,185
Debt service	13,973	37,178	6,762	32,448	-	-	-	145,856
Capital projects	-	-	-	-	241,879	695,634	390,144	1,327,657
<b>Assigned for:</b>								
Community services	-	-	-	-	-	-	-	189,166
<b>Total fund balance</b>	<b>13,973</b>	<b>37,178</b>	<b>6,762</b>	<b>32,448</b>	<b>241,879</b>	<b>695,634</b>	<b>390,644</b>	<b>1,901,532</b>
<b>Total liabilities and fund balance</b>	<b>\$ 13,996</b>	<b>\$ 37,178</b>	<b>\$ 6,762</b>	<b>\$ 32,448</b>	<b>\$ 283,252</b>	<b>\$ 743,611</b>	<b>\$ 390,644</b>	<b>\$ 2,058,315</b>

**Avondale School District**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2014**

	Special Revenue Funds		Debt Service Funds				
	Food Service	Community Services	1988	2001	2003	2005	2006
<b>Revenues</b>							
Local sources	\$ 403,729	\$ 894,760	\$ 1,432,594	\$ 555,210	\$ 1,889,329	\$ 331,020	\$ 331,057
State sources	40,924	-	-	-	-	-	-
Federal sources	606,150	-	-	-	-	-	-
<b>Total revenues</b>	<b>1,050,803</b>	<b>894,760</b>	<b>1,432,594</b>	<b>555,210</b>	<b>1,889,329</b>	<b>331,020</b>	<b>331,057</b>
<b>Expenditures</b>							
Current							
Education							
Food services	1,004,645	-	-	-	-	-	-
Community services	-	911,250	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service							
Principal	-	-	282,084	695,000	2,200,000	125,000	-
Interest and other expenditures	-	-	1,655,673	33,583	180,170	299,002	376,651
<b>Total expenditures</b>	<b>1,004,645</b>	<b>911,250</b>	<b>1,937,757</b>	<b>728,583</b>	<b>2,380,170</b>	<b>424,002</b>	<b>376,651</b>
Excess (deficiency) of revenues over expenditures	46,158	(16,490)	(505,163)	(173,373)	(490,841)	(92,982)	(45,594)
<b>Other financing sources (uses)</b>							
Proceeds from issuance of bonds	-	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-
Proceeds from school bond loan fund	-	-	511,000	173,000	500,000	94,000	46,000
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(29,981)	(13,445)	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>481,019</b>	<b>159,555</b>	<b>500,000</b>	<b>94,000</b>	<b>46,000</b>
<b>Net change in fund balance</b>	<b>46,158</b>	<b>(16,490)</b>	<b>(24,144)</b>	<b>(13,818)</b>	<b>9,159</b>	<b>1,018</b>	<b>406</b>
Fund balance - beginning, as restated	192,195	205,656	24,144	13,818	33,178	5,685	6,049
<b>Fund balance - ending</b>	<b>\$ 238,353</b>	<b>\$ 189,166</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 42,337</b>	<b>\$ 6,703</b>	<b>\$ 6,455</b>



**Avondale School District**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2014**

	Debt Service Funds				Capital Project Funds			Total Nonmajor Governmental Funds
	2007	2009	2010 Series A	2010 Series B	Sinking	2010 Series B	2014 Series B	
<b>Revenues</b>								
Local sources	\$ 664,077	\$ 1,659,490	\$ 22,445	\$ 1,190,863	\$ 665,888	\$ 184	\$ -	\$ 10,040,646
State sources	-	-	-	-	-	-	-	40,924
Federal sources	-	-	181,523	498,482	-	-	-	1,286,155
Total revenues	664,077	1,659,490	203,968	1,689,345	665,888	184	-	11,367,725
<b>Expenditures</b>								
Current								
Education								
Food services	-	-	-	-	-	-	-	1,004,645
Community services	-	-	-	-	-	-	-	911,250
Capital outlay	-	-	-	-	1,209,741	505,108	-	1,714,849
Debt service								
Principal	70,000	1,470,000	-	500,000	-	-	-	5,342,084
Interest and other expenditures	748,824	469,705	221,142	1,208,606	-	-	18,220	5,211,576
Total expenditures	818,824	1,939,705	221,142	1,708,606	1,209,741	505,108	18,220	14,184,404
Excess (deficiency) of revenues over expenditures	(154,747)	(280,215)	(17,174)	(19,261)	(543,853)	(504,924)	(18,220)	(2,816,679)
<b>Other financing sources (uses)</b>								
Proceeds from issuance of bonds	-	-	-	-	-	-	400,000	400,000
Premium on issuance of bonds	-	-	-	-	-	-	8,864	8,864
Proceeds from school bond loan fund	157,000	291,000	2,300	8,700	-	-	-	1,783,000
Transfers in	-	-	13,445	29,981	-	-	-	43,426
Transfers out	-	-	-	-	-	-	-	(43,426)
Total other financing sources (uses)	157,000	291,000	15,745	38,681	-	-	408,864	2,191,864
Net change in fund balance	2,253	10,785	(1,429)	19,420	(543,853)	(504,924)	390,644	(624,815)
Fund balance - beginning, as restated	11,720	26,393	8,191	13,028	785,732	1,200,558	-	2,526,347
<b>Fund balance - ending</b>	<b>\$ 13,973</b>	<b>\$ 37,178</b>	<b>\$ 6,762</b>	<b>\$ 32,448</b>	<b>\$ 241,879</b>	<b>\$ 695,634</b>	<b>\$ 390,644</b>	<b>\$ 1,901,532</b>

**Avondale School District**  
**Other Supplementary Information**  
**General Fund**  
**Comparative Balance Sheet**  
**June 30, 2014**

	2014	2013
<b>Assets</b>		
Cash	\$ 1,256,913	\$ 1,558,605
Taxes receivable	8,447	-
Accounts receivable	173,796	192,135
Due from other funds	11,196	1,588
Due from other governmental units	5,134,290	5,564,489
Prepaid items	<u>7,904</u>	<u>46,089</u>
<b>Total assets</b>	<b><u>\$ 6,592,546</u></b>	<b><u>\$ 7,362,906</u></b>
<b>Liabilities and fund balance</b>		
Liabilities		
Accounts payable	\$ 1,113,325	\$ 975,258
State aid anticipation note payable	275,582	1,364,429
Due to other funds	467,481	673,149
Due to other governmental units	845,365	989,837
Payroll deductions and withholdings	360,820	210,839
Accrued salaries payable and payroll related liabilities	<u>2,783,058</u>	<u>3,388,956</u>
Total liabilities	<u>5,845,631</u>	<u>7,602,468</u>
Fund balance		
Nonspendable		
Prepaid items	7,904	46,089
Unassigned (deficit)	<u>739,011</u>	<u>(285,651)</u>
Total fund balance (deficit)	<u>746,915</u>	<u>(239,562)</u>
<b>Total liabilities and fund balance</b>	<b><u>\$ 6,592,546</u></b>	<b><u>\$ 7,362,906</u></b>

**Avondale School District**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2014**

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
<b>2003 School Building and Site Bonds</b>					
2015	4.00	\$ 88,000	\$ 88,000	\$ 2,200,000	\$ 2,376,000
<b>2005 Refunding Bonds</b>					
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>\$ 1,018,600</u>	<u>\$ 1,018,600</u>	<u>\$ 7,345,000</u>	<u>\$ 9,382,200</u>
<b>2006 Refunding Bonds</b>					
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>\$ 651,800</u>	<u>\$ 651,800</u>	<u>\$ 9,395,000</u>	<u>\$ 10,698,600</u>

**Avondale School District**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2014**

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
<b>2007 Refunding Bonds</b>					
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>\$ 4,375,265</u>	<u>\$ 4,375,272</u>	<u>\$ 17,850,000</u>	<u>\$ 26,600,537</u>

**Avondale School District**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2014**

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
<b>2009 Refunding Bonds</b>					
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>\$ 992,307</u>	<u>\$ 992,304</u>	<u>\$ 11,050,000</u>	<u>\$ 13,034,611</u>
<b>2010 Building &amp; Site Series A Bonds</b>					
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>\$ 1,540,413</u>	<u>\$ 1,540,413</u>	<u>\$ 4,000,000</u>	<u>\$ 7,080,825</u>

**Avondale School District**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2014**

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
<b>2010 Building &amp; Site Series B Bonds</b>					
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>\$ 8,162,188</u>	<u>\$ 8,162,188</u>	<u>\$ 22,900,000</u>	<u>\$ 39,224,375</u>

**Avondale School District**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2014**

Year Ending June 30	Interest Rate (Percent)	Interest Due		Principal Due May 1	Total Debt Service Cost
		November 1	May 1		
<b>2014 Refunding Series A Bonds</b>					
2015	0.80	\$ 274,887	\$ 271,994	\$ 550,000	\$ 1,096,881
2016	1.30	271,994	267,754	1,060,000	1,599,748
2017	1.75	267,754	254,234	13,810,000	14,331,988
2018	2.35	151,596	132,246	13,190,000	13,473,843
		<u>\$ 966,231</u>	<u>\$ 926,228</u>	<u>\$ 28,610,000</u>	<u>\$ 30,502,459</u>
<b>2014 Building &amp; Site Series B Bonds</b>					
2015		\$ 4,022	\$ 4,000	\$ -	\$ 8,022
2016		4,000	4,000	-	8,000
2017		4,000	4,000		8,000
2018	2.00	4,000	-	400,000	404,000
		<u>\$ 16,022</u>	<u>\$ 12,000</u>	<u>\$ 400,000</u>	<u>\$ 428,022</u>