

**Hastings Area School System
Hastings, Michigan**

FINANCIAL STATEMENTS

June 30, 2014

Hastings Area School System

Hastings, Michigan

June 30, 2014

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Hastings Area School System

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Hastings Area School System
Hastings, Michigan

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 Hastings Area School System (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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.

Auditor's 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 auditor's 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 Hastings Area School System as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof 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 the District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 7, 2014

Hastings Area School System

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

This section of Hastings Area School System's (the District) annual financial report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2014. Please read it in conjunction with the 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 the District financially as a whole. The **district-wide** financial statements provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's operations in more detail than the district-wide financial statements by providing information about the District's most significant (major) funds, the General Fund and Debt Service Fund, with all other funds presented in one column as nonmajor funds. There are also separate enterprise fund statements for the District's Internal Service Fund that gets combined with the other funds at the district-wide level. The remaining statement, the statement of fiduciary (Student Activities Agency) assets and liabilities, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

District-wide Financial Statements

One of the most important questions asked about the District is, "As a whole, what is the 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 District's financial statements, report information on the District as a whole and its activities in a way that helps you answer this question. These financial statements were prepared 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.

These two statements report the District's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the District's financial health or financial position. Over time, increases or decreases in the 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 District's operating results. However, the District's goal is to provide services to the 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, the condition of the District's assets and the safety of the schools, to assess the overall health of the District.

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

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the District establishes many other funds to help it control and manage money for particular purposes (the Food Service in as example) 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 District use the following accounting approach:

Hastings Area School System

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Governmental funds - All of the 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 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 District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is explained through the reconciliations on pages 4 and 6.

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

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

The District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2014, with comparative information as of June 30, 2013:

Table 1

	<u>Statement of Net Position</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Assets		
Current and other assets	\$ 9,057,958	\$ 9,647,504
Capital assets	<u>28,067,639</u>	<u>29,655,894</u>
Total assets	37,125,597	39,303,398
Deferred outflows of resources	222,794	297,058
Liabilities		
Current liabilities	9,559,825	11,171,899
Noncurrent liabilities	<u>17,754,866</u>	<u>20,062,553</u>
Total liabilities	<u>27,314,691</u>	<u>31,234,452</u>
Net position		
Net investment in capital assets	8,475,072	8,231,324
Restricted	343,811	97,338
Unrestricted	<u>1,214,817</u>	<u>37,342</u>
Total net position	<u>\$ 10,033,700</u>	<u>\$ 8,366,004</u>

The analysis in Table 1 focuses on the net position of the District. The effect on net position as a result of the fiscal year activities is reflected in Table 2.

Hastings Area School System

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

The District's net position was \$10,033,700 on at June 30, 2014, and \$8,366,004 at June 30, 2013, (Table 1). The \$1,667,696 increase in net position is mainly due to increases in state and federal revenues in addition to wage and benefit concessions from employees.

Net investment in capital assets, totaling \$8,475,072, compares the original cost, less depreciation of the District's capital assets, to the long-term debt used to finance the acquisition of those assets. Capital assets also reflect investments in capital assets from operating funds. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use that net position for day-to-day operations. Restricted net position reflect amounts that are restricted outside sources including for food and nutrition, the community center, and the Debt Service Fund balances less accrued interest on long-term debt, as of June 30, 2014. Unrestricted net position reflects those assets available to the school district for use in its operation.

The \$1,214,817 in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. A positive unrestricted net position balance enables the District to meet working capital and cash flow requirements as well as to provide for future 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 District as a whole are reported in the condensed statement of activities (Table 2), which shows the changes in net position for fiscal year 2013/2014. Depreciation costs are not allocated to areas of activities but reflected in the Statement of Activities as unallocated.

Governmental Activities

Table 2

	Year Ended,	
	June 30, 2014	June 30, 2013
Revenues		
Program revenues		
Charges for services	\$ 1,001,601	\$ 1,049,739
Operating grants and contributions	3,708,025	3,387,592
Capital grants and contributions	170,120	191,029
General revenues		
Property taxes	5,610,105	5,195,660
State school aid - unrestricted	16,682,205	16,335,953
Other	182,894	193,656
Total revenue	27,354,950	26,353,629
Functions/Program Expenses		
Instruction	14,205,647	14,494,734
Support services	7,352,717	6,528,517
Food services	1,003,239	1,006,975
Community service	613,836	602,304
Interest and costs on long-term debt	923,560	985,741
Unallocated depreciation	1,588,255	1,298,515
Total expenses	25,687,254	24,916,786
Increase in net position	\$ 1,667,696	\$ 1,436,843

Hastings Area School System

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

The 2013/2014 fiscal year presented a number of challenges for the District, particularly in the General Fund. However with sacrifices from all employee groups it was anticipated that revenues would outpace expenses. There continues to be a strain on the State's ability to adequately fund public schools. Expenses continue to increase without a corresponding increase in revenues. Other factors that affect the value of Net Position are year-to-year fund balances in the debt service funds, amounts of debt outstanding, as well as the fund balance in the School Service funds at year-end.

As reported in the Statement of Activities, the cost of all of the *governmental* activities this year was \$25,687,254. Certain activities were partially funded from those who benefited from the programs (\$1,001,601 charges for services) or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$3,878,145). The remaining "public benefit" portion of the governmental activities was paid with \$5,610,105 in taxes (for General and Debt funds) and \$16,865,099 in State foundation allowance and other revenues, i.e., interest and general entitlements.

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

The District's Funds

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

As the District completed this year, the governmental funds reported a combined fund balance of \$1,919,886, which is an increase of approximately \$1,120,062 from last year. The primary reason for the increase was an increase in operating revenues at the state and federal level and a decrease in operating costs.

Fund Highlights

Over the course of the year, the District revises its budget multiple times as it attempted 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 adopted in June 2014, just before year-end. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements.

There were several revisions made to the 2013/2014 General Fund original budget. The final amended revenue budget was amended up by approximately \$649,526 (2.9%) once better information was available related to state and federal funding and the pupil count. Actual revenues and other financing sources were approximately \$37,729 more than final amended budget as the District received unexpected year end state aid adjustments and greater than anticipated local funds from Barry ISD.

The final amended expenditure and other financing uses budget of the General Fund was amended upwards by approximately \$727,452 (3.4%) once the revenue picture was better known and the funds available to expend could be accurately determined. Actual expenditures and other financing uses were approximately \$200,817 (<1%) under the final amended budget. Actual expenditures increased by approximately \$51,510 during fiscal year 2014 as a result of additional repair expenses in the transportation and maintenance areas as well as a larger than anticipated contribution to the Community Center fund from the General Fund.

The Debt Service Fund had a fund balance of \$352,112 at June 30, 2014, all of which is restricted for the payment of debt related to certain District bonds. The fund balance increased by approximately 70% during fiscal year 2014 as a result of the District receiving federal interest subsidy payments to help offset the District's debt service payments.

Hastings Area School System
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2014, the District had approximately \$28.1 million invested in a broad range of net capital assets, including land, buildings, vehicles, furniture, and equipment (net of accumulated depreciation). This amount represents a net decrease (including additions and disposals) of approximately \$1,588,255 from the prior fiscal year. Below is the historical cost (net of accumulated depreciation) of all District capital assets:

	2014	2013
Land	\$ 253,410	\$ 253,410
Buildings and building improvements	26,105,086	27,247,924
Buses and other vehicles	367,029	452,198
Furniture and equipment	1,342,114	1,702,362
Total	\$ 28,067,639	\$ 29,655,894

See Note E to the financial statements for more details related to capital assets.

Debt

At the end of this year, the District had almost \$20.1 million in bonds and other obligations outstanding versus more than \$22.2 million in the previous year. Those debts consisted of the following:

	2014	2013
General obligation bonds	\$ 19,082,406	\$ 21,080,006
Capital lease and installment purchase agreements	510,161	641,622
Compensated absences/retirement incentive payable	479,312	522,413
Total	\$ 20,071,879	\$ 22,244,041

The State limits the amount of general obligation debt that schools can issue up to 15 percent of the assessed value of all taxable property within the District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The District's outstanding qualified general obligation debt of almost \$19.1 million is below the statutorily imposed limit.

Other obligations, including compensated absences, are reported as required by GASB. More detailed information about long-term liabilities is presented in Note G to the financial statements.

Hastings Area School System

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Economic Factors and Next Year's Budgets and Rates

The District's elected officials and administration considered many factors when setting the District's 2014/2015 fiscal year budgets. One of the most important factors affecting the budget is the 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 fiscal year is 90 percent and 10 percent of the 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 September 2014. Approximately 75 percent of total General Fund revenue is from the foundation allowance. Under State law, the District cannot access additional property tax revenue for general operations. As a result, District funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the District to amend the budget if actual resources are not sufficient to fund original appropriations.

Since the 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. The State periodically holds a revenue-estimating conference to estimate revenues.

Another important factor is a decrease in federal funding to Title I and Title II programs which help the neediest students and provides training for the District staff.

Contacting the District's Management

This financial report is intended to provide taxpayers, parents, and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Business Office, 232 West Grand Street, Hastings, Michigan 49058.

BASIC FINANCIAL STATEMENTS

Hastings Area School System
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 5,403,699
Accounts receivable	45,086
Due from other governmental units	3,562,626
Inventory	34,369
Prepays	12,178
Total current assets	9,057,958
Noncurrent assets	
Capital assets not being depreciated	253,410
Capital assets, net of accumulated depreciation	27,814,229
Total noncurrent assets	28,067,639
TOTAL ASSETS	37,125,597
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	222,794
LIABILITIES	
Current liabilities	
Accounts payable	459,333
Accrued payroll liabilities	1,579,691
Other accrued liabilities	26,554
Unearned revenue	14,553
Accrued interest payable	130,820
Short-term notes payable	5,031,861
Current portion of compensated absences	114,723
Current portion of long-term debt	2,202,290
Total current liabilities	9,559,825
Noncurrent liabilities	
Noncurrent portion of compensated absences	364,589
Noncurrent portion of long-term debt	17,390,277
Total noncurrent liabilities	17,754,866
TOTAL LIABILITIES	27,314,691
NET POSITION	
Net investment in capital assets	8,475,072
Restricted	343,811
Unrestricted	1,214,817
TOTAL NET POSITION	\$ 10,033,700

See accompanying notes to financial statements.

Hastings Area School System

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions		
Governmental activities					
Instruction	\$ 14,205,647	\$ 2,850	\$ 2,930,885	\$ -	\$(11,271,912)
Supporting services	7,352,717	201,677	40,463	-	(7,110,577)
Food service	1,003,239	333,139	736,677	-	66,577
Community service	613,836	463,935	-	-	(149,901)
Interest and costs on long-term debt	923,560	-	-	170,120	(753,440)
Unallocated depreciation	1,588,255	-	-	-	(1,588,255)
TOTAL	\$ 25,687,254	\$ 1,001,601	\$ 3,708,025	\$ 170,120	(20,807,508)
General revenues					
Property taxes					5,610,105
State school aid - unrestricted					16,682,205
County special education allocation					64,703
Investment earnings					23,799
Miscellaneous					94,392
TOTAL GENERAL REVENUES					22,475,204
CHANGE IN NET POSITION					1,667,696
Net position, beginning of year					8,366,004
Net position, end of year					\$ 10,033,700

See accompanying notes to financial statements.

Hastings Area School System

Governmental Funds

BALANCE SHEET

June 30, 2014

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,963,669	\$ 350,088	\$ 89,942	\$ 5,403,699
Accounts receivable	41,027	-	4,059	45,086
Due from other funds	2,437	-	-	2,437
Due from other governmental units	3,506,241	2,461	27,844	3,536,546
Inventory	18,938	-	15,431	34,369
Prepays	12,178	-	-	12,178
TOTAL ASSETS	\$ 8,544,490	\$ 352,549	\$ 137,276	\$ 9,034,315
LIABILITIES				
Accounts payable	\$ 436,004	\$ -	\$ 23,329	\$ 459,333
Accrued payroll	1,577,528	-	2,163	1,579,691
Accrued liabilities	21,680	-	4,874	26,554
Due to other funds	-	2,437	-	2,437
Unearned revenue	6,082	-	8,471	14,553
Short-term note payable	5,031,861	-	-	5,031,861
TOTAL LIABILITIES	7,073,155	2,437	38,837	7,114,429
FUND BALANCES				
Nonspendable	31,116	-	-	31,116
Restricted	-	350,112	98,439	448,551
Unassigned	1,440,219	-	-	1,440,219
TOTAL FUND BALANCES	1,471,335	350,112	98,439	1,919,886
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,544,490	\$ 352,549	\$ 137,276	\$ 9,034,315

See accompanying notes to financial statements.

Hastings Area School System

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION

June 30, 2014

Total fund balances - governmental funds **\$ 1,919,886**

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 57,192,782	
Accumulated depreciation is	<u>(29,125,143)</u>	
		28,067,639

Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of net position. These amounts consist of:

Deferred charges on refunding	222,794
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds, loan, and lease payable	(19,592,567)	
Accrued interest payable, net of long-term receivable for the Federal subsidy program	(104,740)	
Compensated absences	<u>(479,312)</u>	
		<u>(20,176,619)</u>

Net position of governmental activities **\$ 10,033,700**

Hastings Area School System

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2014

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local sources	\$ 3,361,756	\$ 2,645,361	\$ 816,630	\$ 6,823,747
State sources	18,671,578	-	47,946	18,719,524
Federal sources	851,802	144,040	688,732	1,684,574
TOTAL REVENUES	22,885,136	2,789,401	1,553,308	27,227,845
EXPENDITURES				
Current				
Instruction	14,248,748	-	-	14,248,748
Supporting services	7,352,717	-	-	7,352,717
Food service	-	-	1,003,239	1,003,239
Community service	4,430	-	609,406	613,836
Debt service	345,186	2,645,082	-	2,990,268
TOTAL EXPENDITURES	21,951,081	2,645,082	1,612,645	26,208,808
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	934,055	144,319	(59,337)	1,019,037
OTHER FINANCING SOURCES (USES)				
County special education allocation	101,025	-	-	101,025
Transfers in	-	-	123,500	123,500
Transfers out	(123,500)	-	-	(123,500)
TOTAL OTHER FINANCING SOURCES (USES)	(22,475)	-0-	123,500	101,025
NET CHANGE IN FUND BALANCES	911,580	144,319	64,163	1,120,062
Fund balances, beginning of year	559,755	205,793	34,276	799,824
Fund balances, end of year	<u>\$ 1,471,335</u>	<u>\$ 350,112</u>	<u>\$ 98,439</u>	<u>\$ 1,919,886</u>

See accompanying notes to financial statements.

Hastings Area School System

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ 1,120,062

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	(1,588,255)
----------------------	-------------

Certain transactions related to long-term debt are reported as expenditures or other financing sources/uses in governmental funds, but are reflected as increases or decreases of the applicable deferred outflows of resources or liabilities in the statement of net position. In the current year, these amounts consist of:

Deferred charges on refunding - amortization	\$ (74,264)	
Debt principal retirement	<u>2,129,061</u>	
		2,054,797

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	11,911	
Increase in receivable related to Federal subsidy	26,080	
(Increase) in compensated absences	(15,808)	
Decrease in retirement incentive payable	<u>58,909</u>	
		<u>81,092</u>

Change in net position of governmental activities \$ 1,667,696

Hastings Area School System
 Proprietary Fund - Internal Service Fund
 STATEMENT OF NET POSITION
 June 30, 2014

	Governmental Activities
	Health Insurance Services Fund
ASSETS	
Current assets	\$ -
LIABILITIES	
Current liabilities	-
NET POSITION	\$ -0-

See accompanying notes to financial statements.

Hastings Area School System
 Proprietary Fund - Internal Service Fund
 STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET POSITION
 Year Ended June 30, 2014

	<u>Governmental Activities</u> Health Insurance Services Fund <u> </u>
OPERATING REVENUES	\$ -
OPERATING EXPENSES	<u>-</u>
CHANGE IN NET POSITION	-0-
Net position beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ -0-</u></u>

See accompanying notes to financial statements.

Hastings Area School System
Proprietary Fund - Internal Service Fund
STATEMENT OF CASH FLOWS
Year Ended June 30, 2014

	<u>Governmental Activities</u> Health Insurance Services Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers/other funds	\$ 10,004
Cash paid for benefits and related charges	<u>(11,000)</u>
CASH USED BY OPERATING ACTIVITIES	(996)
Cash, beginning of year	<u>996</u>
Cash, end of year	<u><u>\$ -0-</u></u>
Reconciliation of change in net position to net cash used by operating activities	
Change in net position	\$ -
Adjustments to reconcile change in net position to cash used by operating activities	
Decrease in:	
Accounts receivable	10,004
(Decrease) in:	
Due to other funds	<u>(11,000)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (996)</u></u>

See accompanying notes to financial statements.

Hastings Area School System

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2014

	<u>Agency Fund</u>
ASSETS	
Cash	<u>\$ 223,259</u>
LIABILITIES	
Accounts payable	\$ 10,643
Due to student groups	<u>212,616</u>
TOTAL LIABILITIES	<u>\$ 223,259</u>

See accompanying notes to financial statements.

Hastings Area School System

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hastings Area School System (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the District. The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements of the District contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the district-wide financial statements) present information for the district as a whole. All non-fiduciary activities of the District are included (i.e., fiduciary fund activities are not included in the district-wide financial statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, unrestricted State aid payments, and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the district-wide financial statements.

The governmental fund financial statements present the District's individual major funds and aggregated nonmajor funds. A separate column is shown for each major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column. Fiduciary funds are reported by type and are used to account for assets held by the District where the District acts in an agency capacity with these funds for individuals outside the District (i.e., student activities).

The major governmental funds of the District are:

- a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.
- b. Debt Service Fund - The Debt Service Fund was established to account for restricted tax revenue for payment of debt related to certain District bonds.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Additionally, the District reports an internal service fund to account for certain health insurance payouts.

3. Measurement Focus

The district-wide and proprietary funds financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet, when applicable. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide, proprietary fund, and fiduciary fund financial statements are prepared using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected with sixty (60) days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

If/when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Hastings Area School System

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and Special Revenue Funds. All unexpended appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.
- d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.
- e. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
- f. The budget, as presented, has been amended in a legally permissible manner. Three (3) supplemental appropriations were made during the year with the final amendments being approved June 23, 2014.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, money market accounts, and pooled investment funds. Cash equivalents are recorded at market (fair) value.

7. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the governmental funds balance sheet.

8. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan's funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2014, to be paid in July and August 2014. Of the total amount of \$3,562,626 due from other governmental units, \$3,415,618 consists of State Aid, \$26,080 in accrued interest receivable from the Federal Subsidy program, and the remaining \$120,928 from other grants and local programs.

Hastings Area School System

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Inventory

Inventories are stated at cost on a first in/first out basis. The General Fund inventory consists of paper, custodial supplies, fuel, and technology supplies. The Food Services Fund inventory mainly consists of food and miscellaneous paper goods. Inventory amounts for consumable inventory are equally offset by a fund balance "nonspendable" designation which indicates that they do not constitute "available spendable resources" even though they are a component of fund balance. Inventory that will be sold, rather than used in providing services (i.e. food in the Food Service Fund), and for which the proceeds from the sales are restricted for food service activities are not classified as "nonspendable" but instead are reflected as a component of restricted fund balance in accordance with the implementation guide.

10. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than \$5,000 and an estimated useful life of more than one (1) year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and building improvements	5-50 years
Buses and other vehicles	5-10 years
Furniture and equipment	3-20 years

11. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated compensated absence amounts to be paid at termination are considered as payable from future resources and are recorded, along with the related payroll taxes, as a long-term liability in the district-wide financial statements.

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and the balance sheet, when applicable, will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide financial statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and the balance sheet, when applicable, will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Hastings Area School System

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Unearned Revenues

The unexpected balance of various federal and/or state categorical and local grants is carried forward as unearned revenue until the period in which eligible expenditures are incurred. Other monies collected in advance are also presented as unearned. These same amounts have been shown as "unearned revenue" on the Statement of Net Position and the Balance Sheet, when applicable, to indicate that the revenue has not been recognized because it has not been earned.

14. Short-Term Note Obligations

Short-term debt is recognized as a liability of a governmental fund and is included on the balance sheet of the applicable fund. During the current year, the District paid off the short-term note that was outstanding at the beginning of the year and subsequently borrowed funds to meet short-term cash flow borrowing needs. The final payment on the new borrowing is due and payable in August 2014 and anticipated State Aid is expected to be sufficient to cover this commitment.

15. Accrued Interest Payable

Accrued interest payable, related to long-term obligations in the district-wide statements, is due within one (1) year and is reported as a current liability.

16. Long-term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the Debt Service Funds for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a liability of a governmental fund.

17. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School district property tax revenues are recognized when levied to the extent that they result in current revenue (collected as of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected.

The District levies taxes for the General Fund of \$17.9262 per \$1,000 of taxable valuation on nonprimary residence exempt property (2013 value \$159,887,274) and \$6 per \$1,000 of taxable valuation on commercial personal property (2013 value \$11,270,777) for general governmental services and \$4.90 per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service. The District is also permitted to levy additional amounts for enhancement and/or debt service if voter approval is obtained. Total 2013 taxable value of the District, which was used for the basis of the tax revenue for the applicable Debt Service Fund, was \$538,648,984.

Hastings Area School System

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995, the State utilized a district power equalizing approach. The foundation is funded from State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2014, the foundation allowance was based on the average of pupil membership counts taken in September 2013 and February 2014. The average calculation was weighted 90% for the September 2013 count and 10% for the February 2014 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the fiscal year and two (2) payments made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

19. Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers are netted as part of the reconciliation to the district-wide financial statements.

20. Federal Programs

Federal programs are accounted for in the specific governmental funds to which they relate. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under a separate cover as supplementary information to the financial statements.

21. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificates of deposit issued by a State or national bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

Hastings Area School System

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the District.

Deposits

There is custodial credit risk as it relates to deposits if they are not federally insured. 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. As of June 30, 2014, the carrying amount of the District's deposits was \$5,615,272 and the bank balance was \$5,883,388, of which \$777,163 was covered by federal depository insurance. The balance of \$5,106,225 was uninsured and uncollateralized. The District had \$3,218 of cash on hand.

Investments

As of June 30, 2014, the carrying amounts and market values for each type of investment as reported in the cash and cash equivalents caption on the financial statements are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Uncategorized pooled investment funds			
JP Morgan Chase Bank - Michigan			
Governmental Money Market Fund	<u>\$ 8,468</u>	<u>\$ 8,468</u>	46

Credit risk

State law limits investments in certain types of investments to a prime or better rating issue by nationally recognized statistical rating organizations (NRSRO'S). As of June 30, 2014, the District's investment in the Michigan Governmental Money Market Fund was rated Aaa by Moody's.

Interest rate risk

The District has adopted a policy that indicates how the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Hastings Area School System

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Concentration of credit risk

The District has adopted a policy that indicates how the District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The District has adopted a policy that indicates how the District will minimize custodial credit risk. Custodial credit risk is the risk of loss due to the failure of the security issuer or backer. The Board policy limits investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with the Board approved policy.

As of June 30, 2014, the cash and cash equivalents referred to above have been reported in the cash and cash equivalents caption in the basic financial statements as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 5,403,699</u>	<u>\$ 223,259</u>	<u>\$ 5,626,958</u>

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2014, are as follows:

Due to General Fund from:	
Debt Service Fund	<u>\$ 2,437</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfer to nonmajor governmental funds from:	
General Fund	<u>\$ 123,500</u>

The transfer from the General Fund to the nonmajor governmental funds was to cover operational costs.

Hastings Area School System

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated				
Land	\$ 253,410	\$ -	\$ -	\$ 253,410
Capital assets being depreciated				
Buildings and building improvements	47,402,357	-	-	47,402,357
Buses and other vehicles	2,390,924	-	(102,814)	2,288,110
Furniture and equipment	7,248,905	-	-	7,248,905
Total capital assets being depreciated	57,042,186	-0-	(102,814)	56,939,372
Less accumulated depreciation for:				
Buildings and building improvements	(20,154,433)	(1,142,838)	-	(21,297,271)
Buses and other vehicles	(1,938,726)	(85,169)	102,814	(1,921,081)
Furniture and equipment	(5,546,543)	(360,248)	-	(5,906,791)
Total accumulated depreciation	(27,639,702)	(1,588,255)	102,814	(29,125,143)
Net capital assets being depreciated	29,402,484	(1,588,255)	-0-	27,814,229
Capital assets, net	<u>\$ 29,655,894</u>	<u>\$ (1,588,255)</u>	<u>\$ -0-</u>	<u>\$ 28,067,639</u>

NOTE F: SHORT-TERM NOTES

On August 20, 2012, the School issued a short-term State School Aid Anticipation Note in the amount of \$6,500,000 for the purpose of funding operating expenditures until the 2013 State Aid payments began. This short-term note, which had a net outstanding balance of \$6,544,175 (principal and accrued interest payable) at June 30, 2013, was reported in the financial statements under the caption short-term notes payable. The funds to make the payment due came from State Aid and other local sources. The outstanding balance was paid August 22, 2013.

On August 27, 2013, the District issued a short-term State School Aid Anticipation Note in the amount of \$5,000,000 for the purpose of funding operating expenditures until the 2014 State Aid payments began. This short-term note, which had a net outstanding balance of \$5,031,861 (principal and accrued interest payable) at June 30, 2014, was reported in the General Fund and in the government-wide financial statements under the caption short-term notes payable. The outstanding balance was paid in August 2014.

Hastings Area School System

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Amounts Due within One Year
2005 Refunding Bonds	\$ 5,580,000	\$ -	\$ (430,000)	\$ 5,150,000	\$ 455,000
2006 Refunding Bonds	3,190,000	-	-	3,190,000	-
2009 Refunding Bonds	7,425,000	-	(1,435,000)	5,990,000	1,475,000
2009 School Building and Site Bonds	3,200,000	-	-	3,200,000	-
Energy Conservation Bonds	1,685,006	-	(132,600)	1,552,406	147,021
Capital lease - buses	343,292	-	(49,979)	293,313	51,269
Installment loan - technology	298,330	-	(81,482)	216,848	74,000
Compensated absences	463,504	126,747	(110,939)	479,312	114,723
Retirement incentive payable	58,909	-	(58,909)	-0-	-
	<u>\$ 22,244,041</u>	<u>\$ 126,747</u>	<u>\$ (2,298,909)</u>	<u>\$ 20,071,879</u>	<u>\$ 2,317,013</u>

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation Bonds

\$6,575,000 2005 Refunding Bonds due in annual principal installments ranging from \$455,000 to \$750,000 through May 1, 2022, with interest ranging from 4.00 to 5.00 percent, payable semi-annually.	\$ 5,150,000
\$3,190,000 2006 Refunding Bonds due in annual principal installments ranging from \$30,000 to \$775,000 from May 1, 2019 through May 1, 2026, with interest ranging from 4.00 to 4.125 percent, payable semi-annually.	3,190,000
\$12,125,000 2009 Refunding Bonds due in annual principal installments ranging from \$1,475,000 to \$1,515,000 through May 1, 2018, with interest ranging from 3.25 to 3.50 percent, payable semi-annually.	5,990,000
\$3,200,000 2010 School Building and Site Bonds, due in annual principal installments of \$400,000 from May 1, 2019 through May 1, 2026, with interest ranging from 5.00 to 5.25 percent, payable semi-annually.	3,200,000
\$2,079,765 2007 Energy Conservation Bonds due in semi-annual installments ranging from \$29,108 to \$134,462 through May 24, 2022, with an interest rate of 4.02 percent, payable semi-annually.	<u>1,552,406</u>
	<u>\$19,082,406</u>

Capital Lease

\$402,128 School Bus capital lease payable, dated August 15, 2012, due in annual installments of \$58,836 from August 15, 2012 through August 15, 2016, and a final lump sum payment of \$139,000 on August 15, 2017, with interest of 2.58 percent. The cost of the vehicles under the lease purchase agreement amounted to \$402,128. The lease purchase agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception.	<u>\$ 293,313</u>
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Hastings Area School System

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE G: LONG-TERM DEBT - CONTINUED

Installment Loan

\$368,746 Technology Installment Loan, dated July 13, 2012, due in annual installments ranging from \$74,000 to \$69,848 through June 1, 2017, with an interest rate of 1.99 percent, payable annually.

\$ 216,848

Advance Refunding - Prior

On March 31, 2005, the District defeased the portion of the 2001 School Building and Site Bonds which were due and payable May 1, 2012 through May 1, 2022. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2005 Refunding Bonds in the amount of \$6,575,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2014, bonds due and payable May 1, 2015 through May 1, 2022, for the 2001 School Building and Site Bonds in the amount of \$5,075,000 are considered defeased.

On March 9, 2006, the District defeased the portion of the 2001 School Building and Site Bonds which are due and payable May 1, 2023 through May 1, 2026. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2006 Refunding Bonds in the amount of \$3,190,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2014, bonds due and payable May 1, 2023 through May 1, 2026, for the 2001 School Building and Site Bonds in the amount of \$3,025,000 are considered defeased.

On September 29, 2009, the District defeased the 1998 Refunding Bonds and the 1999 Refunding Bonds which were due and payable May 1, 2018. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2009 Refunding Bonds in the amount of \$12,125,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2014, bonds due and payable May 1, 2015 through May 1, 2018, for the 1998 Refunding Bonds and the 1999 Refunding Bonds in the amount of \$6,245,000 are considered defeased.

Compensated Absences

In recognition of services to the District, a severance payment is made to eligible employees according to their respective employment contracts.

Under GASB Statement No. 16 requirements, the District has elected to implement the "vesting" method of calculating the compensated absences liability. The amounts accumulated for all employees currently vested are calculated along with an amount for other employees who currently are not vested but are probable to vest in future years. The amounts for employees who currently are not vested are calculated taking total unused sick pay amounts at June 30, 2014, for all nonvested employees and multiplying it by a historical termination percentage. This percentage is based on an estimate of the percentage of employees who have terminated employment fully vested in the past five (5) years.

Hastings Area School System

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE G: LONG-TERM DEBT - CONTINUED

Compensated Absences - continued

A summary of the calculated amounts of compensated absences related to compensated absences and related payroll taxes as of June 30, 2014, which have been recorded in the district-wide financial statements, is as follows:

	<u>Vested Employees</u>	<u>Nonvested Employees</u>	<u>Total</u>
Compensated absences	\$ 376,140	\$ 69,110	\$ 445,250
Payroll taxes	<u>28,775</u>	<u>5,287</u>	<u>34,062</u>
	<u>\$ 404,915</u>	<u>\$ 74,397</u>	<u>\$ 479,312</u>

The annual requirements to pay the debt principal and interest outstanding for the long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>			
	<u>Principal</u>	<u>Interest</u>		
2015	\$ 2,077,021	\$ 770,925		
2016	2,167,386	694,176		
2017	2,253,753	614,863		
2018	2,341,175	534,319		
2019	1,389,710	447,901		
2020-2024	6,523,361	1,343,487		
2025-2026	<u>2,330,000</u>	<u>158,080</u>		
	<u>\$ 19,082,406</u>	<u>\$ 4,563,751</u>		
<u>Year Ending June 30,</u>	<u>Installment Loan</u>		<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 74,000	\$ 4,313	\$ 51,269	\$ 7,567
2016	73,000	2,841	52,591	6,245
2017	69,848	1,388	53,948	4,888
2018	<u>-</u>	<u>-</u>	<u>135,505</u>	<u>3,495</u>
	<u>\$ 216,848</u>	<u>\$ 8,542</u>	<u>\$ 293,313</u>	<u>\$ 22,195</u>

The 2010 School Building and Site Bonds gross interest payments due are reflected as part of the above annual requirements for the general obligation bonds. These bonds were issued under the Federal government's "Build America Bonds" program. It is the expectation of the District that through this program they will receive an interest subsidy credit payment from the Federal government each time interest payments are made on these bonds. The above schedule, in relation to the 2010 Series Bonds, includes a cumulative gross amount of interest due of \$1,393,000. Of this amount, there is an expected interest subsidy to be received over the life of the bonds in the cumulative amount of \$1,330,080. Net interest owed by the District over the life of the bonds of \$62,920.

Hastings Area School System

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE H: EMPLOYEE RETIREMENT SYSTEM

Plan Description

All of the District's employees, except students, are eligible to participate in the State wide Michigan Public School Employees' Retirement System (MPSERS), a multiple-employer, cost-sharing, State wide public employee retirement system. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the pension retirement plans. The report for the fiscal year-end September 30, 2013, the last year available, may be obtained by contacting the State of Michigan, Department of Technology, Management, and Budget.

Funding Policy

Employer contributions to the pension system result from implementing effects of the School Finance Reform Act. Member contribution rates vary based on date of hire and certain voluntary elections. Employees who selected Member Investment Plan (MIP) on or before December 31, 1989, contributed 4% from January 1, 1987 to December 31, 1989, and 3.9% thereafter. Employees first hired on or after January 1, 1990 through June 30, 2008, are required to contribute based on a graduated rate: 3% of the first \$5,000 (up to \$150); \$150 plus 3.6% of \$5,001 through \$15,000 (up to \$510 total); \$510 plus 4.3% of all wages over \$15,000. Employees first hired on or after July 1, 2008, are required to contribute based on a graduated rate: 3% of the first \$5,000 (up to \$150); \$150 plus 3.6% of \$5,001 through \$15,000 (up to \$510 total); \$510 plus 6.4% of all wages over \$15,000. In addition, employees first hired on or after July 1, 2010, are required to enroll in the Pension Plus Plan, which includes a defined contribution component of 1%-3% of all wages to retire health care fund and 0%-2% to a hybrid defined contribution plan.

Pension Benefits

Each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits.

Other Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10.0% of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate.

Contribution rates for the year ended June 30, 2014, are as follows:

	<u>Pension Contribution Rates</u>		<u>Health Contribution Rates</u>	
	<u>Basic/MIP</u>	<u>Pension Plus</u>	<u>Basic/MIP</u>	<u>Pension Plus</u>
July 1, 2013 - September 30, 2013	12.78 - 15.21%	12.78 - 15.02%	9.11%	8.18 - 9.11%
October 1, 2013 - June 30, 2014	15.44 - 18.34%	15.44 - 18.11%	5.52 - 6.45%	5.52 - 6.45%

Hastings Area School System

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Other Postemployment Benefits - continued

The District's required and actual contributions to the various plans for the last three (3) fiscal years are as follows:

Year Ending June 30,	Defined Benefit Plan		Defined Contribution Plan	
	Employer Retirement Contributions	Employer Health Contributions	Employer Contributions	Employee Contributions
2014	\$ 2,093,413	\$ 735,524	\$ 49,240	\$ 54,031
2013	1,841,160	991,394	21,995	27,086
2012	2,083,019	1,109,378	Not available	Not available

NOTE I: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, equipment breakdown (boiler and machinery), fleet, liability, cyber liability/data breach, employee dishonesty, in-land marine, crime, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers' Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

During the year ended June 30, 2013, the District ended its self-insurance for medical claims of certain employee groups up to \$100,000 individually and \$300,000 aggregately. The District carried commercial insurance for claims in excess of these amounts. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage during the period of self-insurance.

The estimated liability for medical claims that were incurred though the fiscal year ended June 30, 2013, including both those claims that have been reported as well as those that had yet been reported, are deemed to have been completely paid as of June 30, 2014. This activity is recorded in the Internal Service Fund and in the Governmental Activities in the government-wide financial statements. Changes in the estimated liability for the current year are as follows:

	<u>2014</u>
Estimated liability - beginning of year	\$ 11,000
Estimated claims incurred - including changes in estimates	-
Claims payments	<u>(11,000)</u>
Estimated liability - end of year	<u>\$ -0-</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE J: FLEXIBLE BENEFITS PLAN

In November 1996, the District approved by Board action to implement a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The Plan, available to all eligible employees, who meet the eligibility requirements as set by the plan, permits them to reduce their salary and put these amounts into a flexible benefits account up to certain limits. The plan allows the employee to reduce their salary and apply it to required premium payments, medical expense reimbursement benefits, or dependent care benefits. A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The Plan is administered by AFLAC.

NOTE K: CONTINGENT LIABILITIES

The District participates in a number of Federal and State assisted grant programs that are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the programs have not yet been completed or final resolution has not been received. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

There are certain legal actions pending against the District. Due to the inconclusive nature of many of the actions, it is not possible for legal counsel to determine the probable outcome or a reasonable estimate of the District's potential liability, if any. Those actions for which a reasonable estimate can be determined of the District's potential liability and that would not be covered by insurance and reserves, if any, could be material to the District.

NOTE L: DETAILS OF FUND BALANCES CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) fund balance classifications under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Hastings Area School System

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE L: DETAILS OF FUND BALANCES CLASSIFICATIONS - CONTINUED

Fund Balance Classification Policies and Procedures

For committed fund balance, the District's highest level of decision-making authority is the District's Board of Education. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the Board.

For assigned fund balance, the Board is authorized to assign amounts to a specific purpose. The authorization policy is a vote and approval by the Board.

For the classification of fund balance amounts, the District's policy is to spend restricted amounts first, then unrestricted amounts when both restricted and unrestricted amounts are available. Similarly, the Districts policy is to spend committed amounts first, and then assigned amounts and finally unassigned amounts when any of those unrestricted fund balance classifications could be used.

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund Balances				
Nonspendable				
Inventory	\$ 18,938	\$ -	\$ -	\$ 18,938
Prepays	12,178	-	-	12,178
Restricted				
Food and nutrition	-	-	98,092	98,092
Community center	-	-	347	347
Debt service	-	350,112	-	350,112
Unassigned	1,440,219	-	-	1,440,219
	<u>\$ 1,471,335</u>	<u>\$ 350,112</u>	<u>\$ 98,439</u>	<u>\$ 1,919,886</u>

NOTE M: RESTRICTED NET POSITION

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net position restrictions as of June 30, 2014:

Governmental activities	
Restricted	
Food and nutrition	\$ 98,092
Community center	347
Debt service	<u>245,372</u>
	<u>\$ 343,811</u>

Hastings Area School System

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE N: SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2014, the following event occurred:

On August 20, 2014, the District issued a State School Aid Anticipation Note in the amount of \$4,500,000 for the purpose of funding operating expenditures until the fiscal year 2015 State Aid payments begin. This short-term note will be paid off when the District accumulates sufficient State Aid revenues at the end of next fiscal year. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

NOTE O: UPCOMING ACCOUNTING PRONOUNCEMENT

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the District's 2014-2015 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Hastings Area School System

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 3,250,090	\$ 3,280,281	\$ 3,361,756	\$ 81,475
State sources	18,323,524	18,648,922	18,671,578	22,656
Federal sources	725,292	918,229	851,802	(66,427)
TOTAL REVENUES	22,298,906	22,847,432	22,885,136	37,704
EXPENDITURES				
Instruction				
Basic needs	10,951,455	10,984,570	10,903,809	80,761
Added needs	3,240,847	3,347,371	3,344,939	2,432
Total instruction	14,192,302	14,331,941	14,248,748	83,193
Supporting services				
Pupil services	210,058	221,092	223,451	(2,359)
Instructional staff	506,487	674,309	623,439	50,870
General administration	265,072	256,717	252,955	3,762
School administration	1,484,707	1,461,850	1,438,126	23,724
Business services	550,942	552,132	539,651	12,481
Technology	608,577	645,599	629,634	15,965
Operations and maintenance	2,032,396	2,268,860	2,268,187	673
Transportation	853,168	1,007,090	982,967	24,123
Athletics	414,532	399,018	394,307	4,711
Total supporting services	6,925,939	7,486,667	7,352,717	133,950
Community services	6,000	16,423	4,430	11,993
Debt service	338,705	345,367	345,186	181
TOTAL EXPENDITURES	21,462,946	22,180,398	21,951,081	229,317
EXCESS OF REVENUES OVER EXPENDITURES	835,960	667,034	934,055	267,021
OTHER FINANCING SOURCES (USES)				
County special education allocation	-	101,000	101,025	25
Transfers to other funds	(85,000)	(95,000)	(123,500)	(28,500)
TOTAL OTHER FINANCING SOURCES (USES)	(85,000)	6,000	(22,475)	(28,475)
NET CHANGE IN FUND BALANCE	750,960	673,034	911,580	238,546
Fund balance, beginning of year	559,755	559,755	559,755	-0-
Fund balance, end of year	\$ 1,310,715	\$ 1,232,789	\$ 1,471,335	\$ 238,546

Hastings Area School System

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2014

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2014, the District incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Current			
Supporting services			
Pupil services	\$ 221,092	\$ 223,451	\$ 2,359
Transfers to other funds	95,000	123,500	28,500
Community Center Fund			
Current			
Community Service	570,975	609,406	38,431

OTHER SUPPLEMENTARY INFORMATION

Hastings Area School System
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET

June 30, 2014

	Special Revenue		Total
	Food Service	Community Center	
ASSETS			
Cash	\$ 71,006	\$ 18,936	\$ 89,942
Accounts receivable	314	3,745	4,059
Due from other governmental units	25,481	2,363	27,844
Inventory	15,431	-	15,431
TOTAL ASSETS	\$ 112,232	\$ 25,044	\$ 137,276
LIABILITIES			
Accounts payable	\$ 1,882	\$ 21,447	\$ 23,329
Accrued payroll	838	1,325	2,163
Accrued liabilities	4,279	595	4,874
Unearned revenue	7,141	1,330	8,471
TOTAL LIABILITIES	14,140	24,697	38,837
FUND BALANCES			
Restricted			
Food and nutrition	98,092	-	98,092
Community center	-	347	347
TOTAL FUND BALANCES	98,092	347	98,439
TOTAL LIABILITIES AND FUND BALANCES	\$ 112,232	\$ 25,044	\$ 137,276

Hastings Area School System

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2014

	Special Revenue		Total
	Food Service	Community Center	
REVENUES			
Local sources	\$ 333,139	\$ 483,491	\$ 816,630
State sources	47,946	-	47,946
Federal sources	688,732	-	688,732
TOTAL REVENUES	1,069,817	483,491	1,553,308
EXPENDITURES			
Current			
Food service	1,003,239	-	1,003,239
Community service	-	609,406	609,406
TOTAL EXPENDITURES	1,003,239	609,406	1,612,645
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	66,578	(125,915)	(59,337)
OTHER FINANCING SOURCES			
Transfers in	-	123,500	123,500
NET CHANGE IN FUND BALANCES	66,578	(2,415)	64,163
Fund balances, beginning of year	31,514	2,762	34,276
Fund balances, end of year	\$ 98,092	\$ 347	\$ 98,439