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ADAMS TOWNSHIP SCHOOL DISTRICT

**FINANCIAL REPORT
With Supplementary Information**

JUNE 30, 2014





**ADAMS TOWNSHIP SCHOOL DISTRICT
JUNE 30, 2014**

ADMINISTRATION

Superintendent	Tim Keteri
Assistant K-12 Principal	Mike Benda
Elementary Principal	Kim Harris

BOARD OF EDUCATION

President	Darren Niemi
Vice President	John Pastore
Treasurer	Steve Nicholas
Secretary	Annette Butina
Trustee	Barbara Ruotsala
Trustee	Chad Snell
Trustee	Kristen Archambeau

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Adams Township School District
Painesdale, 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 the Adams Township School District as of and for the year then 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 of 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 the Adams Township 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 on pages 6 through 12 and 33 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 additional information on pages 35 through 40 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional information on pages 35 through 40 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2014 on our consideration of the Adams Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Adams Township School District's internal control over financial reporting and compliance.

**Rukkila, Negro & Associates,
Certified Public Accountants, PC**

November 12, 2014

**ADAMS TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

This section of Adams Township School District's 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 follows this section.

Financial Highlights

- The District's General Fund ended the year within budget. The fund balance decreased by \$159,864 to \$12,746. That is compared to an increase last year of \$87,949. Revenues and other sources in the General Fund totaled \$4,018,636 and expenditures totaled \$4,178,500, compared to \$3,746,249 and \$3,658,300 last year.
- The District's enrollment decreased by six (6) students this year. Last year state membership was 449 and this year was 443.

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the District as a whole and represent an overall view of the District's finances.

Statement of Net Position and the Statement of Activities

These statements provide information that help determine how the District is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The District's net position and the changes in the net position during the year are reported by these two statements. Increases or decreases in the District's net position is one way to determine if the financial position of the District is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the District.

- The Statement of Fiduciary Net Position, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position. We exclude these activities 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.

Overview of the Financial Statements (Continued)

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the District's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Service Fund, Capital Projects Fund, and School Food Service funds.

Major Funds: Under GASB Statement 34, the audit focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the District, the General, Capital Projects, and Debt Service Funds meet this requirement

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller funds. Detailed information about non-major funds can be found after the notes to the financial statements.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management Discussion and Analysis, provides information about the required budgetary comparison information on the General Fund.
- Other supplementary information provides detailed information about the General, Debt Service, Capital Projects Fund, and School Food Service Funds.

**ADAMS TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Summary of Net Position

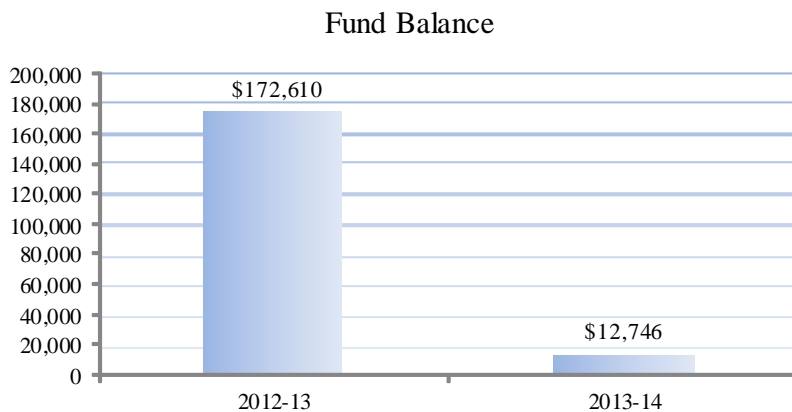
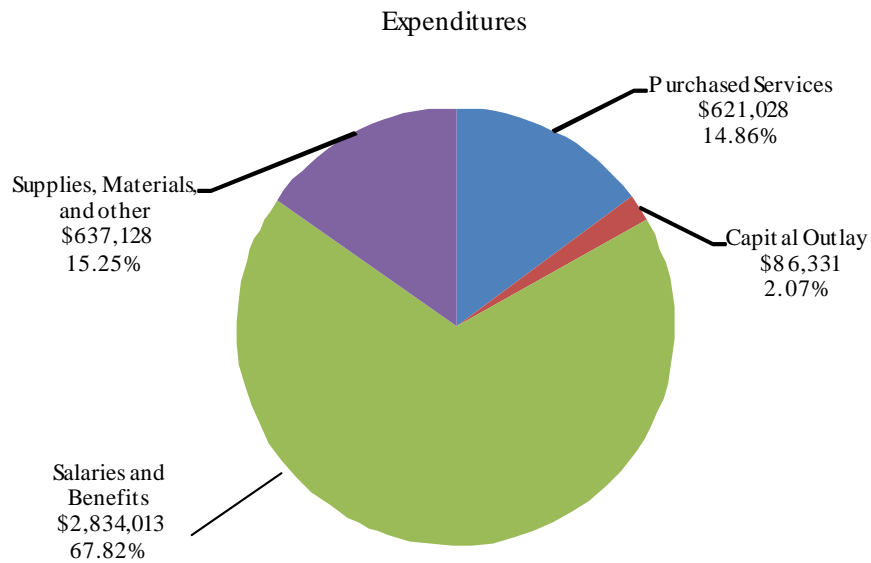
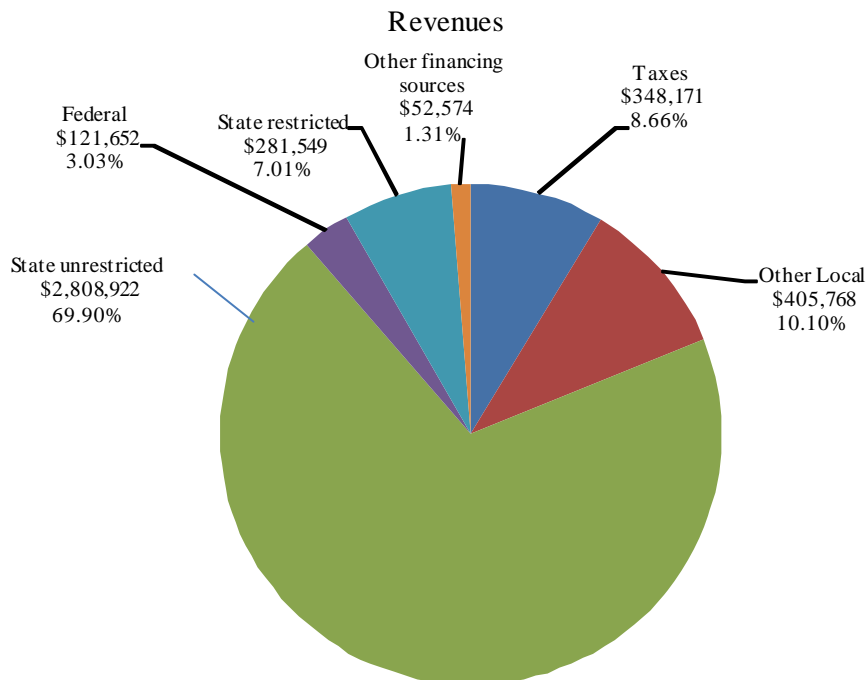
	<u>2014</u>	<u>2013</u>
Assets		
Current and other assets	\$ 790,306	\$ 962,513
Restricted cash	76,586	155,728
Restricted investments	663,312	1,134,016
Capital assets - Net of accumulated depreciation	<u>6,588,387</u>	<u>6,510,678</u>
Total Assets	<u>8,118,591</u>	<u>8,762,935</u>
Liabilities		
Current liabilities	1,422,636	1,400,129
Long-term liabilities	<u>6,605,043</u>	<u>7,426,979</u>
Total Liabilities	<u>8,027,679</u>	<u>8,827,108</u>
Net Position		
Net investment in capital assets	(536,462)	(1,410,870)
Restricted	726,753	1,292,087
Unrestricted	<u>(99,379)</u>	<u>54,610</u>
Total Net Position	<u>\$ 90,912</u>	<u>\$ (64,173)</u>

Changes in Net Position

	<u>2014</u>	<u>2013</u>
Program Revenue:		
Charges for services	\$ 77,216	\$ 75,224
Grants and contributions	972,839	655,254
General Revenue:		
Property taxes	893,584	833,337
State foundation allowance	2,744,767	2,842,833
Other	<u>76,176</u>	<u>99,303</u>
Total Revenue	<u>4,764,582</u>	<u>4,505,951</u>
Functions/Program Expenses		
Instruction	2,520,712	2,398,572
Support services	1,451,037	1,293,667
Capital projects	16,859	30,248
School food services	235,343	223,665
Athletics	134,133	123,802
Interest on long-term debt	249,500	284,041
Other debt	<u>1,913</u>	<u>1,026</u>
Total Expenses	<u>4,609,497</u>	<u>4,355,021</u>
Change in Net Position	155,085	150,930
Net Position - Beginning	(64,173)	(215,103)
Net Position - Ending	<u>\$ 90,912</u>	<u>\$ (64,173)</u>

**ADAMS TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The following charts highlight the District's General Fund activities:



**ADAMS TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Significant Transactions and Changes in Individual Funds

A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
General Fund:			
Revenues/Transfers	\$ 4,018,636	\$ 3,746,249	\$ 272,387
Expenditures/Transfers	\$ 4,178,500	\$ 3,658,300	\$ 520,200
Fund Balance	\$ 12,746	\$ 172,610	\$ (159,864)
Debt Service Fund:			
Revenues/Transfers	\$ 577,907	\$ 578,363	\$ (456)
Expenditures/Transfers	\$ 1,064,663	\$ 1,063,146	\$ 1,517
Fund Balance	\$ 709,399	\$ 1,196,155	\$ (486,756)
Capital Projects Fund:			
Revenues/Transfers	\$ 97	\$ 153	\$ (56)
Expenditures/Transfers	\$ 64,207	\$ 119,359	\$ (55,152)
Fund Balance	\$ 21,608	\$ 85,718	\$ (64,110)
School Food Service Fund:			
Revenues/Transfers	\$ 223,375	\$ 219,331	\$ 4,044
Expenditures/Transfers	\$ 235,343	\$ 223,665	\$ 11,678
Fund Balance	\$ (4,254)	\$ 7,714	\$ (11,968)

General Fund - Revenues increased significantly mainly due to an increase in contributions of \$246,328 most of which was a large donation for the new high school parking lot. Other significant increases to revenue included property taxes with an increase of \$53,108 and MPERS UAAL Stabilization/Cost offset increase of \$54,039. Other financing sources included loan and insurance proceeds totaling \$50,792. The state aid foundation grant decreased by \$66,656 and special education decreased by \$33,232.

Expenses in the General Fund were increased mainly by facility expenses which was for the installation of a new parking lot at the high school for \$270,000, the project was funded by contributions. Special Education expenditures increased by \$34,887 and school administration increased by \$31,786. There was additional capital outlay for the purchase of a tractor and van. Repairs and maintenance had increases for roof repairs on the high school and heating costs were higher due to an unusually cold winter.

Debt Service Fund - The Debt Service Fund collects property taxes and receives interest earnings on bank deposits to finance the payment of interest and principal on bond issue-related debt of the District.

Capital Projects Fund - The Capital Projects Fund is used for the purpose of setting aside money from the General Fund for future building repairs/improvements, and technology updates. By doing this, when a major capital purchase is needed, all the money does not have to come out of the General Fund at one time. The Capital Projects Fund is also used for recording bond proceeds and the expenditures for bond issues. All of the bond proceeds received in 2010-11 have been expended for the remodeling, furnishing and refurbishing, equipping and re-equipping school facilities, in part for energy conservation purposes; acquiring, installing and equipping educational technology in school facilities; and developing and improving sites.

School Food Service Fund - The Food Service program for the District ended the year with a deficit of \$4,254. The original budget the school had prepared showed a fund balance of \$10,049 and the amended budget had a deficit fund balance of \$2,491. The amended budget increased revenues by only \$3,695 while the expenditures were increased by \$16,235.

**ADAMS TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the annual budget prior to the start of the fiscal year on July 1. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the fiscal year ended June 30, 2014, the original budget was adopted on June 11, 2013. Since the original budget is adopted two months before the District is in session, we often have many unknowns such as the number of students we will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. The District amended its budget twice during the fiscal year. The final budget was adopted on June 11, 2014.

	Original Budget	Final Budget	Actual	Variance with final budget	% Variance
Revenues	\$ 3,638,135	\$ 3,979,045	\$ 3,966,062	\$ (12,983)	-0.3%
Expenditures					
Instruction	\$ 2,215,872	\$ 2,301,096	\$ 2,291,047	\$ 10,049	0.4%
Supporting services	1,478,490	1,888,235	1,887,453	782	0.0%
Total expenditures	\$ 3,694,362	\$ 4,189,331	\$ 4,178,500	\$ 10,831	
Other financing sources (uses)	\$ -	\$ 52,570	\$ 52,574	\$ 4	0%

Changes to the original budget for revenues was for increases in contributions, property taxes, and MPSERS UAAL Stabilization/Cost off set.

Original budget expenditures adjustments for instruction were made for the increase in special education expenses and teacher salaries, retirement, and health insurance. Supporting services expenditures increased because of repair costs and an increase in heating.

Other financing sources was adjusted for additional proceeds received from insurance and a loan for a tractor.

Capital Assets and Debt Administration

Capital Assets: The District's capital assets net increase was \$874,408 during the fiscal year. Additions totaled \$362,074 consisting of building repairs and upgrades, a new tractor and van, a replacement of the high school parking lot, and the post office building and adjoining playground. Disposals totaled \$443,278 which consisted of school buses, a tractor, a copier, and software.

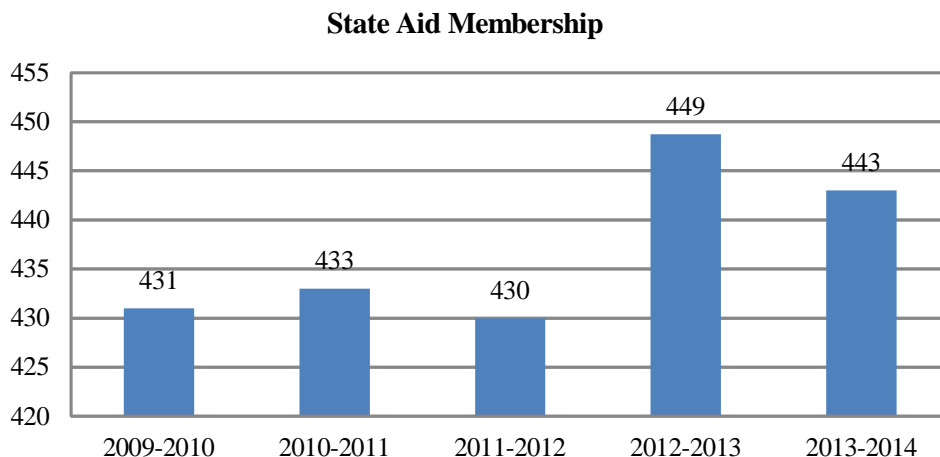
Additional information on the District's capital assets can be found on a page 25 of this report.

Long-term Debt: At the end of the current fiscal year, the District's total long term debt was \$6,957,179. The District's total debt decreased by \$1,139,670 representing principal payments and accrued benefits.

Additional information on the District's long-term debt can be found on a page 27 of this report.

Known Facts, Decisions, or Conditions Having Significant Effect on Future Operations

The graph depicts a decrease of six (6) student enrolled from the previous year, using State Aid Membership Count.



Our elected officials and administration consider many factors when setting the District's 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.

Approximately 69% of total General Fund revenues are from the foundation allowance. Under State law, the District cannot assess 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.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Adams Township School District.

ADAMS TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 179,926
Accounts receivable	31,034
Prepaid expenses	2,670
Due from fiduciary funds	3,113
Due from other governmental units	573,563
Restricted cash	76,586
Restricted investments	663,312
Capital assets	
Land, buildings, improvements, equipment, and vehicles	9,025,733
Less: Accumulated depreciation	<u>(2,437,346)</u>
	6,588,387
Total assets	<u>8,118,591</u>
 LIABILITIES:	
Current liabilities:	
Accounts payable	40,676
Accrued expenses	353,306
Accrued interest	998,636
Unearned revenue	441
Due to other governmental units	29,577
Noncurrent liabilities:	
Note payable within one year	7,622
Note payable, due in more than one year	15,878
Note payable	366,705
Bonds payable within one year	900,000
Bonds payable, due in more than one year	3,890,000
Accrued benefits	112,125
School bond loan fund payable	<u>1,312,713</u>
Total liabilities	<u>8,027,679</u>
 NET POSITION	
Net investment in capital assets	(536,462)
Restricted for:	
Debt service	709,399
Capital projects	21,608
Food service	(4,254)
Unrestricted	<u>(99,379)</u>
Total net position \$	<u>90,912</u>

The accompanying notes to the financial statements are an integral part of this statement.

ADAMS TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

				<u>Governmental Activities</u>
	<u>Program Revenues</u>			Net (Expense)
	Charges for	Operating	Grants and	Revenue and
<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Changes in Net Position</u>
<u>FUNCTIONS/PROGRAMS</u>				
Government Activities:				
Instruction and instructional support	\$ 2,520,712	\$ -	\$ 686,878	\$ (1,833,834)
Support services	1,451,037	-	-	(1,451,037)
Capital Projects	16,859	-	-	(16,859)
School food service	235,343	47,930	175,062	(12,351)
Athletics	134,133	29,286	44,962	(59,885)
Interest on long-term debt	249,500	-	-	(249,500)
Other debt service	1,913	-	-	(1,913)
	<u>4,609,497</u>	<u>77,216</u>	<u>906,902</u>	<u>(3,625,379)</u>
Total Governmental Activities				
General Revenues:				
Taxes				
Property taxes, levied for general operations				348,171
Property taxes, levied for debt service				532,016
Other taxes				13,397
State school aid - unrestricted				2,808,922
Interest and investment earnings				35,115
Gain (loss) on disposal of fixed assets				(31,933)
Insurance proceeds				27,292
Other				45,702
Transfers				1,782
				<u>3,780,464</u>
Total general revenues and transfers				<u>3,780,464</u>
Change in Net Position				155,085
Net Position - Beginning				<u>(64,173)</u>
Net Position - Ending				<u>\$ 90,912</u>

The accompanying notes to the financial statements are an integral part of this statement.

ADAMS TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2014

		Debt Service Fund	Capital Projects Fund	Non-major Governmental School Food Service Fund	Total Governmental Funds
	General				
ASSETS:					
Cash and cash equivalents	\$ 142,110	\$ -	\$ -	\$ 37,816	\$ 179,926
Restricted investments	-	663,312	-	-	663,312
Accounts receivable	23,757	-	-	7,277	31,034
Prepaid expenses	2,670	-	-	-	2,670
Due from other governmental units	572,529	-	-	1,034	573,563
Due from fiduciary funds	3,113	-	-	-	3,113
Due from other funds	51,981	31,310	-	1,600	84,891
Restricted cash	39,451	15,527	21,608	-	76,586
TOTAL ASSETS	\$ 835,611	\$ 710,149	\$ 21,608	\$ 47,727	\$ 1,615,095
LIABILITIES:					
Accounts payable	\$ 39,926	\$ 750	\$ -	\$ -	\$ 40,676
Accrued expenses	353,306	-	-	-	353,306
Due to other governmental units	29,577	-	-	-	29,577
Due to other funds	32,910	-	-	51,981	84,891
Short-term notes payable	366,705	-	-	-	366,705
Deferred revenue	441	-	-	-	441
TOTAL LIABILITIES	822,865	750	-	51,981	875,596
FUND BALANCES:					
Nonspendable	2,670	-	-	-	2,670
Reserved	-	709,399	21,608	(4,254)	726,753
Unreserved	10,076	-	-	-	10,076
TOTAL FUND BALANCES	12,746	709,399	21,608	(4,254)	739,499
TOTAL LIABILITIES AND FUND BALANCES	\$ 835,611	\$ 710,149	\$ 21,608	\$ 47,727	

Amounts reported for 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 in the funds.	6,588,387
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(6,238,338)
Accrued interest is not included as a liability in governmental funds	(998,636)
Net position of governmental activities	<u>\$ 90,912</u>

The accompanying notes to the financial statements are an integral part of this statement.

ADAMS TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2014

	General Fund	Debt Service Fund	Capital Projects Fund	Non-major Governmental School Food Service Fund	Totals
REVENUES					
Local sources	\$ 753,939	\$ 577,907	\$ 97	\$ 48,313	\$ 1,380,256
State sources	3,090,471	-	-	6,793	3,097,264
Federal sources	121,652	-	-	168,269	289,921
Total revenues	<u>3,966,062</u>	<u>577,907</u>	<u>97</u>	<u>223,375</u>	<u>4,767,441</u>
EXPENDITURES					
Instruction	2,291,047	-	-	-	2,291,047
Supporting services	1,700,368	-	-	-	1,700,368
Debt service	-	184,663	-	-	184,663
Capital projects	-	-	64,207	-	64,207
School service	-	-	-	235,343	235,343
Athletics	134,133	-	-	-	134,133
Total expenditures	<u>4,125,548</u>	<u>184,663</u>	<u>64,207</u>	<u>235,343</u>	<u>4,609,761</u>
Excess (deficiency) of revenue over expenditures	<u>(159,486)</u>	<u>393,244</u>	<u>(64,110)</u>	<u>(11,968)</u>	<u>157,680</u>
OTHER FINANCING SOURCES (USES)					
Incoming transfers from other districts	1,782	-	-	-	1,782
Other outgoing transfers	(52,952)	-	-	-	(52,952)
Debt principal payments	-	(880,000)	-	-	(880,000)
Insurance proceeds	27,292	-	-	-	27,292
Loan proceeds	23,500	-	-	-	23,500
Total other financing sources (uses)	<u>(378)</u>	<u>(880,000)</u>	<u>-</u>	<u>-</u>	<u>880,378</u>
NET CHANGE IN FUND BALANCE	(159,864)	(486,756)	(64,110)	(11,968)	(722,698)
FUND BALANCES - BEGINNING OF YEAR	<u>172,610</u>	<u>1,196,155</u>	<u>85,718</u>	<u>7,714</u>	
FUND BALANCES - END OF YEAR	<u>\$ 12,746</u>	<u>\$ 709,399</u>	<u>\$ 21,608</u>	<u>\$ (4,254)</u>	

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

Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	77,709
Accrued expenses are recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(56,426)
Bond and loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	(23,500)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>880,000</u>
Changes in net position of governmental activities	<u>\$ 155,085</u>

The accompanying notes to the financial statements are an integral part of this statement.

ADAMS TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	<u>Fiduciary Fund</u>
ASSETS:	
Cash	<u>\$ 14,155</u>
LIABILITIES:	
Due to student groups	<u>\$ 14,155</u>

The accompanying notes to the financial statements are an integral part of this statement.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

Adams Township School District (the "District") is governed by the Adams Township School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Numbers 14 and 39.

Excluded from the reporting entity:

Adams Township School District Foundation, Inc.

The potential component unit has a separately elected board and provides assistance with development, implementation, and/or maintenance of educational programs which significantly contribute to the education and personal growth of Adams Township School students. The foundation is excluded from the reporting entity because the District does not have the ability to exercise influence or control over the operations, approve budgets, or provide funding.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues and are reported as general revenues.

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts – net investment in capital assets; restricted; and unrestricted net position.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District does allocate indirect costs.

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

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

Governmental Funds - 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest income 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 unit.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental funds:

- General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
- Capital Projects Fund - The Capital Projects Fund is used to account for all revenues and expenditures associated with the District's capital structures.

Non-major fund:

- Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific school service revenue sources such as the School Food Service.

Fiduciary Funds - The Trust and Agency Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. This fund is used to account for assets that the District holds for others in an agency capacity (primary student activities).

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Scholarship Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals or private organizations designated for scholarship purposes. The Fund distributes the assets according to scholarship requirements.

Fiduciary funds are not included in the government-wide statements.

Accrual Method - The government-wide financials statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

Modified Accrual Method - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is done.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue- The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. 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 and the local county treasurer.

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 non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2010 to August 2014. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

Foundation		\$	7,026.00
Less Local Support:			
Assumed Local Revenue	348,747		
Divided by General Education K-12 membership	<u>439.40</u>		
Calculated Local Support			<u>(793.69)</u>
Foundation Grant Allowance Per Pupil		\$	<u>6,232.31</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State Revenue (Continued)

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 non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Other Accounting Policies

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Deposits - Cash and equivalents include amounts in demand deposits and certificates of deposit.

Property Taxes - Property taxes levied by the District are collected by Adams and Bohemia Townships and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 of each year and are due upon receipt of the billing by the taxpayer and becomes a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2014, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund - Non-homestead	18.00
Debt service fund - Homestead and non-homestead	11.45

Receivables and Payables - Activity between funds are reported as “due to/from other funds.” All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory - The District utilizes the purchase method of recording inventories of food supplies, materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets - Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Fixed assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Equipment	5-10 years

Accrued Benefits - The liabilities for accrued benefits reported in the district-wide statements of \$112,125, consist of retirement incentives.

Teachers - The District's contract with the Copper Country Education Association includes a retirement incentive payment to retiring teachers with at least 10 years of service. The minimum benefit is \$4,500 and is increased each 10 years by \$1,500 with a maximum of \$7,500. As of June 30, 2014, there were thirteen (13) teachers who qualified for the early retirement incentive, with a potential liability of \$97,500.

Twelve Month Employees - The District's contract with the Adams Township School District Support Personnel Association includes a retirement incentive payment to eligible retiring twelve month employees with at least 10 years of service. The minimum benefit is \$4,500 and is increased each 10 years by \$1,500 with a maximum of \$7,500. As of June 30, 2014, there was no potential liability to the District.

School Year Employees - The District's contract with the Adams Township School District Support Personnel Association MEA/NEA includes a retirement incentive payment to eligible retiring school year employees and teachers with at least 10 years of service. The minimum benefit is \$3,375 and is increased each 10 years by \$1,125 with a maximum of \$5,625. As of June 30, 2014, there were four (4) employees who qualified for the early retirement incentive, with a potential liability to the District of \$14,625.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of Net Position.

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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position - Deferred outflows are reported in a separate section following assets, and deferred inflows are reported in a separate section following liabilities. The statement of net position then arrives at net position which includes the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance - Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either a.) Not in spendable form, or b.) Legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, laws or regulations of other governments. *Committed fund balance*, if any, is reported from amounts that can be used for specific purposes pursuant to constraints imposed by formal action by the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned balance.

Subsequent Events - Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. A public hearing is held to obtain taxpayer comments.
3. 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) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
5. Budget appropriations lapse at the end of the fiscal year.

In the body of the financial statements, the District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2014

NOTE C - DEPOSITS AND INVESTMENTS

At year-end, the District’s cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the District is as follows:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Unrestricted cash	\$ 179,926	\$ -	\$ 179,926
Restricted cash	76,586	14,155	90,741
Total cash and cash equivalents	<u>256,512</u>	<u>14,155</u>	<u>270,667</u>
Restricted investments	663,312	-	663,312
Total deposits and investments	<u>\$ 919,824</u>	<u>\$ 14,155</u>	<u>\$ 933,979</u>

As of June 30, 2014 the District had the following investments:

Investment Type	Fair Value	Rating
Federal National Mortgage/Treasury	<u>\$ 663,312</u>	AAA

Investment and Deposit Risk

Interest Rate Risk – In accordance with its investment policy, 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; 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 District’s cash requirements. The District’s investments held at year end do not have maturity dates.

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments below. The District’s investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year end.

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. State law does not require and the District does not have a policy for deposit custodial credit risk. As of June 30, 2014 the District’s bank balance was 100% insured.

Custodial Credit Risk - Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. The custodial credit risk of these investments cannot be determined.

Concentration of Credit Risk – State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments below. The District’s investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above and are external investment pools.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2014

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Michigan law authorizes the District to deposit and invest in:

- 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. In a primary or fourth class school district, the bonds, bill or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- Certificates of deposits issued by the 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.
- Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

NOTE D - FIXED ASSETS

Fixed Asset activity of the District's governmental activities was as follows:

	Balance 06/30/13	Additions	Deletions	Balance 06/30/14
Capital assets, not being depreciated				
Land	\$ 2	\$ -	\$ -	\$ 2
Capital assets, being depreciated				
Building and additions	8,081,213	47,348	-	8,128,561
Improvements other than building	19,200	281,268	-	300,468
Equipment	599,205	23,500	48,979	573,726
Vehicles	13,018	9,958	-	22,976
School buses	413,935	-	413,935	-
Subtotal	<u>9,126,573</u>	<u>\$ 362,074</u>	<u>\$ 462,914</u>	<u>9,025,733</u>
Accumulated depreciation:				
Building and additions	1,941,672	\$ 188,590	\$ -	2,130,262
Improvements other than building	9,725	5,648	-	15,373
Equipment	288,098	43,450	48,979	282,569
Vehicles	6,374	2,768	-	9,142
School buses	370,026	11,975	382,001	-
	<u>2,615,895</u>	<u>\$ 252,431</u>	<u>\$ 430,980</u>	<u>2,437,346</u>
Net capital assets	<u>\$ 6,510,678</u>			<u>\$ 6,588,387</u>

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

Governmental activities	
Instruction	\$ 233,040
Operations	5,790
Transportation	13,601
Total governmental activities	<u>\$ 252,431</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2014

NOTE E - RECEIVABLES

Receivables and due from governmental units at June 30, 2014 that are expected to be collected within one year consist of the following:

	<u>General</u>	<u>School Food</u>	<u>Total</u>
Federal	\$ 14,626	\$ -	\$ 14,626
State	557,903	1,034	558,937
Local	<u>23,757</u>	<u>7,277</u>	<u>31,034</u>
	<u>\$ 596,286</u>	<u>\$ 8,311</u>	<u>\$ 604,597</u>

NOTE F - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. There were no transfers as of June 30, 2014. The amounts of inter-fund activities as of June 30, 2014 are as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Fund</u>	<u>Inter-fund Payable</u>
General	\$ 51,981	General Fund	\$ 32,910
Debt Service Fund	31,310	Debt Service Fund	-
School Food Service	1,600	School Food Service	51,981
TOTAL	<u>\$ 84,891</u>	TOTAL	<u>\$ 84,891</u>

NOTE G - PAYABLES

Accounts payable and accrued liabilities as of June 30, 2014, for the District's individual major funds and non-major funds in the aggregate, are as follows:

Fund Financial Statements:	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>
Accounts payable	\$ 39,926	\$ 750	40,676
Accrued expenses	<u>353,306</u>	<u>-</u>	<u>353,306</u>
Total accounts payable and accrued liabilities	<u>\$ 393,232</u>	<u>\$ 750</u>	<u>\$ 393,982</u>

NOTE H - LONG TERM DEBT

Michigan Finance Authority

On August 20, 2013, the District obtained three one year operating loans from the Michigan Municipal Bond Authority, which are pledged by future state aid payments and will provide funds for general operating expenditures. Revenue Notes, Series 2013B-1 \$300,000, Revenue Notes, Series 2013B-2 \$176,100, and B-3 \$146,900 had interest rates between .43% and 1.05%. The balance as of June 30, 2014 was \$366,705. Interest is due semi-annually and principal due at maturity on August 20, 2014.

On August 20, 2014, the District obtained three one-year operating loans from the Michigan Municipal Bond Authority, which are pledged by future state aid payments and will provide funds for general operating expenditures. State Aid Note, Series A \$250,000, State Aid Note, Series B \$192,500, and State Aid Note, Series C, \$157,500 have interest rates of .42%, 1.05%, and 1.235% respectively. Interest is due semi-annually and principal due at maturity on August 20, 2015. Interest due at June 20, 2014 was \$861.57.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2014

NOTE H - LONG TERM DEBT (Continued)

2007 Advance Refunding

On February 6, 2007 the District issued \$3,530,000 of general obligation unlimited tax refunding bonds to advance refund \$3,400,000 of outstanding unlimited tax and obligation bonds. The proceeds of the bonds were used to provide for the payment of the principal of, interest on and redemption premium on the 1997 Refunding Bonds and 2001 Building and Site Bonds Series A. The Escrow Fund is held by an escrow agent and is used to pay, when due, the principal and interest, and call premiums coming due on the refunded bonds, whether by maturity or by redemption on May 1, 2012.

The bond issue matures as indicated below with an interest rate of 4% per annum. Interest payments started on May 1, 2009, and are payable semi-annually on May 1, and November 1 as indicated. The bonds are to be both term and serial.

Optional Redemption: The Bonds or portions of the Bonds in multiples of \$5,000 maturing on or after May 1, 2018, are subject to redemption at the option of the District in such order as the District may determine and by lot within any maturity, on any date occurring on or after May 1, 2017, at par plus accrued interest to the date fixed for redemption.

Mandatory Redemption of Term Bonds: The Bonds maturing on May 1, 2019, May 1, 2024 and May 1, 2031 are term bonds (the "Term Bonds") subject to mandatory redemption, in part, by lot, on the redemption dates and in the principal amounts set forth below and at a redemption price equal to the principal amount thereof, without premium, together with interest thereon to the redemption date. When Term Bonds are purchased by the District and delivered to the Paying Agent for cancellation or are redeemed in a manner other than by mandatory redemption, the principal amount of the Term Bonds affected shall be reduced by the principal amount of the Bonds so redeemed or purchased in order determined by the District.

Fiscal Year	November 1 Interest	May 1		Total
		Interest	Principal	
2014-2015	\$ 49,882	\$ 49,882	\$ 200,000	\$ 299,764
2015-2016	45,881	45,881	200,000	291,762
2016-2017	41,881	41,881	200,000	283,762
2017-2018	37,881	37,881	200,000	275,762
2018-2019	33,881	33,881	200,000	267,762
2019-2020	29,881	29,881	200,000	259,762
2020-2021	25,881	25,881	200,000	251,762
2021-2026	72,024	72,024	730,000	874,048
2026-2031	21,676	21,676	335,000	378,352
	<u>\$ 358,868</u>	<u>\$ 358,868</u>	<u>\$ 2,465,000</u>	<u>\$ 3,182,736</u>

2001 Building And Site Bonds - Series B

On October 9, 2001, the District issued \$2,000,000 of unlimited tax general obligation, Qualified Zone Academy Bonds to finance the remodeling, refurbishing, and re-equipping the high school; developing and improving the site; and acquiring and installing educational technology improvements.

Fiscal	Principal
2014-15	\$ 635,000
2015-16	95,000
	<u>\$ 730,000</u>

The Bonds are not subject to redemption prior to maturity. The District is required to make yearly payments starting in 2002 and continuing through 2014 of \$132,319 to a set aside account to be used for the principal payments. As of June 30, 2014 the District has set aside \$663,312.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2014

NOTE H - LONG TERM DEBT (Continued)

2011 School Building And Site Bonds

On June 8, 2011, the District issued \$1,715,000 of unlimited tax general obligation school bonds for the purpose of remodeling, furnishing and refurbishing, equipping and re-equipping school facilities in part for energy conservation purposes; acquiring, installing and equipping educational technology improvements in school facilities; and developing and improving sites.

The bond issue (denominations of \$5,000 or multiples thereof) matures as indicated below and bears an interest rate not exceeding 6% per annum, payable. The Bonds are not subject to redemption prior to maturity. The District is required to make yearly payments through the maturity date, May 1, 2031.

Fiscal Year	November 1 Interest	May 1		Total
		Interest	Principal	
2014-2015	\$ 31,894	\$ 31,894	\$ 65,000	\$ 128,788
2015-2016	30,919	30,919	65,000	126,838
2016-2017	29,944	29,944	65,000	124,888
2017-2018	28,969	28,969	70,000	127,938
2018-2019	27,744	27,744	70,000	125,488
2019-2020	26,519	26,519	75,000	128,038
2020-2021	25,206	25,206	75,000	125,412
2021-2026	103,220	103,220	465,000	671,440
2026-2031	45,454	45,454	645,000	735,908
	<u>\$ 349,869</u>	<u>\$ 349,869</u>	<u>\$ 1,595,000</u>	<u>\$ 2,294,738</u>

School Bond Qualification and Loan Program

The District has borrowed from the School Bond Qualification and Loan program for the purpose of making principal and interest payments on bond issues. In accordance with Act 108, Public Acts of Michigan, 1961, as amended, the State of Michigan can lend the District funds to make debt payments if, for any reason, the district is unable to pay the principal and interest on bonds when due. The loans will be repaid from taxes levied for that purpose. Repayment will commence subsequent to the repayment of the District's bond issues. However, repayments shall be made earlier if taxes levied and collected in any particular year exceed those required to repay the bonds. The interest rate associated with loans is established by the State at the time of borrowing and remains fixed for that specific borrowing until repayment.

School Bond Loan Fund: At June 30, 2014, the principal balance due to the School Bond Loan Fund was \$1,191,705 and accrued interest in the amount of \$981,751. The rate at June 30, 2014 was 3.52%.

School Loan Revolving Fund: At June 30, 2014, the principal outstanding was \$121,008 and \$2,609 of accrued interest. The rate at June 30, 2014 was 3.52%.

John Deere 3520 Tractor

On January 15, 2014, the District borrowed \$23,500 for a John Deere 3520 Tractor. The note has an interest rate of 2.75%.

Fiscal Year	January 15		Total
	Interest	Principal	
2014-2015	\$ 646	\$ 7,622	\$ 8,268
2015-2016	437	7,831	8,268
2016-2017	221	8,047	8,268
TOTAL	<u>\$ 1,304</u>	<u>\$ 23,500</u>	<u>\$ 24,804</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2014

NOTE H - LONG TERM DEBT (Continued)

Long-term liabilities activity, as reported in and liquidated through the following funds for the fiscal year ended June 30, 2014, was as follows:

	Balance			Balance		Current
	June 30, 2013	Increase	Decrease	June 30, 2014	Portion	
2007 Refunding Bonds	\$ 2,650,000	\$ -	\$ 185,000	\$ 2,465,000	\$ 200,000	
2011 Building & Site Bonds	1,655,000	-	60,000	1,595,000	65,000	
2001 Series B-QZAB	1,365,000	-	635,000	730,000	635,000	
School Bond Loan	1,191,705	-	-	1,191,705	-	
School Revolving Loan	121,008	-	-	121,008	-	
Michigan Finance Authority	-	623,000	256,295	366,705	366,705	
Tractor	-	23,500	-	23,500	7,782	
	<u>6,982,713</u>	<u>646,500</u>	<u>1,136,295</u>	<u>6,492,918</u>	<u>\$ 1,274,487</u>	
Accrued Interest	938,835	59,801	-	998,636		
Accrued Benefits	115,500	-	3,375	112,125		
TOTAL	<u>\$ 8,037,048</u>	<u>\$ 59,801</u>	<u>\$ 1,139,670</u>	<u>\$ 6,957,179</u>		

As of June 30, 2014, the aggregate maturities of long-term debt are as follows:

Fiscal Year	Interest	Principal	Total
2014-2015	\$ 165,060	\$ 1,274,327	\$ 1,439,387
2015-2016	154,037	367,831	521,868
2016-2017	143,871	273,047	416,918
2017-2018	133,700	270,000	403,700
2018-2019	123,250	270,000	393,250
2019-2020	112,800	275,000	387,800
2020-2021	102,174	275,000	377,174
2021-2026	350,489	1,195,000	1,545,489
2026-2031	1,050,120	2,292,713	3,342,833
	<u>\$ 2,335,501</u>	<u>\$ 6,492,918</u>	<u>\$ 8,828,419</u>

NOTE I - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description: The School District contributes to the Michigan Public School Employees Retirement Systems (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan, Department of Management & Budget, Office of Retirement Services. MPERS provides retirement, survivor and disability to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute. The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to MPERS, P.O. Box 30171, Lansing, MI 48909-7671, by calling (517) 322-5103 or on the State of Michigan's website at www.Michigan.gov.

Funding Policy

Defined Benefit Plan: Member contribution rates vary based on date of hire and certain voluntary elections. Member Investment Plan ("MIP") members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 through June 30, 2008 contribute at the following graduated permanently fixed contribution rates: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000. Members first hired July 1, 2008 through June 30, 2010 contribute at the following graduated permanently fixed contribution rates: 3.0 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 6.4 percent of all wages over \$15,000. Basic MIP Plan members make no contributions. Members first enrolled on or after July 1, 2010 are enrolled in the MIP Plus Plan. Member contributions are matched at a rate of 50 percent by the employer, up to a maximum of one percent. Basic 4% and MIP 7% members contribute 4% and 7% of pretax salary, respectively.

NOTE I - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (Continued)

Based on the option selected during the pension reform of 2012, these individuals contribute at a fixed rate until termination of employment or until reaching 30 years of service. At that time, based on the option selected, employee contributions are no longer required or revert to the contribution requirements under the MIP plan in which the employee initially enrolled.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree healthcare benefits on a cash disbursement basis. The rates for the year ended June 30, 2014 as a percentage of payroll ranged from 20.96 to 24.79 percent.

Hybrid Plans: Members that initially enrolled in the defined benefit plan were provided the option to convert to a defined contribution plan. In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4 percent employer contributions to a personal 401(k) account. Voluntary employee contributions are permitted in accordance with IRS guidelines. Employer contributions and earnings thereon vest based on the following schedule: 50 percent at 2 years of service, 75 percent at 3 years of service, and 100 percent at 4 years of service. Any voluntary contributions vest with the employee immediately. If a member participating in the hybrid plan retires with certain age and service requirements, he or she will receive a monthly pension based on compensation received before February 1, 2013.

Defined Contribution Plan: A member first enrolling in MPSERS on or after September 4, 2012 is automatically enrolled in the defined contribution plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the hybrid plan as described above.

The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's required and actual contributions to the plan for the years ended June 30, 2014, 2013, and 2012 were \$516,105, \$453,394, and \$394,351, respectively.

Other Post Employment Benefits

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the Premium Subsidy plan, a defined benefit postemployment healthcare plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Plan participants contribute 3 percent of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that cover up to 80 percent of cost.

Plan members enrolled on or after September 4, 2012 participate in the Personal Healthcare Fund. This defined contribution other postemployment benefits plan includes a required 2 percent employee contribution into a personal tax-deferred account, which is matched by an additional 2 percent employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2013, these members are no longer required to make the 3 percent employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 are pending a Supreme Court resolution.

The District's contributions to MPSERS for other postemployment benefits are not separately identified and are included in the contribution amounts disclosed above.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2014

NOTE J - 403(b) RETIREMENT PLAN

The District established a 403(b) plan which is a qualified tax sheltered annuity for the benefit of eligible employees. The plan is self-administered by the District with a plan year ending December 31. Participants can invest in annuity contracts or custodial accounts which invest in mutual funds. The District is not required to make contributions. Distributions are governed by IRS regulations.

NOTE K - RECONCILIATION OF MDE GRANT REPORTS

The amounts reported as current payments on MDE grant reports prepared by the State of Michigan, reconcile with the federal revenue on the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances on page 16 as follows:

Total current payments per MDE grant reports	\$	262,603
Less prior year grant receivables		(18,151)
Rounding		1
Current year receivables		14,626
Direct Awards:		
REAP Grant		17,969
USDA Commodities		12,873
Total Federal Financial Assistance	\$	<u>289,921</u>

The District expended less than \$500,000 in Federal awards during the fiscal year ended June 30, 2014 and is exempt from Federal Single Audit requirements, thus a schedule of federal financial assistance was not prepared.

NOTE L - CONTINGENT LIABILITIES

Risk Pool- The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The District joined together with other school districts currently operating a common risk management and insurance program. The District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The District is unable to provide an estimate of the amounts of additional assessments.

The MASB-SEG Property & Casualty Pool has published its own financial report for the year ended June 30, 2014, which can be obtained through the District.

NOTE M - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. Statement No. 68 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 net pension liability that will be recorded on the government-wide will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The amount of this liability is not readily determinable at this time. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

ADAMS TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
REVENUES:				
Local sources	\$ 406,265	\$ 765,105	\$ 753,939	\$ (11,166)
State sources	3,107,270	3,092,295	3,090,471	(1,824)
Federal sources	124,600	121,645	121,652	7
TOTAL REVENUE	<u>3,638,135</u>	<u>3,979,045</u>	<u>3,966,062</u>	<u>(12,983)</u>
EXPENDITURES:				
Instruction	2,215,872	2,301,096	2,291,047	10,049
Supporting services	1,478,490	1,888,235	1,887,453	782
TOTAL EXPENDITURES	<u>3,694,362</u>	<u>4,189,331</u>	<u>4,178,500</u>	<u>10,831</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(56,227)	(210,286)	(212,438)	(2,152)
OTHER FINANCING SOURCES (USES)				
Incoming transfers - other schools	-	1,780	1,782	2
Insurance proceeds	-	27,290	27,292	2
Loan proceeds	-	23,500	23,500	-
Total other financing sources (uses)	<u>-</u>	<u>52,570</u>	<u>52,574</u>	<u>4</u>
	<u>\$ (56,227)</u>	<u>\$ (157,716)</u>	(159,864)	<u>\$ (2,148)</u>
NET CHANGE IN FUND BALANCE			<u>172,610</u>	
FUND BALANCE - BEGINNING OF YEAR			<u>\$ 12,746</u>	
FUND BALANCE - END OF YEAR				

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

ADAMS TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Local sources:			
Taxes	\$ 348,995	\$ 348,171	\$ (824)
Other local sources:			
Investment revenue	3,000	2,187	(813)
Rentals	6,700	6,430	(270)
Contributions	290,000	283,677	(6,323)
Athletics	62,225	74,248	12,023
Miscellaneous	54,185	39,226	(14,959)
Total other local sources	<u>416,110</u>	<u>405,768</u>	<u>(10,342)</u>
Total local sources	<u>765,105</u>	<u>753,939</u>	<u>(11,166)</u>
State sources:			
Unrestricted grant - State Aid	2,811,805	2,808,922	(2,883)
Restricted grants:			
Special Education	55,005	55,008	3
MPERS Cost Offset	23,090	23,051	(39)
MPERS Pre-Funding	84,985	85,290	305
Technology Infrastructure	19,230	20,111	881
Data Collection	10,960	10,962	2
Vocational education	7,630	7,743	113
At-risk	79,590	79,384	(206)
Total restricted grants	<u>280,490</u>	<u>281,549</u>	<u>(1,059)</u>
Total state sources	<u>3,092,295</u>	<u>3,090,471</u>	<u>(1,824)</u>
Federal sources:			
Title I	80,270	80,272	2
Title II	23,410	23,411	1
Other federal sources	17,965	17,969	4
Total federal sources	<u>121,645</u>	<u>121,652</u>	<u>7</u>
TOTAL REVENUES	<u>3,979,045</u>	<u>3,966,062</u>	<u>(12,983)</u>
EXPENDITURES:			
Instruction:			
Basic program:			
Elementary School	888,555	888,055	500
High School	986,120	985,760	360
Total basic program	<u>1,874,675</u>	<u>1,873,815</u>	<u>860</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Added needs:			
Special education	189,231	183,965	5,266
Compensatory education	141,795	138,993	2,802
At-Risk	95,395	94,274	1,121
Total added needs	<u>426,421</u>	<u>417,232</u>	<u>9,189</u>
 Total instruction	 <u>2,301,096</u>	 <u>2,291,047</u>	 <u>10,049</u>
 Supporting services:			
Pupil:			
Guidance	<u>595</u>	<u>595</u>	<u>-</u>
 Instructional staff:			
Library	<u>26,415</u>	<u>27,005</u>	<u>(590)</u>
Total instructional staff	<u>26,415</u>	<u>27,005</u>	<u>(590)</u>
 General administration:			
Board of education	29,290	28,074	1,216
Executive administration	<u>193,765</u>	<u>190,125</u>	<u>3,640</u>
Total general administration	<u>223,055</u>	<u>218,199</u>	<u>4,856</u>
 School administration:			
Elementary	171,580	171,017	563
High School	<u>161,305</u>	<u>158,318</u>	<u>2,987</u>
Total school administration	<u>332,885</u>	<u>329,335</u>	<u>3,550</u>
 Business-fiscal services	49,825	50,477	(652)
Operation & maintenance	600,695	588,605	12,090
Pupil transportation	205,915	202,487	3,428
Athletics	110,000	134,133	(24,133)
Technology services	55,175	52,952	2,223
Facility/Site improvement	<u>283,675</u>	<u>283,665</u>	<u>10</u>
Total supporting services	<u>1,888,235</u>	<u>1,887,453</u>	<u>782</u>
 TOTAL EXPENDITURES	 <u>4,189,331</u>	 <u>4,178,500</u>	 <u>10,831</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2014

	Budget	Actual	Variance
Excess of revenues over expenditures	(210,286)	(212,438)	2,152
OTHER FINANCING SOURCES (USES):			
Incoming transfers - other schools	1,780	1,782	2
Loan proceeds	23,500	23,500	-
Insurance proceeds	27,290	27,292	2
Total other financing sources (uses)	52,570	52,574	4
Excess (Deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (157,716)</u>	<u>(159,864)</u>	<u>\$ 2,148</u>
FUND BALANCE, BEGINNING OF YEAR		172,610	
FUND BALANCE, END OF YEAR		<u>\$ 12,746</u>	

ADAMS TOWNSHIP SCHOOL DISTRICT
DEBT SERVICE FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2014

REVENUES:

Local sources:

Current taxes	\$ 532,016
Interest income	32,448
Other taxes	13,397
Penalties & interest on delinquent taxes	<u>46</u>

TOTAL REVENUES 577,907

EXPENDITURES:

Interest on bonds	182,750
Other expense	<u>1,913</u>

TOTAL EXPENDITURES 184,663

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES 393,244

OTHER FINANCING SOURCES (USES)

Redemption of bond principal	<u>(880,000)</u>
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TOTAL OTHER FINANCING SOURCES (880,000)

EXCESS OF REVENUES AND OTHER FINANCING SOURCES
OVER EXPENDITURES AND OTHER FINANCING USES (486,756)

FUND BALANCE, BEGINNING OF YEAR 1,196,155

FUND BALANCE, END OF YEAR \$ 709,399

ADAMS TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2014

REVENUES:

Local sources:

Interest	\$ 97
TOTAL REVENUES	97

EXPENDITURES:

Buildings and additions	31,300
Equipment and furniture	32,907
TOTAL EXPENDITURES	64,207

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(64,110)
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FUND BALANCE, BEGINNING OF YEAR	85,718
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FUND BALANCE, END OF YEAR	\$ 21,608
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ADAMS TOWNSHIP SCHOOL DISTRICT
SCHOOL FOOD SERVICE FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2014

REVENUES:

Local sources:

Adult lunches	\$ 2,162
Other food sales	12,688
Student lunches	31,773
Miscellaneous	<u>1,690</u>
Total local sources	<u>48,313</u>

State sources 6,793

Federal sources:

School lunch program	155,395
USDA entitlements	<u>12,874</u>
Total federal sources	<u>168,269</u>

TOTAL REVENUES 223,375

EXPENDITURES:

Salaries	44,227
Employee benefits	38,490
Supplies, materials, and other	<u>152,626</u>

TOTAL EXPENDITURES 235,343

EXCESS (DEFICIENCY) OF REVENUES
OVER EXPENDITURES (11,968)

FUND BALANCE, BEGINNING OF YEAR 7,714

FUND BALANCE, END OF YEAR \$ (4,254)

COMMUNICATIONS SECTION

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

310 Sheldon Avenue, Houghton, Michigan 49931

906.482.6601 906.482.9046 fax www.rukkilanegro.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Adams Township School District
Painesdale, Michigan

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Adams Township School District as of and for the year then ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Rukkila, Negro & Associates,
Certified Public Accountants, PC**

November 12, 2014

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

310 Sheldon Avenue, Houghton, Michigan 49931

906.482.6601 906.482.9046 fax www.rukkilanegro.com

COMMUNICATION WITH THOSE IN CHARGE OF GOVERNANCE

Board of Education
Adams Township School District
Houghton County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Adams Township School District for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 23, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Adams Township School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2014. We noted no transactions entered into by Adams Township School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of fixed assets, used to calculate depreciation, is based on the estimated useful lives of certain classes of assets. We evaluated the key factors and assumptions used to develop the useful lives to determine that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 22, 2014.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the budgetary comparison schedules which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on RSI.

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

Restriction on Use

This information is intended solely for the use of the Adams Township School District board and management and is not intended to be and should not be used for anyone other than these specified parties.

It has been a pleasure to provide audit services to Adams Township School District. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

**Rukkila, Negro & Associates,
Certified Public Accountants, PC**

November 12, 2014