



Almont Community Schools
Audited Financial Statements

June 30, 2013

Prepared by Taylor & Morgan, P.C.

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INDEPENDENT AUDITORS' REPORT

November 11, 2013

Board of Education
Almont Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Almont Community Schools as of and for the year ended June 30, 2013, 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 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 assessment, 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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 Almont Community Schools as of June 30, 2013 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 3-10 and 32 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 Almont Community Schools' basic financial statements. The introductory section titled management's discussion and analysis and individual nonmajor fund financial statements are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section titled management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2013 on our consideration of the Almont Community Schools' 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Almont Community Schools' internal control over financial reporting and compliance.

Sincerely,

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

ALMONT COMMUNITY SCHOOLS

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ALMONT COMMUNITY SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

Our discussion and analysis of the Almont Community School District's financial performance, a GASB 34 requirement, provides an overview of the Almont Community School District's financial activities for the fiscal year ended June 30, 2013.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June, 2000.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District's *net position* – the difference between assets and liabilities, as reported in the Statement of Net Position, is one way to measure the Almont Community School District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position, as reported in the Statement of Activities, is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses indicates the Almont Community School District's *operating results*. However, the Almont Community School District's goal is to provide services to its students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the schools, must also be considered when assessing the *overall health* of the Almont Community School District.

The Almont Community School District's net position totaled \$(839,620) at June 30, 2013 and \$(106,417) at June 30, 2012. Restricted net position is reported separately to show legal constraints from debt covenants and legislation that limits the Almont Community School District's ability to use the net position for day-to-day operations. The following is a summary of the District's net position at June 30, 2013, with comparative amounts for 2012:



Working Together For Children

**ALMONT COMMUNITY SCHOOLS
COMPARATIVE STATEMENT OF NET ASSETS
AS OF JUNE 30, 2013**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Assets	\$ 36,581,448	\$36,896,757
Deferred outflows of resources	162,547	117,577
Liabilities	37,298,953	36,820,275
Deferred inflows of resources	284,662	300,476
Net Position:		
Invested in capital assets, net of related debt	(2,010,172)	(1,399,011)
Restricted for capital projects	434,892	6,840
Restricted for debt service	38,520	13,273
Unrestricted	<u>697,140</u>	<u>1,272,481</u>
Total net position	<u>\$ (839,620)</u>	<u>\$ (106,417)</u>

There were \$697,140 and \$1,272,481 in unrestricted net position of governmental activities at June 30, 2013 and June 30, 2012, respectively. These amounts represent District funds that have not been committed contractually or for debt obligations and are available for future use.

Total net position decreased by \$ 733,203 in 2012-13. The major components of the decrease in net position is as follows:

➤ Depreciation expense

The provisions of GASB 34 require districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation is a reduction in net position. Depreciation expense is recorded using a straight-line method over the estimated useful lives of the assets. In accordance with generally accepted accounting principles, depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. For the year ended June 30, 2013 and June 30, 2012, the net increases in accumulated depreciation were \$1,044,856 and \$170,366 respectively.

➤ Capital acquisitions

Capital outlay for the years ended June 30, 2013 and June 30, 2012 totaled \$710,244 and \$8,137 respectively.

➤ Debt repayment

Repayment of debt decreases the District's long-term principal obligations and, as a result, the net position of the District increases. The District repaid \$1,734,733 of long-term debt (net of debt refunding) in the current fiscal year.

The results of this year's operations for the Almont Community School District as a whole are reported in the Statement of Activities. A summary of the District-wide results of operations for the years ended June 30, 2013 and June 30, 2012 are as follows:

**ALMONT COMMUNITY SCHOOLS
COMPARATIVE STATEMENT OF ACTIVITIES
AS OF JUNE 30, 2013**

	June 30, 2013	June 30, 2012
General revenue		
Property taxes levied for general operations	\$ 844,939	\$ 854,689
State of Michigan aid, unrestricted	9,695,100	10,198,804
Property taxes levied for debt service	2,354,258	2,379,316
Other – federal, state and local	170,598	277,985
Total general revenues	13,064,895	13,710,794
Program revenue		
Charges for services – local	445,445	440,767
Operating grants – federal and state	1,330,101	1,450,336
Total program revenue	1,775,546	1,891,103
Total revenues	14,840,441	15,601,897
Expenses		
Instruction	9,489,710	9,029,969
Support services	4,023,833	4,206,154
Community education	59,087	84,333
Food services	404,992	441,431
Interest on long-term debt	1,423,505	1,453,561
Depreciation (unallocated)	172,517	162,188
Total expenses	15,573,644	15,377,636
Increase/(decrease) in net assets	(733,203)	224,261
Net position - July 1	(106,417)	(330,678)
Net position - June 30	\$ (839,620)	\$ (106,417)

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

Our financial statements provide the following insights about the results of this year's operations:

The financial condition of the General Fund declined from the prior year. The General Fund fund balance decreased by \$434,135. This was due to lower federal and state funding. The financial condition of the Debt Retirement Fund and the Capital Project Funds improved from the prior year due to proceeds from borrowing.

The only Non-Major Governmental Fund was the Food Service Fund. The Food Service Fund fund balance declined from the prior year by \$ 70,239. The decrease resulted mainly from a decrease in the number of students purchasing lunch.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The Almont Community School District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments and resultant staffing requirements are known. Currently, the most significant budgeted funds are the General Fund and School Service Fund. During the fiscal year ended June 30, 2013, the Almont Community School District amended the budgets of these governmental funds twice.

GENERAL FUND

In the General Fund, the actual revenue (including Other Financing Sources) was \$12,099,726. This is less than the original budget estimate of \$12,415,332 and less than the final amended budgeted amount of \$11,985,455, a variance of approximately .9%. The variances between the actual revenues and the original and final revenue budgets are due to changes in Local, State and Federal Sources of funding.

The actual expenditures of the General Fund (including Other Financing Uses) were \$12,533,861. The original budget estimate was \$12,518,965, and the final amended budgeted amount was \$12,591,717. The variance between the actual General Fund expenditures and the original budget was the result of extensive technology purchases. General Fund revenues totaled \$12,099,726 and total expenditures \$12,533,861 for the year. The fund balance was \$901,743 at June 30, 2013.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds receive revenues from property taxes and building and site bond issues used for the purposes approved by the voters for each issue, as well as interest income from investment of bond proceeds.

The 2012 Energy Conservation Improvement Bonds were issued in July of 2012. The proceeds are being used for energy conservation projects.

GOVERNMENTAL FUND EXPENDITURES

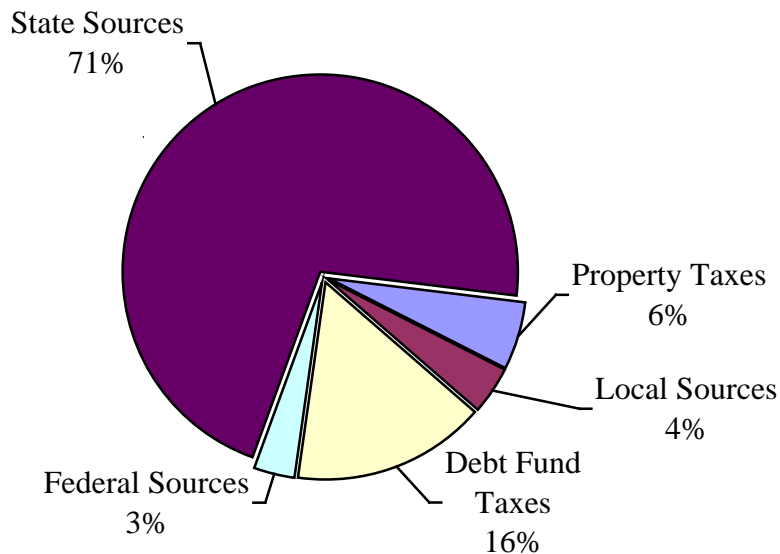
The following chart illustrates that the General Fund comprised 51 % of all the expenditures within the governmental funds of the Almont Community School District. As of June 30, 2013, expenditures totaled \$24,533,884 for all District programs. The ending fund balance for all funds was equal to \$ 1,667,790.

	<u>June 30, 2013</u>	<u>% Of Total</u>
General Fund	\$12,481,139	51%
Debt Retirement Funds	10,837,957	43%
Capital Project Funds	815,316	4%
Other Non-major Funds	399,472	2%
Total	<u>\$24,533,884</u>	<u>100%</u>

TOTAL REVENUES

Revenues (excluding Other Financing Sources) for all governmental funds totaled \$14,813,994. The following graph illustrates the District revenues by source as a percentage of total revenue exclusive of the bond issues:

Almont Community Schools
Revenue by Source



UNRESTRICTED STATE AID

The District is primarily funded by aid provided by the State Aid Foundation Allowance. The per-pupil allowance was \$6,966 for 2012-13. State Aid membership was computed in the 2012-13 school year with a blended count of 10% of the February and 90% of the September counts.

The Almont Community Schools enrollment for the 2012-13 school year was 1,536 - a decrease of 92 students from the prior year.

PROPERTY TAXES

The District levies 18 mills of property taxes on all Non-Homestead property located within the District for General Fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value. The 2012-13 Non-Homestead property tax levy totaled approximately \$844,000.

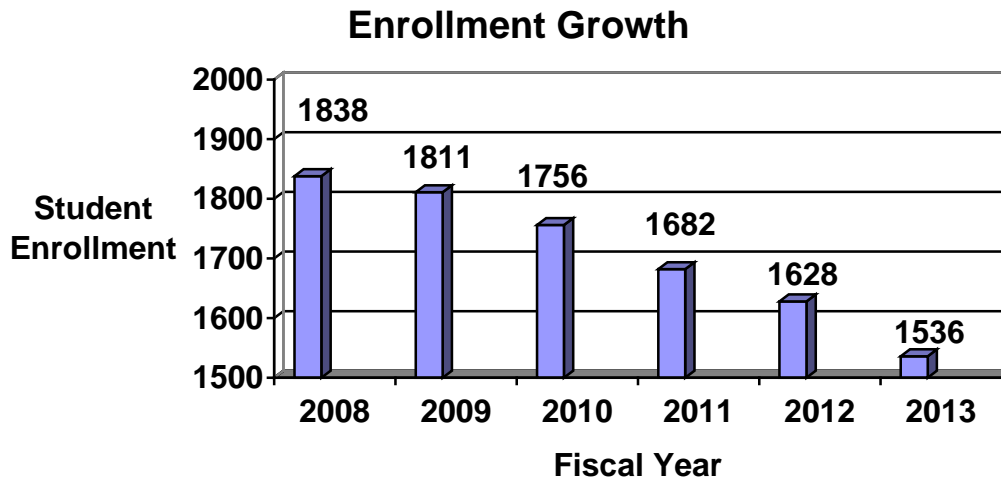
The District levies 8.45 mills of property taxes on all classes of property located within the District for bonded debt retirement. This levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations. The total amount levied for debt retirement in the current year was approximately \$2.35 million.

Almont Community Schools does not have a sinking fund levy.

ENROLLMENT

The District's 2012-13 enrollment totaled 1,536 students based on the September FTE count. This is decrease in enrollment of 92 students from the prior year's count – the seventh decline in student enrollment experienced by the District in as many years. It most likely can be explained by the current State of Michigan economy.

Enrollment growth over the last 6 years can be illustrated as follows:



Enrollment is important to the financial health of the Almont Community School District because State funding is based on a per-pupil formula. For the fiscal year ended June 30, 2013, the gross per-pupil allowance was \$6,966.

CAPITAL ASSETS

At the end of fiscal year 2013, the Almont Community School District had \$45.6 million invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$13.3 million has been depreciated. Net book value totals \$32.3 million. Total additions for the year were \$710,244 and consisted of building improvements.

The District's buildings range in years of construction from 1927 to 2007. The District is committed to the timely repairs and maintenance of its facilities. Computer purchases are under the District's capitalization threshold of \$5,000 and are expensed accordingly.

CAPITAL ASSETS AT YEAR-END

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Capital Assets		
Land	\$ 579,580	\$ 579,580
Building and Improvements	42,777,260	42,066,982
Equipment and Furniture	1,960,735	1,960,735
Vehicles	280,187	280,187
Less: Accumulated Depreciation	<u>(13,252,497)</u>	<u>(12,207,641)</u>
Net Capital Assets	<u>\$ 32,345,231</u>	<u>\$ 32,679,843</u>

OUTSTANDING DEBT AT YEAR END

The bonded debt at Almont Community Schools supports new construction and energy improvements as previously described.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this audit report.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to give an overview of the financial conditions of the Almont Community School District. If you should desire additional detailed financial program audits, they can be obtained by contacting the following person:

Joseph B. Candela
Superintendent
Almont Community School
401 Church St.
Almont, MI 48003

Office phone: (810) 798-8561
Office fax: (810) 798-2367

BASIC FINANCIAL STATEMENTS

ALMONT COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2013

		<u>Governmental Activities</u>
Assets		
Cash, cash equivalents and Investments	\$	2,127,398
Accounts Receivable		25,979
Due from Other Governmental Units		2,075,405
Prepaid Expenditures		4
Inventory		7,431
Capital Assets		
Land and Land Improvements		579,580
Buildings and Improvements		42,777,226
Equipment and Furniture		1,960,735
Vehicles		280,187
Less: Accumulated Depreciation		<u>(13,252,497)</u>
Net Capital Assets		<u>32,345,231</u>
Total Assets		<u>36,581,448</u>
Deferred Outflows of Resources		
Deferred Loss on Bond Refunding		162,547
Liabilities		
Accounts Payable		75,386
Accrued Expenses		313,981
Accrued Payroll		1,017,800
Advances from Grantors		62,260
Accrued Interest on Long-Term Debt		160,651
State Aid Anticipation Note Payable		1,099,000
Long-term Liabilities		
Due within One Year		2,446,991
Due in More than One Year		<u>32,122,884</u>
Total Liabilities		<u>37,298,953</u>
Deferred Inflows of Resources		
Deferred Premium on Bond Refunding		284,662
Total Deferred Inflows		
Net Position		
Invested in Capital Assets, Net of Related Debt		(2,010,172)
Restricted for:		
Capital Projects		434,892
Debt Service		38,520
Unrestricted		<u>697,140</u>
Total Net Position	\$	<u>(839,620)</u>

See accompanying notes to financial statements

ALMONT COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Debt Retirement Funds	Capital Project Funds	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and Investments	\$ 1,098,555	\$ 400,658	\$ 528,531	\$ 99,654	\$ 2,127,398
Accounts Receivable	25,979	-	-	-	25,979
Due from Other Governmental Units	2,073,125	-	-	2,280	2,075,405
Due from Other Funds	260,161	187,576	6,840	-	454,577
Prepaid Expenditures	4	-	-	-	4
Inventory	-	-	-	7,431	7,431
	<u>3,457,824</u>	<u>588,234</u>	<u>535,371</u>	<u>109,365</u>	<u>4,690,794</u>
Total Assets	\$ 3,457,824	\$ 588,234	\$ 535,371	\$ 109,365	\$ 4,690,794
 Liabilities and Fund Balance					
Liabilities:					
Accounts Payable	\$ 63,040	\$ -	\$ -	\$ 12,346	\$ 75,386
Accrued Expenses	313,981	-	-	-	313,981
Accrued Payroll	1,017,800	-	-	-	1,017,800
Advances from Grantors	62,260	-	-	-	62,260
Due to Other Funds	-	266,948	100,479	87,150	454,577
State Aid Anticipation Note Payable	1,099,000	-	-	-	1,099,000
	<u>2,556,081</u>	<u>266,948</u>	<u>100,479</u>	<u>99,496</u>	<u>3,023,004</u>
Total Liabilities	2,556,081	266,948	100,479	99,496	3,023,004
 Fund Balance:					
Non Spendable	4	-	-	7,431	7,435
Restricted for:					
Debt Service	-	321,286	-	-	321,286
Capital Projects	-	-	434,892	-	434,892
Food Service	-	-	-	2,438	2,438
Assigned	71,090	-	-	-	71,090
Unassigned	830,649	-	-	-	830,649
	<u>901,743</u>	<u>321,286</u>	<u>434,892</u>	<u>9,869</u>	<u>1,667,790</u>
Total Fund Balance	901,743	321,286	434,892	9,869	1,667,790
 Total Liabilities and Fund Balance	\$ 3,457,824	\$ 588,234	\$ 535,371	\$ 109,365	\$ 4,690,794

See accompanying notes to financial statements.

ALMONT COMMUNITY SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total Governmental Fund Balances \$ 1,667,790

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 as assets in
governmental funds.

Cost of Capital Assets	\$ 45,597,728	
Accumulated Depreciation	<u>(13,252,497)</u>	32,345,231

Non-current assets related to bond refundings are not included as
assets in government funds.

Deferred Loss on Bond Refunding	162,547
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Long-Term Liabilities, including Bonds Payable, are not due and
payable in the current period and therefore are not reported
as liabilities in the funds. Long-Term Liabilities at year end
consist of:

Bonds Payable	\$ (34,350,000)	
Bond Premium	(284,662)	
School Bond Loan Fund	(5,403)	
Early Retirement Incentive	(117,200)	
Compensated Absences Payable	<u>(97,272)</u>	
Total Long-Term Liabilities		(34,854,537)

In the Statement of Net Position, interest has been accrued on Long Term Debt as of June 30, 2013	<u>(160,651)</u>
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Total Net Position - Governmental Activities	<u><u>\$ (839,620)</u></u>
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See accompanying notes to financial statements.

ALMONT COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Debt Retirement Funds	Capital Project Funds	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 844,939	\$ 2,354,258	\$ -	\$ -	\$ 3,199,197
Other Local Sources	382,659	7,007	879	156,562	547,107
State Sources	10,560,001	6,849	-	8,145	10,574,995
Federal Sources	285,680	-	42,489	164,526	492,695
Total Revenues	12,073,279	2,368,114	43,368	329,233	14,813,994
Expenditures					
Instruction					
Basic Programs	6,886,001	-	-	-	6,886,001
Added Needs	1,489,321	-	-	-	1,489,321
Total Instruction	8,375,322	-	-	-	8,375,322
Support Services					
Pupil Services	435,729	-	-	-	435,729
Instructional Staff Services	147,651	-	-	-	147,651
General Administration	309,313	-	-	-	309,313
School Administration	718,113	-	-	-	718,113
Business Services	200,689	-	-	-	200,689
Operation and Maintenance	967,316	-	-	-	967,316
Pupil Transportation	682,008	-	-	-	682,008
Other Supporting Services	335,053	68,700	11,705	399,472	814,930
Athletics	250,858	-	-	-	250,858
Community Services	59,087	-	-	-	59,087
Total Support Services	4,105,817	68,700	11,705	399,472	4,585,694
Capital Projects					
Capital Outlay	-	-	741,208	-	741,208
Interest and Fiscal Costs	-	-	62,403	-	62,403
Debt Retirement					
Principal Retirement	-	9,714,280	-	-	9,714,280
Interest and Fiscal Charges	-	1,054,977	-	-	1,054,977
Total Expenditures	12,481,139	10,837,957	815,316	399,472	24,533,884
Excess (Deficiency) of Revenues over Expenditures	(407,860)	(8,469,843)	(771,948)	(70,239)	(9,719,890)
Other Financing Sources/(Uses)					
Loan Proceeds	-	455,811	-	-	455,811
Proceeds from Sale of Bonds	-	8,061,340	1,200,000	-	9,261,340
Miscellaneous	25,447	-	-	-	25,447
Principal Payments	(9,984)	-	-	-	(9,984)
Interest Payments	(402)	-	-	-	(402)
Retirement Incentive Payments	(35,000)	-	-	-	(35,000)
Incoming Transfers	1,000	-	-	-	1,000
Other Transfers	(7,336)	-	-	-	(7,336)
Total Other Financing Sources/(Uses)	(26,275)	8,517,151	1,200,000	-	9,690,876
Net Changes in Fund Balance	(434,135)	47,308	428,052	(70,239)	(29,014)
Fund Balance - July 1	1,335,878	273,978	6,840	80,108	1,696,804
Fund Balance - June 30	\$ 901,743	\$ 321,286	\$ 434,892	\$ 9,869	\$ 1,667,790

See accompanying notes to financial statements.

ALMONT COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Total Net Change in Fund Balances - Governmental Funds \$ (29,014)

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

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capitalized Assets	\$ 710,244	
Depreciation Expense	<u>(1,044,856)</u>	(334,612)

The issuance of long-term debt provides current financial resources to governmental funds. This transaction has no effect on net position. Also, governmental funds report as current income and expense the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are amortized over the life of the bonds in the government-wide statements. This amount is the net effect of the differences in the treatment of long-term refunding debt and related items. (9,310,000)

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. This is the amount of repayments reported as expenditures in the Governmental Funds. 9,714,280

Repayment of bus loans and capital leases are expenditures in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. This is the amount of repayments reported as expenditures in the Governmental Funds. 9,480

Proceeds from loans is an Other Financing Source in the Governmental Funds, but not in the Statement of Activities (where it is Long-Term Debt). (455,811)

Amortization of the deferred loss on the 2012 bond refinancing is recorded in the Statement of Activities over the life of the bonds. This is the amount of amortization of deferred loss for the year. (4,967)

Amortization of the deferred premium on the 2012 bond issue is recorded in the Statement of Activities over the life of the bonds. This is the current amortization of deferred premium for the current year. 15,814

Interest on Long-Term Debt in the Statement of Activities includes accrued interest while the Governmental Funds Statement does not. This is the (increase)/decrease in accrued interest on Long-Term Debt. (28,845)

Interest on Long-Term Debt in the Statement of Activities includes accrued interest on the School Bond Loan Fund, while the Governmental Funds Statement does not. This is the (increase)/decrease in accrued interest on the School Bond Loan Fund. (238,561)

Issuances of early retirement incentives are recorded as liabilities in the Statement of Net Position, but are not recorded in the Governmental Funds Statement. This is the (increase)/decrease in early retirement incentives. (77,200)

Accumulated unpaid benefits are recorded as liabilities in the Statement of Net Position, but are not recorded in the Governmental Funds Statement. This is the (increase)/decrease in accumulated unpaid benefits. 6,233

Change in Net Position of Governmental Activities \$ (733,203)

See accompanying notes to financial statements.

ALMONT COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Trust Funds	Agency Funds
Assets:		
Cash and Cash Equivalents	\$ -	\$ 112,557
Investments	8,174	-
Total Assets	\$ 8,174	\$ 112,557
Liabilities:		
Due to Student and Other Groups		\$ 112,557
Total Liabilities		\$ 112,557
Net Position:		
Reserved for Scholarships	\$ 8,174	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Trust Funds
Additions:	
Dividends/Gain on Investments	\$ 1,028
Total Additions	1,028
Deductions:	
Scholarships Awarded	500
Total Deductions	500
Change in Net Position:	528
Net Position- July 1	7,646
Net Position - June 30	\$ 8,174

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Almont Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

Reporting Entity

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes and determine its budget, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

Basic Financial Statements – Government-wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

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 is reported in three parts: invested in capital assets net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. General government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Interfund transactions have been eliminated in the government-wide financial statements

Basic Financial Statements - Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into six generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

Basic Financial Statements - Fund Financial Statements (continued)

General Fund - The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds - Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains one school service fund: Food Service.

Debt Service Funds - The Debt Service Funds are used to record tax and interest revenue and the payment of general long-term debt principal, interest and related cost.

Capital Projects Funds - The Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of monies specifically designed for acquiring new school sites, buildings, and equipment, and for major remodeling and repairs. The fund is retained until the purpose for which the fund was created has been accomplished.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent.

Activities (Agency) Funds - Agency Funds are used to account for assets held by the School District as an agent, are custodial in nature (assets equal liabilities), and do not involve measurement of results of operations. The agency funds are used to account for amounts held for student groups.

Expendable Trust Funds - Expendable trust funds are used to account for funds entrusted to the District, and the principal, or corpus, of the trust and the income produced are expendable.

Basis of Accounting/Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual – Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual – The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt are recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Accounting/Measurement Focus (continued)

Cash and Investments – Cash and cash equivalents include amounts in demand deposits, sweep accounts, and certificate of deposits with original maturities less than 180 days. The District reports its investments in accordance with Governmental Accounting Standards Board (GASB) *Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and *No. 40, Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), or National Credit Union Administration (NCUA), respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, mutual funds composed of investments outlined above, and investment pools, as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

Prepaid Assets – Payments made to vendors for services that will benefit periods beyond June 30, 2013 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which the services are consumed.

Inventories – Items purchased for future use are recorded as inventory and charged to expenditure accounts when requisitioned for use. Food Service Fund inventory consists of food and paper goods recorded at cost and commodity inventory recorded at fair market value as determined by the USDA.

Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. The District has adopted a \$5,000 capitalization threshold for recording capital assets. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is computed on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 years
Furniture and equipment	5 – 10 years

Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred Inflows of Resources

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

Property Taxes - School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the District's boundaries. The District's tax base is within Lapeer, Macomb, St. Clair and Oakland Counties.

The District levies its property taxes on December 1 and various municipalities collect the taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the county; delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, using the proceeds to pay the District for these delinquent real property taxes, which are recorded as revenue in the current year.

Property taxes are recognized in the accounting period when they become measurable and available to finance operations. Available means when due or past due and receivable within the current period and collected no longer than 60 days after the current period.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences - Teachers earn sick days at the rate of 10 days per year. Other employees earn sick days depending on the number of months employed and their union contract. At the end of the school year, teachers are paid for any accumulated sick days over 60 days, and support staff for any over 80 days. Employees, either upon retirement and acceptance into the Michigan School Employees' Retirement System or upon resignation for certain employees, shall be compensated at a daily rate based on their contracts. The total estimated liability for unpaid sick days, including salary-related payments, was \$97,272 and \$103,505 at June 30, 2013 and 2012, respectively.

Economic Dependency - The district receives approximately 87% of its operating revenue through the foundation allowance from the State of Michigan. This figure includes property taxes collected for operations.

Concentrations - Substantially all employees of the District are covered under collective bargaining agreements. The Michigan Education Association (MEA) contract covering the teachers expires on June 30, 2014. The Almont Education Secretaries Association contract covering secretaries will expire on June 30, 2014, and the Almont Education Support Personnel Association (AEA) contract covering all support personnel will expire June 30, 2014.

Note 2 - Budget and Budgetary Accounting

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue and an informational study of Capital Project Funds of school districts prior to the expenditure of monies in a fiscal year.

The Board of Education adopts appropriations utilizing the modified accrual basis of accounting for all governmental funds. The appropriation level adopted by the Board is the level of control authorized by the Act. The Act requires expenditures to be budgeted on a functional basis. A district is not considered to be in violation of the Act if reasonable procedures are in use by the District to detect violations.

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

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 2 - Budget and Budgetary Accounting (continued)

1. The District's superintendent submits to the Board of Education a proposed budget by July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The superintendent is authorized to transfer budgeted amounts between functions within any fund with the approval of the Budget and Finance Committee; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations, which were amended.
6. Appropriations lapse at year-end and, therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as required supplementary information.

Excess of expenditures over appropriations in budgeted funds

During the year, the District incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

<u>Budget item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Instruction – Basic Programs	\$6,700,032	\$6,886,001	\$(185,969)
General Administration	\$301,599	\$309,313	\$(7,714)
Transportation	\$670,319	\$682,008	\$(11,689)
Athletics	\$240,657	\$250,858	\$(10,201)
Other Support Services	\$290,737	\$335,053	\$(44,316)

The final amended budget anticipated expenditures exceeding revenues by \$606,262. Actual expenditures exceeded revenues by \$434,135, a positive variance of \$172,127.

Note 3 - Cash and Investments

At June 30, 2013, the District had the following investments:

<u>Fund</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Credit Quality/Rating</u>	<u>Percent of Total</u>
Trust and Agency	Securities	<u>8,174</u>	N/A	<u>100.00%</u>
	Totals	<u>\$8,174</u>		<u>100.00%</u>

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District's policy provides that

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 3 - Cash and Investments (continued)

to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities and are invested primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the District's investment in a single issuer. Cumulatively, portfolios of the District may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total District portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities and 2a7-like investment pools are excluded from these restrictions.

Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits this exposure by mandating that the District's investments in commercial paper and corporate bonds be limited to those with a prime rating or better issued by nationally recognized statistical rating organizations (NRSROs).

Custodial Credit Risk for Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities, if any, in the possession of an outside party. At June 30, 2013, the District had \$510,000 of its deposit balances insured by the FDIC, and \$2,150,144 of its deposit balances uninsured and uncollateralized.

Custodial Credit Risk for Investments

This 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. This risk is minimized by the District through limiting investments to those of a prime or better rating and pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors.

Foreign Currency Risk

This is the risk that changes in exchange rates will adversely affect the fair value of an investment. The District is not authorized to invest in investments that would be subject to this type of risk.

Note 4 – Self Insurance Pool

The District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, boiler, and errors and omission insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance agencies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At the present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the past few years. Premiums for the years ended June 30, 2013 and 2012 were \$92,682 and \$92,579 and the District received a dividend refund of \$14,204 and \$14,374, respectively.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 5 - Changes in Capital Assets

Summary of capital asset transactions:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2013</u>
Capital Assets not Being Depreciated:				
Land	\$ 579,580	\$ -	\$ -	\$ 579,580
Capital Assets Being Depreciated:				
Buildings & Additions	42,066,982	710,244	-	42,777,226
Furniture & Equipment	1,960,735	-	-	1,960,735
Buses & Other Vehicles	<u>280,187</u>	<u>-</u>	<u>-</u>	<u>280,187</u>
Subtotal	44,887,484	710,244	-	45,597,728
Accumulated Depreciation:				
Buildings & Additions	10,799,116	880,108	-	11,679,224
Furniture & Equipment	1,167,552	147,872	-	1,315,424
Buses & Other Vehicles	<u>240,973</u>	<u>16,876</u>	<u>-</u>	<u>257,849</u>
Subtotal	<u>12,207,641</u>	<u>1,044,856</u>	<u>-</u>	<u>13,252,497</u>
Net Capital Assets	<u>\$ 32,679,843</u>	<u>\$ (334,612)</u>	<u>\$ -</u>	<u>\$ 32,345,231</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the Statement of Activities as "unallocated." Depreciation was recorded on the Statement of Activities as follows:

Instruction	\$ 828,072
Support Services	38,747
Food Service	5,520
Unallocated	<u>172,517</u>
Total Depreciation Expense	<u>\$1,044,856</u>

Note 6 - Short-Term Debt

As of June 30, 2012, the District had a State Aid Loan in the amount of \$1,000,000, which was paid in full on September 2, 2012. A new note was issued on August 13, 2012 in the amount of \$1,099,000. The entire balance plus accrued interest is due August 20, 2013. The purpose of this loan is to fund cash flows.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 7 - Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2013:

	<u>Compensated Absences</u>	<u>Bonds</u>	<u>Installment Contracts</u>	<u>Durant Bonds</u>	<u>Early Retirement Incentive</u>	<u>School Bond Loan Fund</u>	<u>Total</u>
Balance							
July 1, 2012	\$ 103,505	\$ 26,755,000	\$ 13,196	\$ 6,537	\$ 40,000	\$ 7,304,121	\$ 34,222,359
Additions	-	9,310,000	-	-	97,200	694,372	10,101,572
Less: Retirements and Payments	<u>6,233</u>	<u>1,715,000</u>	<u>13,196</u>	<u>6,537</u>	<u>20,000</u>	<u>7,993,090</u>	<u>9,754,056</u>
Balance							
June 30, 2013	97,272	34,350,000	-	-	117,200	5,403	34,569,875
Less:							
Current Portion	<u>14,591</u>	<u>2,380,000</u>			<u>52,400</u>	<u>-</u>	<u>2,446,991</u>
Total Due after One Year	<u>\$ 82,681</u>	<u>\$ 31,970,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,800</u>	<u>\$ 5,403</u>	<u>\$ 32,122,884</u>

EARLY RETIREMENT INCENTIVE

The District entered into an early retirement incentive plan with its teachers' union effective July 26, 2009 that provides benefits for five years. The District entered into an additional retirement incentive plan effective May 30, 2013 that provides benefits for three years. The District's total liability for these incentive plans was \$117,200 and \$40,000 at June 30, 2013 and 2012, respectively.

SCHOOL BOND LOAN FUND

The District has borrowed amounts from the Michigan School Bond Loan Fund to help defray the cost of making scheduled payments on bonded debt. In 2012-13, the District issued \$8,110,000 in general obligation unlimited tax bonds to advance refund \$7,993,090 of this debt. The balance owed to the Fund as of June 30, 2013 and 2012 was \$5,403 and \$7,304,211, respectively.

BUS CONTRACT

The bus contract consisted of a loan for one bus purchased in 2006. This loan required annual principal payments ranging from \$8,269 to \$10,110 plus interest calculated at 4.050%. The balance owed as of June 30, 2013 and 2012 was \$0 and \$10,110, respectively.

CAPITAL LEASE

In August 2006, the District entered into a capital lease with Equipment Leasing Specialists, Inc. for the lease of a scissor lift. Six annual lease payments of \$3,228 are due beginning October 2007. The lease payments reflect imputed interest at the rate of 4.50% to reduce net minimum lease payments to present value. After the completion of the payments, the asset was purchased for \$1 plus applicable taxes. The balance owed as of June 30, 2013 and 2012 was \$0 and \$3,086, respectively.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 7 - Long-Term Debt (continued)

2002 BUILDING AND SITE BONDS

2002 Building and Site Bonds, original issue \$22,350,000, were issued to finance the cost to prepare and develop a site, including playfield and erect, construct, complete, equip and furnish thereon a new middle school building; prepare and develop a site and construct, erect, complete, equip and furnish thereon a new bus maintenance facility; purchase, install, equip, and re-equip school buildings for technology; construct, remodel, equip and re-equip, furnish and refurnish, and improve the building and sites, including playgrounds, playfields and/or physical education fields and athletic sites and facilities at the existing Orchard Primary School, Almont Elementary School and Jr./Sr. High School. The bonds, dated October 30, 2002, are due in annual installments of \$550,000 to \$975,000 through May 1, 2032, with interest rates ranging from 3.60% to 5.00%. This bond was partially defeased through a February 13, 2006 refunding bond issue. In 2012, this bond was once again partially defeased through an April 27, 2012 refunding bond issue. The balance as of June 30, 2013 and 2012 as \$1,330,000 and \$1,880,000, respectively.

1998 DURANT BONDS

Almont Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$97,866 at the interest rate of 4.761353%. The bonds were a legal obligation of the District, but the annual State of Michigan appropriation was the only revenue source for making the annual debt service payments on the bonds. If the legislature failed to appropriate the bonds, the District was under no obligation for payment. The balance as of June 30, 2013 and 2012 was \$0 and \$6,537, respectively.

2004 REFUNDING BONDS

On February 25, 2004, the District issued \$13,060,000 in General Obligation – Unlimited Tax Bonds with interest rates ranging from 2.00% to 4.5%. The District issued the bonds to advance refund \$9,150,000 of the outstanding 1996 Bond Issue with an interest rate ranging from 5.375% to 7.875% and \$3,030,000 of the outstanding 1994 Refunding Bonds with an interest rate ranging from 4.80% to 5.25%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for all future debt service on the 1994 Refunding Bonds. As a result, the 1994 Refunding Bonds and a portion of the 1996 Refunding Bonds are considered defeased, and the District has removed the liability from its accounts. The outstanding balance of the bonds was \$7,560,000 and \$8,725,000 at June 30, 2013 and 2012, respectively.

2006 REFUNDING BONDS

On February 13, 2006, the District issued \$7,615,000 in General Obligation – Unlimited Tax Bonds with interest rates ranging from 3.85% to 4.20%. The District issued the bonds to advance refund \$7,160,000 of the outstanding 2002 Building and Site Bond Issue with an interest rate ranging from 4.40% to 5.00%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for all future debt service on 2002 Building and Site Bonds. As a result, a portion of the 2002 Building and Site Bonds are considered defeased, and the District has removed the liability from its accounts. The outstanding balance of the bonds was \$7,615,000 at June 30, 2013 and 2012.

2012 REFUNDING BONDS

On April 27, 2012, the District issued \$8,535,000 in General Obligation – Unlimited Tax Bonds with interest rates ranging from 3.50% to 4.00%. The District issued the bonds to advance refund \$8,385,000 of the outstanding 2002 Building and Site Bond Issue with an interest rate ranging from 4.00% to 5.00%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for all future debt service on 2002 Building and Site Bonds. As a result, a portion of the 2002 Building and Site Bonds are considered defeased, and the District has removed the liability from its accounts. This refunding resulted in an economic gain of approximately \$763,362. The outstanding balance of the bonds was \$8,535,000, at June 30, 2013 and 2012.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 7 - Long-Term Debt (continued)

2012 ENERGY CONSERVATION IMPROVEMENT BONDS

On July 10, 2012, the District issued \$1,200,000 in general obligation bonds with an interest rate of 4.49%. The proceeds will be used for energy conservation improvement projects. The outstanding balance at June 30, 2013 was \$1,200,000.

2013 REFUNDING BONDS

On April 9, 2013, the District issued \$8,110,000 in General Obligation – Unlimited Tax Bonds with interest rates ranging from .55% to 2.55%. The District issued the bonds to advance refund \$7,993,090 of the outstanding indebtedness of the District to the State of Michigan under the State of Michigan School Bond Qualification and Loan Program. The outstanding balance at June 30, 2013 was \$8,110,000.

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

Year Ended		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
<u>June 30,</u>						
2014	\$	2,380,000	\$	1,183,865	\$	3,563,865
2015		2,455,000		1,109,237		3,564,237
2016		2,530,000		1,027,331		3,557,331
2017		2,595,000		957,391		3,552,391
2018		2,665,000		881,664		3,546,664
2019-2023		11,510,000		3,120,959		14,630,959
2024-2028		6,215,000		1,406,595		7,621,595
2029-2032		4,000,000		362,500		4,362,500
Total	\$	<u>34,350,000</u>	\$	<u>10,049,542</u>	\$	<u>44,399,542</u>

The payment dates of vacation days payable and compensated absences are indeterminable.

Interest expenditures for the year amounted to \$18,693 in the General Fund, \$43,553 in the Capital Project Funds, and \$1,054,977 in the Debt Service Funds.

Note 8 – Defined Benefit Pension Plan

Plan Description

The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine-member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909 or by calling (800) 381-5111.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 8 – Defined Benefit Pension Plan (continued)

Funding Policy

Retirement system funding is based on a tiered plan. Employees participate in one of three plans: the Basic Plan, the Member Investment Plan (MIP), or the Pension Plus Plan.

Basic plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for twelve months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

Member Investment Plan members enrolled in MIP prior to January 1, 1990 (MIP Fixed) contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired after January 1, 1990 but before July 1, 2010 and returning members who did not work between January 1, 1987 and December 31, 1989 (MIP Graded) contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000. New members to the retirement system who first worked July 1, 2008 or later (MIP Plus) contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 6.4% of all wages over \$15,000.

All members who first worked on or after July 1, 2010 participate in the Pension Plus Plan. The Pension Plus Plan combines a defined benefit plan and a defined contribution plan and includes member and employer contributions towards both plans. For the defined contribution portion of the plan, members are automatically enrolled to contribute 2% of their gross wages. Members have the option of increasing or decreasing the amount of the contribution. The district matches fifty percent of the member contribution up to a maximum of 1%. Members make contributions as illustrated by the following table:

<u>Benefit Structure</u>	<u>Pension Plus Plan</u>	
<u>Defined Benefit</u>	<u>Member Contribution Rate</u>	
	Retiree Health Care Fund	Pension Fund
\$0 - \$5,000	3.0%	3.0%
\$5,001 - \$15,000	3.0%	3.6%
Over \$15,000	3.0%	6.4%
<u>Defined Contribution</u>		2.0%

Effective February 1, 2013, all of the options under the plan were reformed and expanded, as follows:

Basic plan members' pension formula was adjusted to include a 1.25% pension factor for service credit earned subsequent to February 1, 2013. Basic members who wished to continue to earn a 1.5% pension factor are now required to contribute 4% of their pre-tax salary to the plan.

MIP, MIP Graded, and MIP fixed members' pension formula was adjusted to include a 1.25% pension factor for service credit earned subsequent to February 1, 2013. MIP members who wished to continue to earn a 1.5% pension factor for service credit (up to 30 years' credit) are now required to contribute a straight 7% of their pre-tax salary, in lieu of the tiered contribution system previously in place.

Both Basic and MIP plan members could elect, as of February 1, 2013, to switch to a Defined Contribution plan for service subsequent to that date. Participants who elected this option began receiving a 4% employer contribution to a 401(k) plan.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 8 – Defined Benefit Pension Plan (continued)

Participants who first worked on or after September 4, 2012 (who otherwise are eligible for the Pension Plus Plan) can elect to opt out and instead participate in a Defined Contribution Plan. These participants receive a 50% employer match (up to 3%) on employee contributions to the plan.

The District is required to contribute the full actuarial funding contribution amounts to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. Employer contribution rates are tiered depending on the date of hire and the retirement plan option selected by the employee. The rates for the year ended June 30, 2013 varied between 23.23% and 26.96%.

The contribution requirements of the plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District employer contributions to MPSERS for the years ended June 30, 2013, 2012 and 2011 were \$1,686,140, \$1,413,175, and \$1,482,373, respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits. Retirement benefit payments are the responsibility of the State of Michigan.

Post-Employment Benefits

Effective February 1, 2013, all members who first worked before September 4, 2012 are required to contribute 3% of their pre-tax salary to retain eligibility for post-employment health benefits, unless they elect to opt out and instead participate in a 457 plan that requires 2% employee contributions and a 2% employer match into a 401(k) account. Members beginning employment on or after September 4, 2012 are not eligible for post-employment benefits and instead are automatically enrolled into the 457/401(k) option.

Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees who have this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

Note 9 – Interfund Receivables and Payables

Interfund receivable and payable balances as of June 30, 2013 are as follows:

	<u>Due To</u> <u>Other Funds</u>	<u>Due From</u> <u>Other Funds</u>
General Fund	\$ -	\$ 260,161
Cafeteria Fund	87,150	-
Capital Project Funds	100,479	6,840
Debt Funds	<u>266,948</u>	<u>187,576</u>
Total	<u>\$ 454,577</u>	<u>\$ 454,577</u>

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 10 – Leases

Buses:

On April 25, 2012, the District entered into a two year lease with CH&H leasing for the purpose of leasing 14 buses. The lease calls for annual payments of \$193,480 due in July of 2012 and 2013.

Office Equipment and Band Instruments:

The District leases various office equipment under operating leases expiring in various years through 2015 and band equipment under a five year operating lease expiring in 2014.

The following is a schedule, by year, of future minimum rental payments required under the non-cancelable operating leases as of June 30, 2013:

June 30, 2014	\$ 218,081
June 30, 2015	6,241
June 30, 2015	<u>2,870</u>
	<u>\$227,192</u>

Lease expenditures for 2012-2013 amounted to \$218,758.

Note 11 - Contingencies and Commitments

The District has received federal and state grants for specific purposes. These grants are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Note 12 - Fund Balance

Non-spendable, Restricted, Committed, Assigned and Unassigned

The Board of Education adopts a budget each year that includes the appropriation of fund balance. Non-spendable fund balance represents assets that are not available in spendable form and are not expected to be converted to cash.

Non-spendable:

Prepaid expenses	\$ 4
Inventory	<u>7,431</u>
Total Non-spendable	<u>\$ 7,435</u>

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 12 - Fund Balance (continued)

Restricted fund balance is reported separately to show legal constraints from debt covenants and legislation that limits the District's ability to use that fund balance for day-to-day operations

Restricted:

Capital projects	\$ 434,892
Debt retirement	321,286
Food service	<u>2,438</u>
Total Restricted	<u>\$ 758,616</u>

Committed fund balance represents constrained amounts imposed by school board resolution. The District had no amounts committed at June 30, 2013.

Assigned fund balance represents amounts intended to be used for specific purposes expressed by the Board of Education, Finance Committee, or the official authorized by the governing body. Residual amounts in governmental funds other than the General Fund are also assigned. The Board of Education adopted the 2013-14 General Fund Budget whereby expenditures exceeded revenues by \$71,090. This amount is shown as Assigned fund balance as of June 30, 2013.

Unassigned fund balance is reported only in the General Fund and represents the remaining fund balance after non-spendable, restrictions, and assignments have been made.

The District applies restricted resources first for applicable expenditures. Assigned fund equity is applied when expenditures are incurred for the assigned purpose, followed by unassigned fund equity for budgeted expenditures.

Note 13 – Net Position Restatement

As a result of the District's implementation of GASB statement No. 65, beginning net position was restated downward by \$94,375. Previously, deferred bond issue costs were capitalized and amortized over the term of the bond issued. Under GASB Statement No. 65, these costs are expensed when incurred

Note 14 – Subsequent Event

Management has reviewed subsequent events through November 11, 2013, which is the date the financial statements were available to be issued.

Note 15 – Prior Year Restatement

Some prior year amounts were changed to conform with current year presentation.

REQUIRED SUPPLEMENTAL INFORMATION

ALMONT COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Local Sources	\$ 1,130,408	\$ 1,142,823	\$ 1,227,598	\$ 84,775
State Sources	10,969,533	10,465,984	10,560,001	94,017
Federal Sources	304,391	345,304	285,680	(59,624)
Total Revenues	12,404,332	11,954,111	12,073,279	119,168
Expenditures:				
Education				
Instruction				
Basic Programs	6,793,650	6,700,032	6,886,001	(185,969)
Added Needs	1,665,641	1,630,718	1,489,321	141,397
Supporting Services				
Student Services	446,833	459,425	435,729	23,696
Instructional Staff	160,703	161,241	147,651	13,590
General Administration	290,306	301,599	309,313	(7,714)
School Administration	740,228	752,560	718,113	34,447
Business Services	282,467	261,346	200,689	60,657
Operation and Maintenance	1,027,946	1,021,810	967,316	54,494
Transportation	691,359	670,319	682,008	(11,689)
Other Support Services	123,630	290,737	335,053	(44,316)
Athletics	193,838	240,657	250,858	(10,201)
Community Services	87,564	86,473	59,087	27,386
Total Expenditures	12,504,165	12,576,917	12,481,139	95,778
Excess (Deficiency) of Revenues Over/(Under)				
Expenditures	(99,833)	(622,806)	(407,860)	214,946
Other Financing Sources/(Uses):				
Operating Transfers	(4,000)	(4,000)	(7,336)	(3,336)
Principal Payments	(10,000)	(10,000)	(9,984)	16
Interest Payments	(800)	(800)	(402)	398
Retirement Incentive Payments	-	-	(35,000)	(35,000)
Incoming Transfers	11,000	31,344	1,000	(30,344)
Miscellaneous	-	-	25,447	25,447
Total Other Financing Sources/(Uses)	(3,800)	16,544	(26,275)	(42,819)
Excess (Deficiency) of Revenues Over/(Under)				
Expenditures and Other Financing Sources/(Uses)	(103,633)	(606,262)	(434,135)	172,127
Fund Balance - July 1	1,335,878	1,335,878	1,335,878	-
Fund Balance - June 30	\$ 1,232,245	\$ 729,616	\$ 901,743	\$ 172,127

OTHER SUPPLEMENTAL INFORMATION

ALMONT COMMUNITY SCHOOLS
 OTHER SUPPLEMENTARY INFORMATION
 NON-MAJOR GOVERNMENTAL FUNDS
 BALANCE SHEET
 JUNE 30, 2013

	<u>Special Revenue Fund</u>		<u>Non-Major Governmental Funds Total</u>
	<u>Food Service Fund</u>		
Assets:			
Cash and Investments	\$ 99,654	\$	99,654
Due from Other Governmental Units	2,280		2,280
Inventory	<u>7,431</u>		<u>7,431</u>
 Total Assets	 \$ <u><u>109,365</u></u>	 \$	 <u><u>109,365</u></u>
 Liabilities and Fund Balance:			
Liabilities:			
Accounts Payable	\$ 12,346	\$	12,346
Due to Other Funds	<u>87,150</u>		<u>87,150</u>
 Total Liabilities	 99,496		 99,496
 Fund Balance:			
Non Spendable	7,431		7,431
Restricted for:			
Food Service	<u>2,438</u>		<u>2,438</u>
 Total Fund Balance	 <u>9,869</u>		 <u>9,869</u>
 Total Liabilities and Fund Balance	 \$ <u><u>109,365</u></u>	 \$	 <u><u>109,365</u></u>

ALMONT COMMUNITY SCHOOLS
OTHER SUPPLEMENTARY INFORMATION
NON-MAJOR GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
JUNE 30, 2013

	<u>Special Revenue Fund</u>	<u>Non-Major Governmental Funds Total</u>
	<u>Food Service Fund</u>	
Revenues:		
Revenues from Local Sources:		
Food Sales	\$ 156,506	\$ 156,506
Earnings on Investments and Deposits	56	56
State Aid	8,145	8,145
Federal Aid:		
National School Lunch	151,286	151,286
U.S.D.A. Commodities	13,240	13,240
Total Revenues	<u>329,233</u>	<u>329,233</u>
Expenditures:		
Food Costs	139,699	139,699
Salaries	104,686	104,686
Employee Benefits	38,715	38,715
Purchased Services	79,350	79,350
Commodities/Supplies	25,631	25,631
Capital Outlay	1,913	1,913
Other	9,478	9,478
Total Expenditures	<u>399,472</u>	<u>399,472</u>
Excess (Deficiency) of Revenues Over Expenditures	(70,239)	(70,239)
Fund Balance - July 1	<u>80,108</u>	<u>80,108</u>
Fund Balance - June 30	<u>\$ 9,869</u>	<u>\$ 9,869</u>

ALMONT COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
DEBT RETIREMENT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

	<u>2002</u> Debt Retirement	<u>2004</u> Debt Retirement	<u>2006</u> Debt Retirement	<u>2012</u> Debt Refunding	<u>2013</u> SBL Fund Refinance	<u>Durant</u> Fund	<u>Totals</u> June 30, 2013
Assets:							
Cash and Investments	\$ 75,212	\$ 207,578	\$ 25,171	\$ 30,039	\$ 62,658	\$ -	\$ 400,658
Due from Other Funds	<u>-</u>	<u>2,935</u>	<u>-</u>	<u>184,641</u>	<u>-</u>	<u>-</u>	<u>187,576</u>
Total Assets	<u>\$ 75,212</u>	<u>\$ 210,513</u>	<u>\$ 25,171</u>	<u>\$ 214,680</u>	<u>\$ 62,658</u>	<u>\$ -</u>	<u>\$ 588,234</u>
Liabilities and Fund Balance:							
Liabilities:							
Due to Other Funds	\$ <u>205,238</u>	\$ -	\$ <u>1,061</u>	\$ -	\$ <u>60,649</u>	\$ -	\$ <u>266,948</u>
Total Liabilities	205,238	-	1,061	-	60,649	-	266,948
Fund Balance:							
Restricted for Debt Service	<u>(130,026)</u>	<u>210,513</u>	<u>24,110</u>	<u>214,680</u>	<u>2,009</u>	<u>-</u>	<u>321,286</u>
Total Liabilities and Fund Balance	<u>\$ 75,212</u>	<u>\$ 210,513</u>	<u>\$ 25,171</u>	<u>\$ 214,680</u>	<u>\$ 62,658</u>	<u>\$ -</u>	<u>\$ 588,234</u>

ALMONT COMMUNITY SCHOOLS
OTHER SUPPLEMENTARY INFORMATION
DEBT RETIREMENT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	2002 Debt Retirement	2004 Debt Retirement	2006 Debt Retirement	2012 Debt Refunding	2013 SBL Fund Refinance	Durant Fund	Totals June 30, 2013
Revenues:							
Local Sources:							
Taxes	\$ 437,798	\$ 1,555,306	\$ 177,691	\$ 183,463	\$ -	\$ -	\$ 2,354,258
Earnings on Investments and other	301	217	29	6,451	9	-	7,007
State Sources	-	-	-	-	-	6,849	6,849
Total Revenues	438,099	1,555,523	177,720	189,914	9	6,849	2,368,114
Expenditures:							
Debt Service:							
Principal Retirement	550,000	1,165,000	-	-	7,993,040	6,240	9,714,280
Interest and Fiscal Charges	70,732	353,851	306,078	323,707	-	609	1,054,977
Other Supporting Services	250	225	225	1,700	66,300	-	68,700
Total Expenditures	620,982	1,519,076	306,303	325,407	8,059,340	6,849	10,837,957
Excess of Revenues Over/(Under) Expenditures	(182,883)	36,447	(128,583)	(135,493)	(8,059,331)	-	(8,469,843)
Other Financing Sources/(Uses):							
Proceeds from Sale of Bonds	-	-	-	-	8,061,340	-	8,061,340
Proceeds from School Bond Loan	-	149,131	142,848	163,832	-	-	455,811
Total Other Financing Sources/(Uses)	-	149,131	142,848	163,832	8,061,340	-	8,517,151
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	(182,883)	185,578	14,265	28,339	2,009	-	47,308
Fund Balance - July 1	52,857	24,935	9,845	186,341	-	-	273,978
Fund Balance - June 30	\$ (130,026)	\$ 210,513	\$ 24,110	\$ 214,680	\$ 2,009	\$ -	\$ 321,286

ALMONT COMMUNITY SCHOOLS
OTHER SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2013	June 30, 2012
Revenues:		
Revenue from Local Sources:		
Property Tax	\$ 844,939	\$ 854,689
Tuition	29,720	33,001
Interest and Penalties	1,216	1,943
Athletics	184,520	89,068
Latchkey and Community Enrichment	74,699	102,259
Other Local Revenue	92,504	82,633
Total Revenue from Local Sources	1,227,598	1,163,593
Revenue from State Sources:		
Unrestricted Grants		
State School Aid	9,695,100	10,198,804
Restricted Grants	864,901	830,787
Total Revenue from State Sources	10,560,001	11,029,591
Revenue from Federal Sources:		
Restricted Grants		
EdJobs Fund		119,425
Title I A	121,246	105,693
Title II A	35,947	20,484
Special Ed Flow Through	120,694	123,815
Other Grants	7,793	6,998
Total Revenue from Federal Sources	285,680	376,415
Other Financing Sources:		
Incoming Transfers	1,000	106,716
Sale of Fixed Assets	-	161,524
Miscellaneous	25,447	59,030
Other Financing Sources	26,447	327,270
Total Revenues and Other Financing Sources	\$ 12,099,726	\$ 12,896,869

ALMONT COMMUNITY SCHOOLS
OTHER SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012

<u>INSTRUCTION</u>	June 30,	June 30,
<u>BASIC PROGRAMS</u>	<u>2013</u>	<u>2012</u>
Orchard Primary		
Salaries - Professional	\$ 1,507,339	\$ 1,384,900
Salaries - Non-Professional	1,568	2,984
Insurances	291,566	299,906
Fica, Retirement, Etc.	516,669	437,281
Other Benefits	26,920	24,367
Purchased Services	34,472	56,927
Supplies and Materials	37,269	82,610
Other	38,893	9,581
Total Orchard Primary	<u>2,454,696</u>	<u>2,298,556</u>
 Middle School		
Salaries - Professional	1,384,086	1,415,510
Salaries - Non-Professional	13,815	5,358
Insurances	271,463	270,837
Fica, Retirement, Etc.	479,436	450,344
Other Benefits	29,766	28,059
Purchased Services	32,671	42,430
Supplies and Materials	25,595	29,412
Capital Outlay	-	274
Other	-	100
Total Middle School	<u>2,236,832</u>	<u>2,242,324</u>
 High School		
Salaries - Professional	1,275,530	1,327,608
Salaries - Non-Professional	935	3,769
Insurances	284,100	307,795
Fica, Retirement, Etc.	436,219	420,065
Other Benefits	24,087	26,863
Purchased Services	55,748	52,109
Supplies and Materials	38,653	45,156
Capital Outlay	-	3,756
Total High School	<u>2,115,272</u>	<u>2,187,121</u>
 Preschool - Orchard Primary		
Salaries - Professional	37,947	39,947
Salaries - Non-Professional	19,072	16,410
Fica, Retirement, Etc.	18,869	18,092
Purchased Services	109	47
Supplies and Materials	3,204	2,386
Other	-	1,710
Total Preschool - Orchard Primary	<u>79,201</u>	<u>78,592</u>

ALMONT COMMUNITY SCHOOLS
OTHER SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012

<u>INSTRUCTION</u> (Continued)	June 30,	June 30,
<u>BASIC PROGRAMS</u> (Continued)	2013	2012
Summer School		
Salaries - Non-Professional	\$ -	\$ 3,834
Fica, Retirement, Etc.	-	1,082
Total Summer School	<u>-</u>	<u>4,916</u>
 Total Basic Programs	 6,886,001	 6,811,509
 <u>ADDED NEEDS</u>		
Special Education		
Salaries - Professional	491,647	492,338
Salaries - Non-Professional	224,252	220,231
Insurances	175,435	183,786
Fica, Retirement, Etc.	244,129	225,309
Other Benefits	22,045	25,104
Purchased Services	12,043	5,249
Supplies and Materials	3,338	3,289
Other	76,555	5,084
Total Special Education	<u>1,249,444</u>	<u>1,160,390</u>
 Compensatory Education		
Salaries - Professional	-	1,540
Salaries - Non-Professional	166,072	179,770
Fica, Retirement, Etc.	56,200	57,744
Other Benefits	-	299
Purchased Services	2,170	2,080
Supplies and Materials	15,435	778
Total Compensatory Education	<u>239,877</u>	<u>242,211</u>
 Total Added Needs	 1,489,321	 1,402,601
 <u>SUPPORT SERVICES</u>		
Student Services		
Salaries - Professional	199,166	209,856
Salaries - Non-Professional	87,054	131,298
Insurances	35,421	36,514
Fica, Retirement, Etc.	96,832	108,371
Other Benefits	1,042	7,515
Purchased Services	11,241	16,636
Supplies and Materials	4,773	5,342
Other	200	764
Total Student Services	<u>435,729</u>	<u>516,296</u>

ALMONT COMMUNITY SCHOOLS
OTHER SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012

<u>INSTRUCTION</u> (Continued)	June 30,	June 30,
<u>SUPPORT SERVICES</u> (Continued)	2013	2012
Instructional Staff		
Salaries - Professional	\$ 1,180	\$ 720
Salaries - Non-Professional	77,460	77,496
Insurances	43	54
Fica, Retirement, Etc.	27,146	24,876
Other Benefits	4,066	6,341
Purchased Services	22,458	27,522
Supplies and Materials	13,442	19,235
Capital Outlay	-	33,746
Other	1,856	907
Total Instructional Staff	<u>147,651</u>	<u>190,897</u>
General Administration		
Salaries - Professional	124,760	124,760
Salaries - Non-Professional	61,730	54,572
Insurances	10,034	14,327
Fica, Retirement, Etc.	62,233	54,740
Other Benefits	5,298	2,411
Purchased Services	34,910	62,373
Supplies and Materials	3,334	8,581
Other	7,014	5,963
Total General Administration	<u>309,313</u>	<u>327,727</u>
School Administration		
Salaries - Professional	305,200	307,700
Salaries - Non-Professional	145,357	142,703
Insurances	54,460	51,517
Fica, Retirement, Etc.	152,680	133,183
Other Benefits	28,320	31,671
Purchased Services	23,691	26,719
Supplies and Materials	7,060	7,976
Capital Outlay	-	725
Other	1,345	681
Total School Administration	<u>718,113</u>	<u>702,875</u>
Business Office		
Salaries - Professional	49,167	53,549
Salaries - Non-Professional	34,250	32,551
Insurances	37,628	43,511
Fica, Retirement, Etc.	28,835	28,935
Other Benefits	97	122
Purchased Services	16,865	14,655
Supplies and Materials	1,616	1,587
Other	32,231	40,191
Total Business Office	<u>200,689</u>	<u>215,101</u>

ALMONT COMMUNITY SCHOOLS
OTHER SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012

<u>INSTRUCTION</u> (Continued)	June 30,	June 30,
<u>SUPPORT SERVICES</u> (Continued)	2013	2012
Operation and Maintenance of Plant		
Salaries - Professional	\$ 25,313	\$ 39,278
Salaries - Non-Professional	142,921	127,360
Insurances	18,595	28,237
Fica, Retirement, Etc.	54,121	49,117
Other Benefits	5,259	12,442
Purchased Services	346,093	358,719
Supplies and Materials	374,104	416,303
Capital Outlay	185	-
Other	725	107
Total Operation and Maintenance of Plant	967,316	1,031,563
Transportation		
Salaries - Professional	19,688	24,000
Salaries - Non-Professional	229,795	277,801
Insurances	32,871	43,628
Fica, Retirement, Etc.	85,338	94,914
Other Benefits	13,391	20,374
Purchased Services	211,625	38,195
Supplies and Materials	88,977	129,687
Capital Outlay	-	-
Other	323	231
Total Transportation	682,008	628,830
Other Support Services		
Purchased Services	127,382	117,617
Supplies and Materials	17,314	1,107
Capital Outlay	186,006	144,232
Other	4,351	5,249
Total Other Support Services	335,053	268,205
<u>ATHLETICS</u>		
Salaries - Professional	50,834	62,159
Fica, Retirement, Etc.	14,744	20,413
Purchased Services	157,342	144,953
Supplies and Materials	13,057	16,617
Capital Outlay	2,821	690
Other	12,060	12,169
Total Athletics	250,858	257,001
 TOTAL SUPPORT SERVICES	 4,046,730	 4,138,495

ALMONT COMMUNITY SCHOOLS
OTHER SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	<u>June 30,</u> <u>2013</u>	<u>June 30,</u> <u>2012</u>
<u>COMMUNITY SERVICES</u>		
Salaries - Professional	\$ 4,362	\$ 11,254
Salaries - Non-Professional	27,938	39,746
Fica, Retirement, Etc.	11,090	15,585
Purchased Services	7,643	13,054
Supplies and Materials	<u>8,054</u>	<u>4,694</u>
Total Community Services	<u>59,087</u>	<u>84,333</u>
 TOTAL EXPENDITURES	 12,481,139	 12,436,938
 <u>OTHER FINANCING USES</u>		
Principal Payments	9,984	139,207
Interest Payments	402	7,229
Retirement Incentive Payment	35,000	105,000
Transfers to Other Districts	<u>7,336</u>	<u>6,438</u>
 TOTAL OTHER FINANCING USES	 <u>52,722</u>	 <u>257,874</u>
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 <u>\$ 12,533,861</u>	 <u>\$ 12,694,812</u>

ALMONT COMMUNITY SCHOOLS
 OTHER SUPPLEMENTARY INFORMATION
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Assets:				
Cash and Cash Equivalents	\$ <u>97,964</u>	\$ <u>308,440</u>	\$ <u>293,847</u>	\$ <u>112,557</u>
Liabilities:				
Due to Student and Other Groups	\$ <u>97,964</u>	\$ <u>308,440</u>	\$ <u>293,847</u>	\$ <u>112,557</u>

ALMONT COMMUNITY SCHOOLS
 DETAIL OF BONDED DEBT
 2002 BUILDING AND SITE BONDS
 JUNE 30, 2013

Schedule of Bonded Indebtedness

Date of issue: 10/30/2002

Amount authorized: \$ 22,350,000

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Annual Requirements</u>
5/15/2014	3.750 %	\$ 625,000	\$ 50,932	\$ 675,932
5/15/2015	3.900 %	<u>705,000</u>	<u>27,496</u>	<u>732,496</u>
Total		<u>\$ 1,330,000</u>	<u>\$ 78,428</u>	<u>\$ 1,408,428</u>

ALMONT COMMUNITY SCHOOLS
 DETAIL OF BONDED DEBT
 2004 REFUNDING BONDS
 JUNE 30, 2013

Schedule of Bonded Indebtedness

Date of issue: 02/25/2004
 Amount authorized: \$ 13,060,000

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Annual Requirements</u>
5/15/2014	3.750%	\$ 1,175,000	\$ 313,076	\$ 1,488,076
5/15/2015	4.000%	1,170,000	269,014	1,439,014
5/15/2016	3.800%	500,000	222,214	722,214
5/15/2017	4.000%	495,000	203,214	698,214
5/15/2018	4.000%	490,000	183,414	673,414
5/15/2019	4.150%	480,000	163,814	643,814
5/15/2020	4.375%	475,000	143,894	618,894
5/15/2021	4.375%	475,000	123,113	598,113
5/15/2022	4.375%	470,000	102,331	572,331
5/15/2023	4.375%	465,000	81,769	546,769
5/15/2024	4.500%	455,000	61,425	516,425
5/15/2025	4.500%	450,000	40,950	490,950
5/15/2026	4.500%	460,000	20,700	480,700
TOTAL		\$ <u>7,560,000</u>	\$ <u>1,928,928</u>	\$ <u>9,488,928</u>

ALMONT COMMUNITY SCHOOLS
 DETAIL OF BONDED DEBT
 2006 REFUNDING BONDS
 JUNE 30, 2013

Schedule of Bonded Indebtedness

Date of issue: 02/13/2006
 Amount authorized: \$ 7,615,000

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Annual Requirements</u>
05/15/14	4.000 %	\$ -	\$ 306,079	\$ 306,079
05/15/15	4.000 %	-	306,079	306,079
05/15/16	4.000 %	45,000	306,079	351,079
05/15/17	3.850 %	50,000	304,279	354,279
05/15/18	3.850 %	50,000	302,354	352,354
05/15/19	3.850 %	55,000	300,429	355,429
05/15/20	3.850 %	950,000	298,311	1,248,311
05/15/21	3.900 %	945,000	261,736	1,206,736
05/15/22	4.000 %	940,000	224,881	1,164,881
05/15/23	4.000 %	930,000	187,281	1,117,281
05/15/24	4.000 %	925,000	150,081	1,075,081
05/15/25	4.125 %	915,000	113,081	1,028,081
05/15/26	4.125 %	910,000	75,338	985,338
05/15/27	4.200 %	900,000	37,800	937,800
TOTAL		<u>\$ 7,615,000</u>	<u>\$ 3,173,808</u>	<u>\$ 10,788,808</u>

ALMONT COMMUNITY SCHOOLS
 DETAIL OF BONDED DEBT
 2012 REFUNDING BONDS
 JUNE 30, 2013

Schedule of Bonded Indebtedness

Date of issue: 04/27/2012
 Amount authorized: \$ 8,535,000

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Annual Requirements</u>
05/01/14	4.000 %	\$ -	\$ 320,150	\$ 320,150
05/01/15	4.000 %	-	320,150	320,150
05/01/16	4.000 %	860,000	320,150	1,180,150
05/01/17	4.000 %	875,000	285,750	1,160,750
05/01/18	4.000 %	900,000	250,750	1,150,750
05/01/19	4.000 %	900,000	214,750	1,114,750
05/01/20	4.000 %	-	178,750	178,750
05/01/21	4.000 %	-	178,750	178,750
05/01/22	4.000 %	-	178,750	178,750
05/01/23	4.000 %	-	178,750	178,750
05/01/24	4.000 %	-	178,750	178,750
05/01/25	4.000 %	-	178,750	178,750
05/01/26	4.000 %	-	178,750	178,750
05/01/27	4.000 %	-	178,750	178,750
05/01/28	3.500 %	1,000,000	178,750	1,178,750
05/01/29	3.500 %	1,000,000	143,750	1,143,750
05/01/30	3.500 %	1,000,000	108,750	1,108,750
05/01/31	3.750 %	1,000,000	73,750	1,073,750
05/01/32	3.625 %	1,000,000	36,250	1,036,250
TOTAL		\$ 8,535,000	\$ 3,682,950	\$ 12,217,950

ALMONT COMMUNITY SCHOOLS
 DETAIL OF BONDED DEBT
 2013 REFUNDING BONDS
 JUNE 30, 2013

Schedule of Bonded Indebtedness

Date of issue: 04/09/2013
 Amount authorized: \$ 8,110,000

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Annual Requirements</u>
05/01/14	0.550 %	\$ 480,000	\$ 139,748	\$ 619,748
05/01/15	0.650 %	480,000	137,108	617,108
05/01/16	1.000 %	1,025,000	133,988	1,158,988
05/01/17	1.350 %	1,075,000	123,738	1,198,738
05/01/18	1.700 %	1,125,000	109,226	1,234,226
05/01/19	2.000 %	1,225,000	90,100	1,315,100
05/01/20	2.300 %	1,300,000	65,600	1,365,600
05/01/21	2.550 %	1,400,000	35,700	1,435,700
TOTAL		\$ 8,110,000	\$ 835,208	\$ 8,945,208

ALMONT COMMUNITY SCHOOLS
 DETAIL OF BONDED DEBT
 2012 ENERGY CONSERVATION IMPROVEMENT BONDS
 JUNE 30, 2013

Schedule of Bonded Indebtedness

Date of issue: 7/10/2012

Amount authorized: \$ 1,200,000

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Fed. Interest Subsidy</u>	<u>Total Annual Requirement</u>
11/01/2013	4.490 %	\$ -	\$ 26,940	\$ (26,220)	\$ 720
05/01/2014		100,000	26,940	(26,220)	100,720
11/01/2014		-	24,695	(24,035)	660
05/01/2015		100,000	24,695	(24,035)	100,660
11/01/2015		-	22,450	(21,850)	600
05/01/2016		100,000	22,450	(21,850)	100,600
11/01/2016		-	20,205	(19,665)	540
05/01/2017		100,000	20,205	(19,665)	100,540
11/01/2017		-	17,960	(17,480)	480
05/01/2018		100,000	17,960	(17,480)	100,480
11/01/2018		-	15,715	(15,295)	420
05/01/2019		100,000	15,715	(15,295)	100,420
11/01/2019		-	13,470	(13,110)	360
05/01/2020		100,000	13,470	(13,110)	100,360
11/01/2020		-	11,225	(10,925)	300
05/01/2021		100,000	11,225	(10,925)	100,300
11/01/2022		-	8,980	(8,740)	240
05/01/2022		100,000	8,980	(8,740)	100,240
11/01/2022		-	6,735	(6,555)	180
05/01/2023		100,000	6,735	(6,555)	100,180
11/01/2023		-	4,490	(4,370)	120
05/01/2024		100,000	4,490	(4,370)	100,120
11/01/2024		-	2,245	(2,185)	60
05/01/2025		100,000	2,245	(2,185)	100,060
Total		\$ 1,200,000	\$ 350,220	\$ (340,860)	\$ 1,209,360

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

November 11, 2013

Board of Education
Almont Community Schools

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 Almont Community Schools as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Almont Community Schools' basic financial statements, and have issued our report thereon dated November 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Almont Community Schools' 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 Almont Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Almont Community Schools' 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 noncompliance with a type of compliance requirement of a federal program 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 Almont Community Schools' 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants