



Almont Community Schools  
Audited Financial Statements

June 30, 2014

*Prepared by Taylor & Morgan, P.C.*

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## INDEPENDENT AUDITOR'S REPORT

October 21, 2014

Board of Education  
Almont Community Schools, PSA

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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## 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, 2014 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*

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 October 21, 2014 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 Almont Community Schools' internal control over financial reporting and compliance.

Sincerely,

*Taylor & Morgan, P.C.*

Taylor & Morgan, P.C.  
Certified Public Accountants

# ALMONT COMMUNITY SCHOOLS

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Joseph B. Candela  
Superintendent

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## ALMONT COMMUNITY SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014

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 \$(531,727) at June 30, 2014 and \$(839,620) at June 30, 2013. 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, 2014, with comparative amounts for 2013:



**Working Together For Children**

**ALMONT COMMUNITY SCHOOLS  
COMPARATIVE STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2014**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Assets	\$ 35,856,612	\$36,581,448
Deferred outflows of resources	153,517	162,547
Liabilities	35,915,796	37,298,953
Deferred inflows of resources	626,060	284,662
Net Position:		
Invested in capital assets, net of related debt	(1,826,440)	(2,010,172)
Restricted for capital projects	295,826	434,892
Restricted for debt service	150,099	38,520
Unrestricted	<u>848,788</u>	<u>697,140</u>
Total net position	<u>\$ (531,727)</u>	<u>\$ (839,920)</u>

There were \$848,788 and \$697,140 in unrestricted net position of governmental activities at June 30, 2014 and June 30, 2013, 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 increased by \$ 307,893 in 2013-14. The major components of the increase in net position are 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, 2014 and June 30, 2013, the net increases in accumulated depreciation were \$1,021,892 and \$1,044,856 respectively.

➤ Capital acquisitions

Capital outlay for the years ended June 30, 2014 and June 30, 2013 totaled \$0 and \$710,244 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 \$2,432,400 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, 2014 and June 30, 2013 are as follows:

**ALMONT COMMUNITY SCHOOLS  
COMPARATIVE STATEMENT OF ACTIVITIES  
AS OF JUNE 30, 2014**

	June 30, 2014	June 30, 2013
General revenue		
Property taxes levied for general operations	\$ 868,994	\$ 844,939
State of Michigan aid, unrestricted	10,282,443	9,695,100
Property taxes levied for debt service	2,372,397	2,354,258
Other – federal, state and local	140,903	170,598
Total general revenues	13,664,737	13,064,895
Program revenue		
Charges for services – local	402,502	445,445
Operating grants – federal and state	1,189,220	1,330,101
Total program revenue	1,591,722	1,775,546
Total revenues	15,256,459	14,840,441
Expenses		
Instruction	8,901,501	9,489,710
Support services	4,263,409	4,023,833
Community education	87,594	59,087
Food services	382,073	404,992
Interest on long-term debt	1,144,128	1,423,505
Depreciation (unallocated)	169,861	172,517
Total expenses	14,948,566	15,573,644
Increase/(decrease) in net assets	307,893	(733,203)
Net position - July 1	(839,620)	(106,417)
Net position - June 30	\$ (531,727)	\$ (839,620)



## **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 improved from the prior year. The General Fund fund balance increased by \$91,683. This was due to an increase in federal and state funding. The financial condition of the Debt Retirement Fund declined from the prior year due to repayment of debt.

The Non-Major Governmental Funds are the Food Service Fund and the Capital Project Funds. The Food Service Fund fund balance remained relatively stable, with a minimal increase. The Capital Projects Funds fund balance decreased by \$139,066 due to repayment of debt and refunding costs.

## **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, 2014, 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 \$12,455,818. This is more than the original budget estimate of \$11,608,416 and less than the final amended budgeted amount of \$12,513,444, a variance of approximately .4%. 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 \$12,364,135. The original budget estimate was \$11,679,507, and the final amended budgeted amount was \$12,471,546. The variance between the actual General Fund expenditures and the original budget was the result of a decrease in reimbursable employee health care claims. General Fund revenues totaled \$12,455,818 and total expenditures \$12,364,135 for the year. The fund balance was \$993,426 at June 30, 2014.

### **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

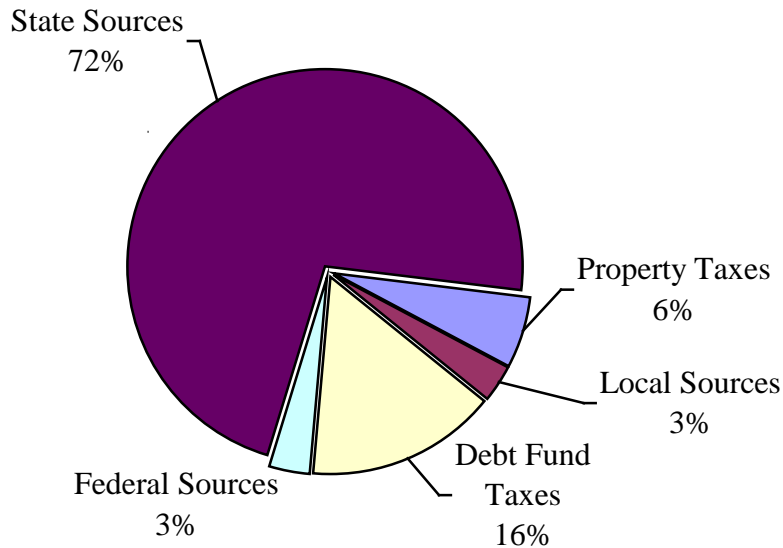
The following chart illustrates that the General Fund comprised 53 % of all the expenditures within the governmental funds of the Almont Community School District. As of June 30, 2014, expenditures totaled \$23,462,985 for all District programs. The ending fund balance for all funds was equal to \$ 1,572,418.

	June 30, 2014	% Of Total
General Fund	\$12,305,682	53%
Debt Retirement Funds	10,598,480	45%
Other Non-major Funds	558,823	2%
<b>Total</b>	<b>\$23,462,985</b>	<b>100%</b>

## TOTAL REVENUES

Revenues (excluding Other Financing Sources) for all governmental funds totaled \$15,245,266. 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 \$7,026 for 2013-14. State Aid membership was computed in the 2013-14 school year with a blended count of 10% of the February and 90% of the September counts.

The Almont Community Schools enrollment for the 2013-14 school year was 1,511 - a decrease of 25 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 2013-14 Non-Homestead property tax levy totaled approximately \$868,994.

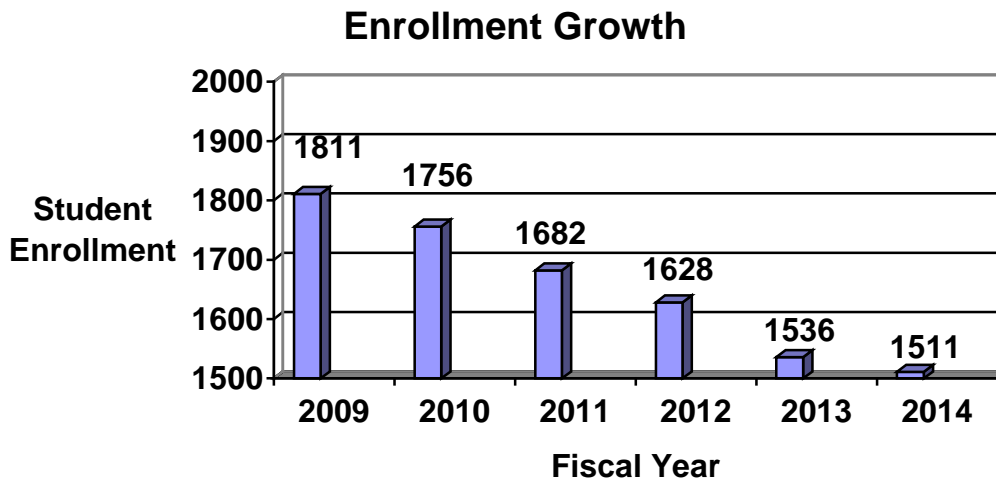
The District levies 8.45 mills of property taxes on all classes of property located within the District for bonded debt retirement. This levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations. The total amount levied for debt retirement in the current year was approximately \$2.37 million.

Almont Community voters authorized a Sinking Fund millage of 1.0 mills in August of 2014, which is expected to generate approximately \$280,000 in tax revenue.

## **ENROLLMENT**

The District's 2013-14 enrollment totaled 1,511 students based on the September FTE count. This is decrease in enrollment of 25 students from the prior year's count – the eighth 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, 2014, the gross per-pupil allowance was \$7,026.

### CAPITAL ASSETS

At the end of fiscal year 2014, the Almont Community School District had \$45.6 million invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$14.3 million has been depreciated. Net book value totals \$31.3 million. There were no additions for the year.

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

	June 30, 2014	June 30, 2013
Capital Assets		
Land	\$ 579,580	\$ 579,580
Building and Improvements	42,777,226	42,777,226
Equipment and Furniture	1,960,735	1,960,735
Vehicles	280,187	280,187
Less: Accumulated Depreciation	<u>(14,274,389)</u>	<u>(13,252,497)</u>
Net Capital Assets	<u>\$ 31,323,339</u>	<u>\$ 32,345,231</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, 2014

		Governmental Activities
<b>Assets</b>		
Cash, cash equivalents and Investments	\$	2,433,328
Accounts Receivable		929
Due from Other Governmental Units		2,024,389
Prepaid Expenditures		65,423
Inventory		9,204
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		(14,274,389)
Net Capital Assets		31,323,339
Total Assets		35,856,612
<b>Deferred Outflows of Resources</b>		
Deferred Loss on Bond Refunding		153,517
<b>Liabilities</b>		
Accounts Payable		64,911
Accrued Expenses		11,728
Accrued Payroll		1,114,522
Advances from Grantors		19,694
Accrued Interest on Long-Term Debt		115,130
State Aid Anticipation Note Payable		1,750,000
Long-term Liabilities		
Due within One Year		2,482,066
Due in More than One Year		30,357,745
Total Liabilities		35,915,796
<b>Deferred Inflows of Resources</b>		
Deferred Premium on Bond Refunding		626,060
<b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt		(1,826,440)
Restricted for:		
Capital Projects		295,826
Debt Service		150,099
Unrestricted		848,788
Total Net Position	\$	(531,727)

See accompanying notes to financial statements

ALMONT COMMUNITY SCHOOLS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Functions/Programs				
Governmental Activities				
Instruction				
Basic Programs	\$ 7,445,185	\$ 23,914	\$ -	\$ (7,421,271)
Added Needs	1,456,316	-	1,000,719	(455,597)
Support Services	4,263,409	102,049	-	(4,161,360)
Community Education	87,594	79,359	-	(8,235)
Food Service	382,073	197,180	188,501	3,608
Interest and Other Costs on Long-Term Debt	1,144,128	-	-	(1,144,128)
Unallocated Depreciation	169,861	-	-	(169,861)
	<u>14,948,566</u>	<u>402,502</u>	<u>1,189,220</u>	
Total Governmental Activities	<u>\$ 14,948,566</u>	<u>\$ 402,502</u>	<u>\$ 1,189,220</u>	(13,356,844)
General Purpose Revenues				
				3,241,391
				10,282,443
				49,818
				<u>91,085</u>
			Total General Revenue	<u>13,664,737</u>
			Change in Net Position	307,893
			Net Position - July 1	<u>(839,620)</u>
			Net Position - June 30	<u>\$ (531,727)</u>

See accompanying notes to financial statements.



ALMONT COMMUNITY SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General Fund	Debt Retirement Funds	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Investments	\$ 1,852,638	\$ 265,229	\$ 315,461	\$ 2,433,328
Accounts Receivable	929	-	-	929
Due from Other Governmental Units	2,022,059	-	2,330	2,024,389
Due from Other Funds		151,277	-	151,277
Prepaid Expenditures	65,423	-	-	65,423
Inventory	-	-	9,204	9,204
	<u>3,941,049</u>	<u>416,506</u>	<u>326,995</u>	<u>4,684,550</u>
Total Assets	<u>\$ 3,941,049</u>	<u>\$ 416,506</u>	<u>\$ 326,995</u>	<u>\$ 4,684,550</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 51,679	\$ -	\$ 13,232	\$ 64,911
Accrued Expenses	11,728	-	-	11,728
Accrued Payroll	1,114,522	-	-	1,114,522
Advances from Grantors	19,694	-	-	19,694
Due to Other Funds	-	151,277	-	151,277
State Aid Anticipation Note Payable	1,750,000	-	-	1,750,000
	<u>2,947,623</u>	<u>151,277</u>	<u>13,232</u>	<u>3,112,132</u>
Total Liabilities	<u>2,947,623</u>	<u>151,277</u>	<u>13,232</u>	<u>3,112,132</u>
<b>Fund Balance:</b>				
Non Spendable	65,423	-	9,204	74,627
Restricted for:				
Debt Service	-	265,229	-	265,229
Capital Projects	-	-	295,826	295,826
Food Service	-	-	8,733	8,733
Assigned	-	-	-	-
Unassigned	928,003	-	-	928,003
	<u>993,426</u>	<u>265,229</u>	<u>313,763</u>	<u>1,572,418</u>
Total Fund Balance	<u>993,426</u>	<u>265,229</u>	<u>313,763</u>	<u>1,572,418</u>
Total Liabilities and Fund Balance	<u>\$ 3,941,049</u>	<u>\$ 416,506</u>	<u>\$ 326,995</u>	<u>\$ 4,684,550</u>

See accompanying notes to financial statements.

ALMONT COMMUNITY SCHOOLS  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014

Total Governmental Fund Balances	\$	1,572,418
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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>(14,274,389)</u>	31,323,339

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

Deferred Loss on Bond Refunding	153,517
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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	\$ (31,685,000)	
Bond Premium	(626,060)	
School Bond Loan Fund	(992,236)	
Early Retirement Incentive	(64,800)	
Compensated Absences Payable	<u>(97,775)</u>	
Total Long-Term Liabilities		(33,465,871)

In the Statement of Net Position, interest has been accrued on Long Term Debt as of June 30, 2014		<u>(115,130)</u>
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Total Net Position - Governmental Activities	\$	<u><u>(531,727)</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, 2014

	General Fund	Debt Retirement Funds	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$ 868,994	\$ 2,372,397	\$ -	\$ 3,241,391
Other Local Sources	285,629	419	197,500	483,548
State Sources	10,990,996	-	12,944	11,003,940
Federal Sources	292,166	-	224,221	516,387
	<u>12,437,785</u>	<u>2,372,816</u>	<u>434,665</u>	<u>15,245,266</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Basic Programs	6,620,632	-	-	6,620,632
Added Needs	1,450,263	-	-	1,450,263
Total Instruction	<u>8,070,895</u>	<u>-</u>	<u>-</u>	<u>8,070,895</u>
<b>Support Services</b>				
Pupil Services	458,442	-	-	458,442
Instructional Staff Services	141,036	-	-	141,036
General Administration	304,654	-	-	304,654
School Administration	717,950	-	-	717,950
Business Services	248,873	-	-	248,873
Operation and Maintenance	934,627	-	-	934,627
Pupil Transportation	678,564	-	-	678,564
Other Supporting Services	406,666	65,365	398,341	870,372
Athletics	256,381	-	-	256,381
Community Services	87,594	-	-	87,594
Total Support Services	<u>4,234,787</u>	<u>65,365</u>	<u>398,341</u>	<u>4,698,493</u>
<b>Capital Projects</b>				
Capital Outlay	-	-	6,602	6,602
<b>Debt Retirement</b>				
Principal Retirement	-	9,405,988	100,000	9,505,988
Interest and Fiscal Charges	-	1,127,127	53,880	1,181,007
	<u>-</u>	<u>10,533,115</u>	<u>153,880</u>	<u>10,686,992</u>
Total Expenditures	<u>12,305,682</u>	<u>10,598,480</u>	<u>558,823</u>	<u>23,462,985</u>
Excess (Deficiency) of Revenues over Expenditures	132,103	(8,225,664)	(124,158)	(8,217,719)
<b>Other Financing Sources/(Uses)</b>				
Loan Proceeds	-	974,926	-	974,926
Proceeds from Sale of Bonds	-	7,194,681	-	7,194,681
Miscellaneous	11,193	-	-	11,193
Retirement Incentive Payments	(52,400)	-	-	(52,400)
Operating Transfers	6,840	-	(6,840)	-
Other Transfers	(6,053)	-	-	(6,053)
	<u>(40,420)</u>	<u>8,169,607</u>	<u>(6,840)</u>	<u>8,122,347</u>
Total Other Financing Sources/(Uses)	<u>(40,420)</u>	<u>8,169,607</u>	<u>(6,840)</u>	<u>8,122,347</u>
Net Changes in Fund Balance	91,683	(56,057)	(130,998)	(95,372)
Fund Balance - July 1	<u>901,743</u>	<u>321,286</u>	<u>444,761</u>	<u>1,667,790</u>
Fund Balance - June 30	<u>\$ 993,426</u>	<u>\$ 265,229</u>	<u>\$ 313,763</u>	<u>\$ 1,572,418</u>

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, 2014

Total Net Change in Fund Balances - Governmental Funds		\$ (95,372)
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	\$ -	
Depreciation Expense	<u>(1,021,892)</u>	(1,021,892)
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.		
		(7,230,669)
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.		
		9,505,988
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).		
		(974,926)
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.		
		(9,030)
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.		
		48,283
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.		
		45,521
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.		
		(11,907)
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.		
		52,400
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.		
		<u>(503)</u>
Change in Net Position of Governmental Activities		<u>\$ 307,893</u>

See accompanying notes to financial statements.

ALMONT COMMUNITY SCHOOLS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<u>Trust Funds</u>	<u>Agency Funds</u>
Assets:		
Cash and Cash Equivalents	\$ -	\$ 113,978
Investments	<u>8,612</u>	<u>-</u>
Total Assets	<u>\$ 8,612</u>	<u>\$ 113,978</u>
Liabilities:		
Due to Student and Other Groups		\$ <u>113,978</u>
Total Liabilities		<u>\$ 113,978</u>
Net Position:		
Reserved for Scholarships	<u>\$ 8,612</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Trust Funds</u>
Additions:	
Dividends/Gain on Investments	<u>\$ 1,438</u>
Total Additions	1,438
Deductions:	
Scholarships Awarded	<u>1,000</u>
Total Deductions	<u>1,000</u>
Change in Net Position:	438
Net Position- July 1	<u>8,174</u>
Net Position - June 30	<u>\$ 8,612</u>

See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

ALMONT COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**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, 2014

**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, 2014

**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, 2014 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, 2014

**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 \$97,775 and \$97,272 at June 30, 2014 and 2013, respectively.

Economic Dependency - The district receives approximately 89% 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, 2016. The Almont Education Secretaries Association contract covering secretaries expires on June 30, 2016, and the Almont Education Support Personnel Association (AEA) contract covering all support personnel expires on June 30, 2017.

**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, 2014

**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>
Business Services	\$241,175	\$248,873	\$(7,698)
Operations and Maintenance	\$920,881	\$934,627	\$(13,746)
Transportation	\$659,371	\$678,564	\$(19,193)
Athletics	\$237,805	\$256,381	\$(18,576)
Other Support Services	\$371,667	\$406,666	\$(34,999)
Community Services	\$70,458	\$87,594	\$(17,136)

The final amended budget anticipated revenues exceeding expenditures by \$41,898. Actual revenues exceeding expenditures by \$91,683, a positive variance of \$49,785.

**Note 3 - Cash and Investments**

At June 30, 2014, 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>\$8,612</u>	N/A	<u>100.00%</u>
	Totals	<u>\$8,612</u>		<u>100.00%</u>

ALMONT COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 3 - Cash and Investments (continued)**

**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 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, 2014, the District had \$510,000 of its deposit balances insured by the FDIC, and \$2,356,364 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, 2014 and 2013 were \$89,600 and \$92,682 and the District received a dividend refund of \$16,130 and \$14,204, respectively.

ALMONT COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 5 - Changes in Capital Assets**

Summary of capital asset transactions:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2014</u>
Capital Assets not Being Depreciated:				
Land	\$ 579,580	\$ -	\$ -	\$ 579,580
Capital Assets Being Depreciated:				
Buildings & Additions	42,777,226	-	-	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	45,597,728	-	-	45,597,728
Accumulated Depreciation:				
Buildings & Additions	11,679,224	868,263	-	12,547,487
Furniture & Equipment	1,315,424	146,756	-	1,462,180
Buses & Other Vehicles	<u>257,849</u>	<u>6,873</u>	<u>-</u>	<u>264,722</u>
Subtotal	<u>13,252,497</u>	<u>1,021,892</u>	<u>-</u>	<u>14,274,389</u>
Net Capital Assets	<u>\$ 32,345,231</u>	<u>\$ (1,021,892)</u>	<u>\$ -</u>	<u>\$ 31,323,339</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	\$ 817,448
Support Services	30,179
Food Service	4,404
Unallocated	<u>169,861</u>
Total Depreciation Expense	<u>\$1,021,892</u>

**Note 6 - Short-Term Debt**

As of June 30, 2013, the District had a State Aid Loan in the amount of \$1,099,000, which was paid in full on September 2, 2013. A new note was issued on August 20, 2013 in the amount of \$1,750,000. The entire balance plus accrued interest is due August 20, 2014. The purpose of this loan is to fund cash flows.

ALMONT COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 7 - Long-Term Debt**

The following is a summary of long-term debt transactions for the year ended June 30, 2014:

	<u>Compensated Absences</u>	<u>Bonds</u>	<u>Early Retirement Incentive</u>	<u>School Bond Loan Fund</u>	<u>Total</u>
Balance					
July 1, 2013	\$ 97,272	\$ 34,350,000	\$ 117,200	\$ 5,403	\$ 34,569,875
Additions	503	6,805,000	-	986,833	7,792,336
Less: Retirements and Payments	-	9,470,000	52,400	-	9,522,400
Balance					
June 30, 2014	97,775	31,685,000	64,800	992,236	32,839,811
Less:					
Current Portion	14,666	2,435,000	32,400	-	2,482,066
Total Due after One Year	<u>\$ 83,109</u>	<u>\$ 29,250,000</u>	<u>\$ 32,400</u>	<u>\$ 992,236</u>	<u>\$ 30,357,745</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 \$64,800 and \$117,200 at June 30, 2014 and 2013, 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, 2014 and 2013 was \$992,236 and \$5,403, respectively.

**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. In 2013, the remaining portion of this bond was defeased through an October 30, 2013 refunding bond issue, and the District has removed the liability from its accounts.

ALMONT COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 7 - Long-Term Debt (continued)**

**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. This bond was defeased through an October 30, 2013 refunding bond issue, and the District has removed the liability from its accounts.

**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 a portion of the 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, 2014 and 2013.

**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 a portion of the 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, 2014 and 2013.

**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, 2014 and 2013 was \$1,100,000 and \$1,200,000, respectively.

**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, 2014 and 2013 was \$7,630,000 and \$8,110,000, respectively.

**2013 REFUNDING BONDS**

On October 30, 2013, the District issued \$6,805,000 in General Obligation – Unlimited Tax Bonds with an interest rate of 4.0%. The District issued the bonds to advance refund the remaining \$705,000 of the outstanding 2002 Building and Site Bond Issue with an interest rate of 3.90% and the remaining \$6,385,000 of the outstanding 2004 Refunding Bond Issue with an interest rate ranging from 3.80% to 4.50%. The net proceeds were deposited with an

ALMONT COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 7 - Long-Term Debt (continued)**

escrow agent and used to purchase U.S. Government Securities. These securities will provide for all future debt service on 2002 Building and Site and the 2004 Refunding Bonds. As a result, the remaining portion of the 2002 Building and Site Bonds and the 2004 Refunding Bonds are considered defeased, and the District has removed the liability from its accounts. This refunding resulted in an economic gain of approximately \$416,021. The outstanding balance of the bonds was \$6,805,000 at June 30, 2014.

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

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,435,000	\$ 1,084,927	\$ 3,519,927
2016	2,505,000	1,003,117	3,508,117
2017	2,570,000	933,177	3,503,177
2018	2,645,000	858,450	3,503,450
2019	2,730,000	778,109	3,508,109
2020-2024	10,105,000	2,645,140	12,750,140
2025-2029	5,695,000	1,141,659	6,836,659
2030-2032	3,000,000	218,750	3,218,750
Total	<u>\$ 31,685,000</u>	<u>\$ 8,663,329</u>	<u>\$ 40,348,329</u>

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

Interest expenditures for the year amounted to \$12,250 in the General Fund, \$53,880 in the Capital Project Funds, and \$1,127,127 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 (MPSERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine-member board of the MPSERS. The MPSERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. 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.

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 1<sup>st</sup> on all MIP monies on



ALMONT COMMUNITY SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2014

**Note 8 – Defined Benefit Pension Plan (continued)**

deposit for twelve months. If a member leaves MPERS 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:

Pension Plus Plan		
<u>Benefit Structure</u>	<u>Member Contribution Rate</u>	
<u>Defined Benefit</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.

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, 2014 varied between 20.96% and 24.79%.

ALMONT COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 8 – Defined Benefit Pension Plan (continued)**

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, 2014, 2013 and 2012 were \$1,963,998, \$1,686,140, and \$1,413,175, 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 Transfers**

The District made the following interfund transfers during the year:

	<u>General Fund</u>	<u>2002 Building &amp; Site Fund</u>
To:	\$ 6,840	
From:		\$6,840

The transfer was for the purpose of closing the 2002 Building & Site Fund.

**Note 10 – Leases**

Buses:

On June 11, 2014, 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 \$179,196 due in June of 2014 and 2015.

Office Equipment and Apple iPads:

The District leases various office equipment under operating leases expiring in various years through 2015, and iPads under a four year operating lease expiring in 2016.

ALMONT COMMUNITY SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2014

**Note 10 – Leases (continued)**

The following is a schedule, by year, of future minimum rental payments required under the non-cancelable operating leases as of June 30, 2014:

June 30,		
2015	\$	338,491
2016		156,424
2017		156,424
2018		30,144
2019		<u>30,144</u>
Total	\$	<u>711,627</u>

Lease expenditures for 2013-2014 amounted to \$344,880.

**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	\$	65,423
Inventory		<u>9,204</u>
Total Non-spendable		<u>\$ 74,627</u>

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	\$	295,826
Debt retirement		265,229
Food service		<u>8,733</u>
Total Restricted		<u>\$ 569,788</u>

ALMONT COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 12 - Fund Balance (continued)**

Committed fund balance represents constrained amounts imposed by school board resolution. The District had no amounts committed at June 30, 2014.

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 District had no Assigned fund balance as of June 30, 2014.

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 – Subsequent Event**

**Sinking Fund Millage**

On August 5, 2014, the voters in the District authorized a Sinking Fund millage of 1 mil to fund capital project activities.

Management has reviewed subsequent events through October 21, 2014, which is the date the financial statements were available to be issued.

**Note 14 – 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, 2014

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Local Sources	\$ 1,176,215	\$ 1,196,448	\$ 1,154,623	\$ (41,825)
State Sources	10,043,239	10,940,357	10,990,996	50,639
Federal Sources	357,618	365,747	292,166	(73,581)
Total Revenues	11,577,072	12,502,552	12,437,785	(64,767)
<b>Expenditures:</b>				
Education				
Instruction				
Basic Programs	6,032,280	6,675,021	6,620,632	54,389
Added Needs	1,455,829	1,518,728	1,450,263	68,465
Supporting Services				
Student Services	450,404	474,240	458,442	15,798
Instructional Staff	145,881	193,876	141,036	52,840
General Administration	302,243	315,351	304,654	10,697
School Administration	754,337	735,064	717,950	17,114
Business Services	222,785	241,175	248,873	(7,698)
Operation and Maintenance	1,008,174	920,881	934,627	(13,746)
Transportation	651,993	659,371	678,564	(19,193)
Other Support Services	286,542	371,667	406,666	(34,999)
Athletics	215,676	237,805	256,381	(18,576)
Community Services	86,163	70,458	87,594	(17,136)
Total Expenditures	11,612,307	12,413,637	12,305,682	107,955
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(35,235)	88,915	132,103	43,188
<b>Other Financing Sources/(Uses):</b>				
Operating and Other Transfers	(4,000)	(5,509)	787	6,296
Principal Payments	(10,800)	-	-	-
Retirement Incentive Payments	(52,400)	(52,400)	(52,400)	-
Miscellaneous	31,344	10,892	11,193	301
Total Other Financing Sources/(Uses)	(35,856)	(47,017)	(40,420)	6,597
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	(71,091)	41,898	91,683	49,785
Fund Balance - July 1	901,743	901,743	901,743	-
Fund Balance - June 30	\$ 830,652	\$ 943,641	\$ 993,426	\$ 49,785

**OTHER SUPPLEMENTAL INFORMATION**

ALMONT COMMUNITY SCHOOLS  
OTHER SUPPLEMENTARY INFORMATION  
NON-MAJOR GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2014

	<u>Special Revenue Fund</u>		<u>Capital Project Funds</u>		<u>Non-Major Governmental Funds Total</u>
	<u>Food Service Fund</u>				
Assets:					
Cash and Investments	\$ 19,635	\$	295,826	\$	315,461
Due from Other Governmental Units	2,330		-		2,330
Inventory	9,204		-		9,204
	<u>31,169</u>		<u>295,826</u>		<u>326,995</u>
Total Assets	<u>\$ 31,169</u>	\$	<u>295,826</u>	\$	<u>326,995</u>
Liabilities and Fund Balance:					
Liabilities:					
Accounts Payable	\$ 13,232	\$	-	\$	13,232
Total Liabilities	13,232		-		13,232
Fund Balance:					
Non Spendable	9,204		-		9,204
Restricted for:					
Food Service	8,733		-		8,733
Capital Projects	-		295,826		295,826
Total Fund Balance	<u>17,937</u>		<u>295,826</u>		<u>313,763</u>
Total Liabilities and Fund Balance	<u>\$ 31,169</u>	\$	<u>295,826</u>	\$	<u>326,995</u>



ALMONT COMMUNITY SCHOOLS  
OTHER SUPPLEMENTARY INFORMATION  
NON-MAJOR GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
JUNE 30, 2014

	<u>Special Revenue Fund</u>	<u>Capital Project Funds</u>	<u>Non-Major Governmental Funds Total</u>
	<u>Food Service Fund</u>		
Revenues:			
Revenues from Local Sources:			
Food Sales	\$ 197,180	\$ -	\$ 197,180
Earnings on Investments and Deposits	56	264	320
State Aid	12,944	-	12,944
Federal Aid:			
National School Lunch	151,920	-	151,920
U.S.D.A. Commodities	23,637	-	23,637
Restricted Subsidy	-	48,664	48,664
Total Revenues	<u>385,737</u>	<u>48,928</u>	<u>434,665</u>
Expenditures:			
Food Costs	120,643	-	120,643
Salaries	92,354	-	92,354
Employee Benefits	43,229	-	43,229
Purchased Services	78,526	18,272	96,798
Commodities/Supplies	33,587	-	33,587
Capital Outlay	1,913	6,602	8,515
Other	7,417	2,400	9,817
Principal Payments	-	100,000	100,000
Interest Payments	-	53,880	53,880
Total Expenditures	<u>377,669</u>	<u>181,154</u>	<u>558,823</u>
Excess (Deficiency) of Revenues Over Expenditures	8,068	(132,226)	(124,158)
Other Financing Sources/(Uses)			
Operating Transfers	<u>-</u>	<u>(6,840)</u>	<u>(6,840)</u>
Total Other Financing Sources/(Uses)	-	(6,840)	(6,840)
Fund Balance - July 1	<u>9,869</u>	<u>434,892</u>	<u>444,761</u>
Fund Balance - June 30	<u>\$ 17,937</u>	<u>\$ 295,826</u>	<u>\$ 313,763</u>

ALMONT COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
DEBT RETIREMENT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2014

	2002 Debt Retirement	2004 Debt Retirement	2006 Debt Retirement	2012 Debt Refunding	2013 SBL Fund Refinance	2013 Debt Refunding	Totals June 30, 2013
<b>Assets:</b>							
Cash and Investments	\$ -	\$ 45,184	\$ 13,997	\$ 200,445	\$ -	\$ 5,603	\$ 265,229
Due from Other Funds	<u>-</u>	<u>151,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,277</u>
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 196,461</u>	<u>\$ 13,997</u>	<u>\$ 200,445</u>	<u>\$ -</u>	<u>\$ 5,603</u>	<u>\$ 416,506</u>
 <b>Liabilities and Fund Balance:</b>							
<b>Liabilities:</b>							
Due to Other Funds	\$ 144,454	\$ -	\$ -	\$ -	\$ 6,823	\$ -	\$ 151,277
<b>Total Liabilities</b>	144,454	-	-	-	6,823	-	151,277
<b>Fund Balance:</b>							
Restricted for Debt Service	<u>(144,454)</u>	<u>196,461</u>	<u>13,997</u>	<u>200,445</u>	<u>(6,823)</u>	<u>5,603</u>	<u>265,229</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ -</u>	<u>\$ 196,461</u>	<u>\$ 13,997</u>	<u>\$ 200,445</u>	<u>\$ -</u>	<u>\$ 5,603</u>	<u>\$ 416,506</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, 2014

	2002 Debt Retirement	2004 Debt Retirement	2006 Debt Retirement	2012 Debt Refunding	2013 SBL Fund Refinance	2013 Debt Refunding	Totals June 30, 2014
Revenues:							
Local Sources:							
Taxes	\$ 524,174	\$ 1,095,795	\$ 133,360	\$ 140,376	\$ 478,692	\$ -	\$ 2,372,397
Earnings on Investments	<u>100</u>	<u>191</u>	<u>23</u>	<u>25</u>	<u>77</u>	<u>3</u>	<u>419</u>
Total Revenues	524,274	1,095,986	133,383	140,401	478,769	3	2,372,816
Expenditures:							
Debt Service:							
Principal Retirement	625,000	1,175,000	-	-	480,000	7,125,988	9,405,988
Interest and Fiscal Charges	37,185	178,569	306,079	320,150	148,288	136,856	1,127,127
Other Supporting Services	<u>-</u>	<u>113</u>	<u>113</u>	<u>-</u>	<u>250</u>	<u>64,889</u>	<u>65,365</u>
Total Expenditures	<u>662,185</u>	<u>1,353,682</u>	<u>306,192</u>	<u>320,150</u>	<u>628,538</u>	<u>7,327,733</u>	<u>10,598,480</u>
Excess of Revenues Over/(Under) Expenditures	(137,911)	(257,696)	(172,809)	(179,749)	(149,769)	(7,327,730)	(8,225,664)
Other Financing Sources/(Uses):							
Proceeds from Sale of Bonds	-	-	-	-	-	7,194,681	7,194,681
Proceeds from School Bond Loan	<u>123,483</u>	<u>243,644</u>	<u>162,696</u>	<u>165,514</u>	<u>140,937</u>	<u>138,652</u>	<u>974,926</u>
Total Other Financing Sources/(Uses)	<u>123,483</u>	<u>243,644</u>	<u>162,696</u>	<u>165,514</u>	<u>140,937</u>	<u>7,333,333</u>	<u>8,169,607</u>
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	(14,428)	(14,052)	(10,113)	(14,235)	(8,832)	5,603	(56,057)
Fund Balance - July 1	<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>
Fund Balance - June 30	<u>\$ (144,454)</u>	<u>\$ 196,461</u>	<u>\$ 13,997</u>	<u>\$ 200,445</u>	<u>\$ (6,823)</u>	<u>\$ 5,603</u>	<u>\$ 265,229</u>

ALMONT COMMUNITY SCHOOLS  
OTHER SUPPLEMENTARY INFORMATION  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>
Revenues:		
Revenue from Local Sources:		
Property Tax	\$ 868,994	\$ 844,939
Tuition	23,914	29,720
Interest and Penalties	415	1,216
Athletics	102,049	184,520
Latchkey and Community Enrichment	79,359	74,699
Other Local Revenue	<u>79,892</u>	<u>92,504</u>
Total Revenue from Local Sources	1,154,623	1,227,598
Revenue from State Sources:		
Unrestricted Grants		
State School Aid	10,282,443	9,695,100
Restricted Grants	<u>708,553</u>	<u>864,901</u>
Total Revenue from State Sources	10,990,996	10,560,001
Revenue from Federal Sources:		
Restricted Grants		
Title I A	138,842	121,246
Title II A	38,083	35,947
Special Ed Flow Through	111,438	120,694
Other Grants	<u>3,803</u>	<u>7,793</u>
Total Revenue from Federal Sources	292,166	285,680
Other Financing Sources:		
Incoming Transfers	6,840	1,000
Miscellaneous	<u>11,193</u>	<u>25,447</u>
Other Financing Sources	<u>18,033</u>	<u>26,447</u>
Total Revenues and Other Financing Sources	<u>\$ 12,455,818</u>	<u>\$ 12,099,726</u>

ALMONT COMMUNITY SCHOOLS  
OTHER SUPPLEMENTARY INFORMATION  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

<u>INSTRUCTION</u>	June 30,	June 30,
<u>BASIC PROGRAMS</u>	<u>2014</u>	<u>2013</u>
Orchard Primary		
Salaries - Professional	\$ 1,541,990	\$ 1,507,339
Salaries - Non-Professional	2,514	1,568
Insurances	217,085	291,566
Fica, Retirement, Etc.	584,666	516,669
Other Benefits	23,564	26,920
Purchased Services	36,489	34,472
Supplies and Materials	25,054	37,269
Other	56,114	38,893
Total Orchard Primary	<u>2,487,476</u>	<u>2,454,696</u>
 Middle School		
Salaries - Professional	1,247,126	1,384,086
Salaries - Non-Professional	4,285	13,815
Insurances	192,128	271,463
Fica, Retirement, Etc.	475,726	479,436
Other Benefits	24,279	29,766
Purchased Services	39,856	32,671
Supplies and Materials	23,721	25,595
Total Middle School	<u>2,007,121</u>	<u>2,236,832</u>
 High School		
Salaries - Professional	1,185,176	1,275,530
Salaries - Non-Professional	950	935
Insurances	215,746	284,100
Fica, Retirement, Etc.	458,627	436,219
Other Benefits	18,650	24,087
Purchased Services	68,783	55,748
Supplies and Materials	47,763	38,653
Total High School	<u>1,995,695</u>	<u>2,115,272</u>
 Preschool - Orchard Primary		
Salaries - Professional	56,758	37,947
Salaries - Non-Professional	25,359	19,072
Fica, Retirement, Etc.	28,691	18,869
Purchased Services	872	109
Supplies and Materials	18,065	3,204
Other	595	-
Total Preschool - Orchard Primary	<u>130,340</u>	<u>79,201</u>
 Total Basic Programs	 6,620,632	 6,886,001

ALMONT COMMUNITY SCHOOLS  
OTHER SUPPLEMENTARY INFORMATION  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

<u>INSTRUCTION</u> (Continued)	June 30, 2014	June 30, 2013
<u>ADDED NEEDS</u>		
Special Education		
Salaries - Professional	\$ 484,190	\$ 491,647
Salaries - Non-Professional	235,449	224,252
Insurances	148,493	175,435
Fica, Retirement, Etc.	253,509	244,129
Other Benefits	12,969	22,045
Purchased Services	12,633	12,043
Supplies and Materials	3,334	3,338
Other	34,784	76,555
Total Special Education	1,185,361	1,249,444
Compensatory Education		
Salaries - Non-Professional	184,330	166,072
Fica, Retirement, Etc.	63,202	56,200
Purchased Services	2,880	2,170
Supplies and Materials	14,490	15,435
Total Compensatory Education	264,902	239,877
Total Added Needs	1,450,263	1,489,321
<u>SUPPORT SERVICES</u>		
Student Services		
Salaries - Professional	229,412	199,166
Salaries - Non-Professional	87,653	87,054
Insurances	22,534	35,421
Fica, Retirement, Etc.	108,251	96,832
Other Benefits	309	1,042
Purchased Services	5,123	11,241
Supplies and Materials	4,960	4,773
Other	200	200
Total Student Services	458,442	435,729
Instructional Staff		
Salaries - Non-Professional	65,278	78,640
Insurances	21	43
Fica, Retirement, Etc.	22,615	27,146
Other Benefits	4,059	4,066
Purchased Services	37,501	22,458
Supplies and Materials	10,565	13,442
Other	997	1,856
Total Instructional Staff	141,036	147,651

ALMONT COMMUNITY SCHOOLS  
OTHER SUPPLEMENTARY INFORMATION  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

<u>INSTRUCTION</u> (Continued)	June 30,	June 30,
<u>SUPPORT SERVICES</u> (Continued)	2014	2013
	<hr/>	<hr/>
General Administration		
Salaries - Professional	\$ 124,760	\$ 124,760
Salaries - Non-Professional	62,012	61,730
Insurances	4,940	10,034
Fica, Retirement, Etc.	65,329	62,233
Other Benefits	5,292	5,298
Purchased Services	32,454	34,910
Supplies and Materials	3,030	3,334
Other	6,837	7,014
Total General Administration	<hr/> 304,654	<hr/> 309,313
School Administration		
Salaries - Professional	311,717	305,200
Salaries - Non-Professional	142,107	145,357
Insurances	59,760	54,460
Fica, Retirement, Etc.	168,196	152,680
Other Benefits	12,315	28,320
Purchased Services	17,643	23,691
Supplies and Materials	4,636	7,060
Other	1,576	1,345
Total School Administration	<hr/> 717,950	<hr/> 718,113
Business Office		
Salaries - Professional	66,592	49,167
Salaries - Non-Professional	21,721	34,250
Insurances	31,961	37,628
Fica, Retirement, Etc.	27,143	28,835
Other Benefits	73	97
Purchased Services	14,906	16,865
Supplies and Materials	642	1,616
Other	85,835	32,231
Total Business Office	<hr/> 248,873	<hr/> 200,689
Operation and Maintenance of Plant		
Salaries - Professional	22,500	25,313
Salaries - Non-Professional	3,017	142,921
Insurances	-	18,595
Fica, Retirement, Etc.	11,395	54,121
Other Benefits	6,627	5,259
Purchased Services	508,617	346,093
Supplies and Materials	382,471	374,104
Capital Outlay	-	185
Other	-	725
Total Operation and Maintenance of Plant	<hr/> 934,627	<hr/> 967,316

ALMONT COMMUNITY SCHOOLS  
OTHER SUPPLEMENTARY INFORMATION  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

<u>INSTRUCTION</u> (Continued)	June 30,	June 30,
<u>SUPPORT SERVICES</u> (Continued)	<u>2014</u>	<u>2013</u>
Transportation		
Salaries - Professional	\$ 22,500	\$ 19,688
Salaries - Non-Professional	220,420	229,795
Insurances	29,990	32,871
Fica, Retirement, Etc.	87,230	85,338
Other Benefits	12,622	13,391
Purchased Services	210,679	211,625
Supplies and Materials	95,123	88,977
Other	-	323
Total Transportation	<u>678,564</u>	<u>682,008</u>
Other Support Services		
Salaries - Professional	63,000	-
Salaries - Non-Professional	14,645	-
Insurances	15,605	-
Fica, Retirement, Etc.	26,050	-
Purchased Services	167,657	127,382
Supplies and Materials	20,605	17,314
Capital Outlay	55,220	186,006
Other	43,884	4,351
Total Other Support Services	<u>406,666</u>	<u>335,053</u>
<u>ATHLETICS</u>		
Salaries - Professional	85,240	50,834
Fica, Retirement, Etc.	26,251	14,744
Purchased Services	113,324	157,342
Supplies and Materials	19,504	13,057
Capital Outlay	-	2,821
Other	12,062	12,060
Total Athletics	<u>256,381</u>	<u>250,858</u>
 TOTAL SUPPORT SERVICES	 4,147,193	 4,046,730
<u>COMMUNITY SERVICES</u>		
Salaries - Professional	7,419	4,362
Salaries - Non-Professional	31,410	27,938
Fica, Retirement, Etc.	13,216	11,090
Purchased Services	10,741	7,643
Supplies and Materials	24,808	8,054
Total Community Services	<u>87,594</u>	<u>59,087</u>
 TOTAL EXPENDITURES	 12,305,682	 12,481,139



ALMONT COMMUNITY SCHOOLS  
OTHER SUPPLEMENTARY INFORMATION  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
OTHER FINANCING USES		
Principal Payments	\$ -	\$ 9,984
Interest Payments	-	402
Retirement Incentive Payment	52,400	35,000
Transfers to Other Districts	<u>6,053</u>	<u>7,336</u>
TOTAL OTHER FINANCING USES	<u>58,453</u>	<u>52,722</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 12,364,135</u>	<u>\$ 12,533,861</u>

ALMONT COMMUNITY SCHOOLS  
 OTHER SUPPLEMENTARY INFORMATION  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Assets:</b>				
Cash and Cash Equivalents	\$ <u>112,557</u>	\$ <u>139,994</u>	\$ <u>138,573</u>	\$ <u>113,978</u>
 <b>Liabilities:</b>				
Due to Student and Other Groups	\$ <u>112,557</u>	\$ <u>139,994</u>	\$ <u>138,573</u>	\$ <u>113,978</u>

ALMONT COMMUNITY SCHOOLS  
 DETAIL OF BONDED DEBT  
 2006 REFUNDING BONDS  
 JUNE 30, 2014

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>
05/15/15	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>\$ 2,867,729</u>	<u>\$ 10,482,729</u>

ALMONT COMMUNITY SCHOOLS  
 DETAIL OF BONDED DEBT  
 2012 REFUNDING BONDS  
 JUNE 30, 2014

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>
05/01/15	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		\$ <u>8,535,000</u>	\$ <u>3,362,800</u>	\$ <u>11,897,800</u>

ALMONT COMMUNITY SCHOOLS  
 DETAIL OF BONDED DEBT  
 2013 REFUNDING BONDS  
 JUNE 30, 2014

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>
05/01/15	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		\$ <u>7,630,000</u>	\$ <u>695,460</u>	\$ <u>8,325,460</u>

ALMONT COMMUNITY SCHOOLS  
 DETAIL OF BONDED DEBT  
 2012 ENERGY CONSERVATION IMPROVEMENT BONDS  
 JUNE 30, 2014

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>
11/01/2014	4.490 %	\$ -	\$ 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
<b>Total</b>		<b>\$ 1,100,000</b>	<b>\$ 296,340</b>	<b>\$ (288,420)</b>	<b>\$ 1,107,920</b>

ALMONT COMMUNITY SCHOOLS  
 DETAIL OF BONDED DEBT  
 2013 REFUNDING BONDS  
 JUNE 30, 2014

Schedule of Bonded Indebtedness

Date of issue: 10/30/2013  
 Amount authorized: \$ 6,805,000

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Annual Requirements</u>
5/15/2015	4.000%	\$ 1,855,000	\$ 272,200	\$ 2,127,200
5/15/2016	4.000%	475,000	198,000	673,000
5/15/2017	4.000%	470,000	179,000	649,000
5/15/2018	4.000%	470,000	160,200	630,200
5/15/2019	4.000%	450,000	141,400	591,400
5/15/2020	4.000%	450,000	123,400	573,400
5/15/2021	4.000%	450,000	105,400	555,400
5/15/2022	4.000%	445,000	87,400	532,400
5/15/2023	4.000%	435,000	69,600	504,600
5/15/2024	4.000%	435,000	52,200	487,200
5/15/2025	4.000%	435,000	34,800	469,800
5/15/2026	4.000%	<u>435,000</u>	<u>17,400</u>	<u>452,400</u>
TOTAL		\$ <u><u>6,805,000</u></u>	\$ <u><u>1,441,000</u></u>	\$ <u><u>8,246,000</u></u>

**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**

October 21, 2014

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 Almont Community Schools as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Almont Community Schools' basic financial statements, and have issued our report thereon dated October 21, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 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.

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## **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