

Hartland Consolidated Schools

**Financial Report
with Supplemental Information
June 30, 2014**

Hartland Consolidated Schools

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Independent Auditor's Report

To the Board of Education
Hartland Consolidated Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hartland Consolidated Schools (the "School District") as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise Hartland Consolidated Schools' 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 Hartland Consolidated Schools as of June 30, 2014 and the respective changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Education
Hartland Consolidated Schools

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major fund budgetary comparison schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hartland Consolidated Schools' basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2014 on our consideration of Hartland Consolidated 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 Hartland Consolidated Schools' internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 9, 2014

Hartland Consolidated Schools

Management's Discussion and Analysis

This section of Hartland Consolidated Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2014. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Hartland Consolidated Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund and the 2010 Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Other Supplemental Information

Hartland Consolidated Schools

Management's Discussion and Analysis (Continued)

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the School District's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District. The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

- **Governmental Funds** - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

Hartland Consolidated Schools

Management's Discussion and Analysis (Continued)

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

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

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table I provides a summary of the School District's net position as of June 30, 2014 and 2013:

	Governmental Activities	
	June 30	
	2014	2013
	(in millions)	
Assets		
Current and other assets	\$ 17.4	\$ 19.2
Capital assets	136.7	139.6
Total assets	154.1	158.8
Liabilities		
Current liabilities	17.4	18.7
Long-term liabilities	155.0	153.7
Total liabilities	172.4	172.4
Net Assets		
Net investment in capital assets	(14.0)	(12.4)
Restricted	0.7	1.3
Unrestricted	(5.0)	(2.5)
Total net assets	<u>\$ (18.3)</u>	<u>\$ (13.6)</u>

The above analysis focuses on the net position (see Table I). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was approximately \$(18.3) million at June 30, 2014. Net investment in capital assets totaling \$(14.0) million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net position of (\$5.0) million was unrestricted.

Hartland Consolidated Schools

Management's Discussion and Analysis (Continued)

The (\$5.0) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position is mainly made up of the School Bond Loan Fund accrued interest, offset by the General Fund fund balance and other long-term adjustments. The School District has an approved financing plan with the State to pay off the debt through debt retirement millage.

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal years ended June 30, 2014 and 2013.

Table 2

	Governmental Activities	
	Year Ended June 30	
	2014	2013
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 4.1	\$ 4.0
Operating grants and contributions	4.8	6.0
General revenue:		
Property taxes	12.3	12.2
State foundation allowance	36.9	34.3
Other	0.1	0.3
Total revenue	58.2	56.8
Functions/Program Expenses		
Instruction	29.4	28.1
Support services	15.5	15.1
Athletics	0.9	0.8
Food services	1.3	1.4
Community services	2.9	2.5
Interest on long-term debt	7.2	7.1
Depreciation (unallocated)	5.7	5.6
Total functions/program expenses	62.9	60.6
Decrease in Net Assets	(4.7)	(3.8)
Net Assets - Beginning of year	(13.6)	(9.8)
Net Assets - End of year	\$ (18.3)	\$ (13.6)

Hartland Consolidated Schools

Management's Discussion and Analysis (Continued)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$62.9 million. Certain activities were partially funded from those who benefited from the programs, \$4.1 million, or by other governments and organizations that subsidized certain programs with grants and contributions, \$4.8 million. We paid for the remaining "public benefit" portion of our governmental activities with \$12.3 million in taxes, \$36.9 million in State foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The School District experienced a decrease in net position of \$4.7 million. This change in net position was mainly due to increased interest on School Bond loan fund borrowings, spending down the remaining funds in the 2006 and 2010 bond proceeds (debt remains), and the planned operational deficit in the School District's General Fund.

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

The School District's Funds

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

As the School District completed this year, the governmental funds reported a combined fund balance of \$7.2 million, which is a decrease of \$3.2 million from last year. The primary reasons for the decrease were the continued planned spending down of the General Fund fund balance, the completion of the 2006 Capital Projects Fund, and on projects in the 2010 Capital Projects Fund.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted on June 26, 2014. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. The Athletics Subfund is shown separately in the Combined General Fund report in the other supplemental information section.

Hartland Consolidated Schools

Management's Discussion and Analysis (Continued)

The School District did amend the General Fund in June 2014. Ultimately, the “actual versus budget” resulted in a (0.1) percent variance in revenue (\$43,981 over budget) and a (0.6) percent variance in expenditures (\$296,215 under budget). The combination of these two items improved the fund balance position at June 30, 2014 by \$340,196, from an amended budget fund balance of \$3,655,513 to an actual year-end fund balance of \$3,995,709.

As noted above, revenue changed very little from the amended budget to the actual at the end of the year. There were changes from the original revenue budget to the amended budget totaling an increase of \$1,891,490. This came from 139 additional students over the number planned (we are “paid” based on enrollment) and also had an additional grant from the State to help with retirement obligations and recorded loan proceeds for new school buses. Both the grant and loan proceeds were offset by corresponding expenditures.

The increase in expenditures from the initial budget adopted, and ultimately the decrease from the amended budget to actual, came from among over 1,600 expenditure accounts. The primary reason for the increase in expenditures from the original expenditure budget to the amended expenditure budget was related to additional retirement expenses (offset by a state grant) and the cost of new buses (offset by loan proceeds). Ultimately, actual expenditures were less than the amended budget expenditures by \$296,215, with \$121,140 of that coming from conservative budgeting in retirement and FICA expenditures and another \$159,905 from salaries coming in under budget (from a salary budget of \$25,264,175).

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2014, the School District had \$206 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions and disposals) of approximately \$2.8 million, or 1 percent, from last year.

	2014	2013
Land	\$ 2,419,502	\$ 2,419,502
Buildings and building improvements	175,939,003	173,781,149
Buses and other vehicles	6,843,852	6,247,024
Furniture and equipment	20,418,173	20,324,166
Total capital assets	<u>\$ 205,620,530</u>	<u>\$ 202,771,841</u>

Hartland Consolidated Schools

Management's Discussion and Analysis (Continued)

This year's additions of \$2.9 million are primarily a result of 2010 Bond spending. The additions were offset by disposals of \$0.1 million of various assets.

Debt

At the end of this year, the School District had \$110.3 million in bonds outstanding versus \$119.3 million in the previous year - a change of 7.5 percent. Those bonds consisted of the following:

	<u>2014</u>	<u>2013</u>
General Obligation Bonds	<u>\$ 110,320,000</u>	<u>\$ 119,292,000</u>

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District had no outstanding unqualified general obligation debt.

Other obligations include notes, School Bond Loan Fund, accrued vacation pay, sick leave, and capital leases. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2014-2015 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2014-2015 fiscal year is 90 percent and 10 percent of the September 2014 and February 2015 student counts, respectively. With few exceptions, under state law, the School District cannot assess additional property tax revenue for general operations. As a result, the School District's funding is heavily dependent on the State's ability to fund the foundation allowance. Based on enrollment data at the start of the school year, the fall student count will be significantly higher than the School District contemplated by 80 students. It appears the School District's enrollment will be up by six from the prior year versus a planned reduction of 74.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to school districts. In two of the past 11 years, the State has had to make a mid-year adjustment that reduced the foundation allowance. The potential of that type of delay in final notification makes it very difficult to plan appropriately. It does not appear there will be a mid-year proration during 2014-2015.

Hartland Consolidated Schools

Management's Discussion and Analysis (Continued)

From a revenue perspective, the 2014-2015 year will find the School District with more dollars available; as noted above, our enrollment increased unexpectedly and the net per-pupil funding from a number of State sources has increased by approximately \$204 per pupil. These two sources will help provide a net increase of approximately 4 percent over revenue in the prior year.

Expenditures will increase during the 2014-2015 year by approximately 2 percent. This includes inflationary increases and a minimal 1.69 percent salary increase for employees, the largest increase since 2006-2007. Expenditures will exceed revenue by approximately \$300,000, although this is an improvement over the \$1,178,066 operating deficit in 2013-2014.

On a positive note, the School District's General Fund fund balance remains near 8 percent of expenditures, which will allow for any necessary drawdowns for a number of years. More importantly, the School District will be able to continue to maintain quality educational programs and remains a "school of choice" in our region. Finally, our employee labor contracts all call for concessions, significant if necessary, to enable the School District to maintain a minimum 5 percent fund balance. These contracts are in place through the 2017-2018 school year.

Contacting the School District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Business Office.

Hartland Consolidated Schools

Statement of Net Position June 30, 2014

	Governmental Activities
Assets	
Cash (Note 3)	\$ 2,920,925
Investments (Note 3)	3,487,510
Receivables (Note 4)	7,336,278
Inventories	154,303
Prepaid costs	248,596
Restricted assets (Note 8)	3,231,247
Capital assets - Net (Note 5)	<u>136,756,851</u>
Total assets	154,135,710
Liabilities	
Accounts payable	796,463
Accrued payroll-related liabilities	4,601,911
State aid anticipation note (Note 11)	4,536,543
Accrued interest	862,306
Due to other governmental units	231,749
Unearned revenue (Note 4)	48,189
Noncurrent liabilities (Note 7):	
Due within one year	6,286,418
Due in more than one year	<u>155,050,832</u>
Total liabilities	<u>172,414,411</u>
Net Position	
Net investment in capital assets	(14,028,836)
Restricted:	
Capital projects	592,729
Food Services	123,941
Unrestricted	<u>(4,966,535)</u>
Total net position	<u><u>\$ (18,278,701)</u></u>

Hartland Consolidated Schools

Statement of Activities Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 29,380,410	\$ 667,127	\$ 2,087,744	\$ (26,625,539)
Support services	15,525,397	-	1,276,704	(14,248,693)
Athletics	870,033	242,535	-	(627,498)
Food services	1,327,478	873,547	511,899	57,968
Community services	2,905,185	2,373,956	-	(531,229)
Interest	7,233,383	-	932,854	(6,300,529)
Tax chargebacks and fees	4,053	-	-	(4,053)
Depreciation expense (unallocated)	5,654,798	-	-	(5,654,798)
Total primary government	\$ 62,900,737	\$ 4,157,165	\$ 4,809,201	(53,934,371)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				4,276,010
Property taxes, levied for debt service				8,068,345
State aid not restricted to specific purposes				36,897,170
Interest and investment earnings				12,244
Other				38,184
				<u>49,291,953</u>
				Change in Net Position (4,642,418)
				Net Position - Beginning of year (13,636,283)
				Net Position - End of year <u><u>\$ (18,278,701)</u></u>

Hartland Consolidated Schools

Governmental Funds Balance Sheet June 30, 2014

	Combined General Fund	2010 Capital Projects Combined	Nonmajor Funds	Total Governmental Funds
Assets				
Cash (Note 3)	\$ 2,822,738	\$ -	\$ 98,187	\$ 2,920,925
Investments (Note 3)	3,487,510	-	-	3,487,510
Receivables (Note 4)	7,260,016	-	76,262	7,336,278
Due from other funds (Note 6)	7,077	-	-	7,077
Inventories	139,177	-	15,126	154,303
Prepaid costs	248,596	-	-	248,596
Restricted assets (Note 8)	-	2,503,250	727,997	3,231,247
Total assets	\$ 13,965,114	\$ 2,503,250	\$ 917,572	\$ 17,385,936
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 542,624	\$ 242,797	\$ 11,042	\$ 796,463
Accrued payroll-related liabilities	4,588,121	-	13,790	4,601,911
State aid anticipation note (Note 11)	4,536,543	-	-	4,536,543
Unearned revenue (Note 4)	10,062	-	38,127	48,189
Due to other governmental units	231,703	-	46	231,749
Due to other funds (Note 6)	-	-	7,077	7,077
Total liabilities	9,909,053	242,797	70,082	10,221,932
Deferred Inflows of Resources -				
Unavailable revenue (Note 4)	6,238	-	-	6,238
Total liabilities and deferred inflows of resources	9,915,291	242,797	70,082	10,228,170
Fund Balances				
Nonspendable:				
Inventory	139,177	-	15,126	154,303
Prepaid assets	248,596	-	-	248,596
Restricted:				
Capital projects	-	2,260,453	-	2,260,453
Debt service	-	-	723,549	723,549
Food service	-	-	108,815	108,815
Assigned - Budgeted use of fund balance in subsequent year	1,006,206	-	-	1,006,206
Unassigned	2,655,844	-	-	2,655,844
Total fund balances	4,049,823	2,260,453	847,490	7,157,766
Total liabilities, deferred inflows of resources, and fund balances	\$ 13,965,114	\$ 2,503,250	\$ 917,572	\$ 17,385,936

Hartland Consolidated Schools

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2014

Fund Balance Reported in Governmental Funds \$ 7,157,766

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 are not reported in the funds:

Cost of capital assets	\$ 205,620,530	
Accumulated depreciation	<u>(68,863,679)</u>	136,756,851

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds (including premium) and School Bond Loan Fund payable	(160,756,013)	
Compensated absences	(40,744)	
Notes payable	<u>(540,493)</u>	(161,337,250)

Accrued interest payable is not included as a liability in governmental funds (862,306)

Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds 6,238

Net Position of Governmental Activities **\$ (18,278,701)**

Hartland Consolidated Schools

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2014

	Combined General Fund	2010 Capital Projects Combined	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 7,562,146	\$ 128,406	\$ 8,946,235	\$ 16,636,787
State sources	38,701,504	-	47,000	38,748,504
Federal sources	605,749	-	1,397,753	2,003,502
Other	962,087	-	-	962,087
Total revenue	47,831,486	128,406	10,390,988	58,350,880
Expenditures				
Current:				
Instruction	29,498,340	-	-	29,498,340
Support services	15,481,346	-	-	15,481,346
Athletics	870,033	-	-	870,033
Food services	-	-	1,327,478	1,327,478
Community services	2,905,185	-	-	2,905,185
Debt service:				
Principal	32,900	-	8,972,000	9,004,900
Interest	70,170	-	5,482,974	5,553,144
Other	-	-	33,042	33,042
Capital outlay	762,539	1,455,354	939,300	3,157,193
Total expenditures	49,620,513	1,455,354	16,754,794	67,830,661
Excess of Expenditures Over Revenue	(1,789,027)	(1,326,948)	(6,363,806)	(9,479,781)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	2,351	-	-	2,351
Transfers in (Note 6)	62,191	-	162,661	224,852
Transfers out (Note 6)	-	(15,669)	(209,183)	(224,852)
Proceeds from bus note	540,493	-	-	540,493
School Bond Loan Revolving Fund proceeds	-	-	5,666,287	5,666,287
Total other financing sources (uses)	605,035	(15,669)	5,619,765	6,209,131
Net Change in Fund Balances	(1,183,992)	(1,342,617)	(744,041)	(3,270,650)
Fund Balances - Beginning of year	5,233,815	3,603,070	1,591,531	10,428,416
Fund Balances - End of year	<u>\$ 4,049,823</u>	<u>\$ 2,260,453</u>	<u>\$ 847,490</u>	<u>\$ 7,157,766</u>

Hartland Consolidated Schools

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (3,270,650)

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, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (5,654,798)	
Capitalized capital outlay	<u>2,946,229</u>	(2,708,569)

Governmental funds report proceeds from the sale of assets as revenue; in the statement of activities, these are recorded net of carrying value of the disposed assets (87,190)

Revenue is reported in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end (7,722)

Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of activities (5,666,287)

Accrued interest on School Bond Loan Fund borrowings increases long-term liabilities in the statement of activities (1,562,812)

Long-term expenses are recorded in the statement of activities when incurred; they are not reported in governmental funds until paid 72,000

Amortization of premiums of long-term debt is amortized on the statement of activities 64,371

Hartland Consolidated Schools

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Continued) Year Ended June 30, 2014

Repayment of bond and note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	\$ 9,004,900
Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(152,809)
Compensated absences are recorded when earned in the statement of activities. In the current year, more was paid out than earned	212,843
Loan proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of activities	<u>(540,493)</u>
Change in Net Position of Governmental Activities	<u>\$ (4,642,418)</u>

Hartland Consolidated Schools

Fiduciary Funds Statement of Net Position June 30, 2014

	Student Activities Agency Fund	Private Purpose Trust
Assets - Cash and investments	<u>\$ 608,989</u>	\$ 109,131
Liabilities - Due to student groups	<u>\$ 608,989</u>	-
Net Position - Reserved for scholarships/projects awarded		<u>\$ 109,131</u>

Hartland Consolidated Schools

Fiduciary Funds - Private Purpose Trust Statement of Changes in Net Position Year Ended June 30, 2014

	<u>Fifth Third Bank</u>	<u>Ameritrust</u>	<u>Scholarship Fund</u>	<u>Total</u>
Additions - Interest and contributions	\$ 22,000	\$ 19,196	\$ 262	\$ 41,458
Deductions - Scholarships/Projects awarded	<u>20,500</u>	<u>22,766</u>	<u>5,000</u>	<u>48,266</u>
Change in Net Position	1,500	(3,570)	(4,738)	(6,808)
Net Position - Beginning of year	<u>22,022</u>	<u>33,033</u>	<u>60,884</u>	<u>115,939</u>
Net Position - End of year	<u>\$ 23,522</u>	<u>\$ 29,463</u>	<u>\$ 56,146</u>	<u>\$ 109,131</u>

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies

The accounting policies of Hartland Consolidated Schools (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity and which organizations are legally separate component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

Government-wide and Fund Financial Statements

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

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

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

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the School District's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the School District's policy to spend funds in this order: committed, assigned, and unassigned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the School District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies (Continued)

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

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

2010 Capital Projects Fund - The 2010 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for remodeling buildings, acquiring and installing technology equipment, purchasing school buses, and developing and improving athletic fields and facilities, playgrounds, and sites. The fund operates until the purpose for which it was created is accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's only special revenue fund is the Food Services Fund. The Food Services Fund's primary source of revenue is from federal grants and customer sales. Any operating deficit generated by food service activities is the responsibility of the General Fund.

Debt Service Funds - The various debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on the related bond issue.

Capital Projects Funds - The 2006 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The fund operated until the purpose for which it was created was completed in 2014.

Trust Funds - The various trust funds are used to account for resources legally held in trust, including contributions received by the School District to be awarded in the form of scholarships.

Assets, Liabilities, and Net Position or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Investment income is recorded in the fund for which the investment account was established.

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as “due to/from other funds.” All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 for approximately 35 percent of the taxes and on December 1 for the remainder of the property taxes. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Services Fund is recorded as inventory and deferred revenue until used. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Restricted Assets - The unspent bond proceeds and related interest of the capital projects funds require amounts to be set aside for construction. In addition, property tax collections of the debt service funds are required to be spent on bonded indebtedness. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

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

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

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation leave) - The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated vacation benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Balance - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the Board of Education for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- **Assigned:** Intent to spend resources on specific purposes expressed by the Board of Education or superintendent, who is authorized by policy approved by the Board of Education to make assignments

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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

Comparative Data/Reclassifications - Comparative data is not included in the School District's financial statements.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. In addition, a budget is adopted for the capital projects and debt service funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, and object. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in June 2014 in a legally permissible manner.

The General Fund budget is presented consistent with the original and amended budget adopted. The budget for the athletics program was adopted separately and the actual results reported, as required by GASB Statement No. 54, as part of the General Fund on the statement of revenue, expenditures, and changes in fund balance but are excluded from the budgetary comparison schedule - General Fund.

Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds - The School District did not have significant expenditure budget variances.

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2014

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Capital Projects Funds Compliance - The capital projects funds include capital project activities funded with bonds issued after May 1, 1994, which is when §1351a went into effect. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

Beginning with the year of bond issuance, the School District has reported the annual construction activity in the 2010 Capital Projects Fund. The projects for which the 2010 Bond was issued were considered complete on May 27, 2014 and the cumulative expenditures recognized for the construction period were \$26,380,336.

Note 3 - Deposits and Investments

State statutes authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated two banks for the deposit of its funds.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District's deposit balance of \$3,921,595 had \$3,171,595 of bank deposits (money market, checking, and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The uninsured and unregistered investments listed in the chart below are held by a counterparty.

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2014

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools; and limiting the average maturity in accordance with the School District's cash requirements.

Investments - Investments under the interlocal agreement (MILAF) are regulated by the Urban Cooperation Act. The fair value of the position in the interlocal agreement pools is the same as the value of the pool shares. The interlocal agreement (MILAF) is rated at AAAM according to Standard & Poor's.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rating Organization</u>
Michigan Liquid Asset Fund	\$ 3,506,316	N/A	AAAM	S&P
Fannie Mae	388,644	4/15/2015	Aaa	Moody's
Freddie Mac	822,167	7/15/2014 - 7/28/2014	Aaa	Moody's
Federated Government Money Market	<u>1,163,055</u>	N/A	AAAM	S&P
Total investments	<u>\$ 5,880,182</u>			

Concentration of Credit Risk - The School District places no limit on the amount the School District may invest in any one issuer. Any investment over 5 percent of total investments is a concentration. All investments listed above are considered concentrations.

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2014

Note 4 - Receivables and Unavailable/Unearned Revenue

Receivables as of year end for the School District's individual major funds and the nonmajor funds in the aggregate are as follows:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:			
Taxes receivable	\$ 870	\$ 3,412	\$ 4,282
Accounts receivable	77,186	1,197	78,383
Intergovernmental	<u>7,181,960</u>	<u>71,653</u>	<u>7,253,613</u>
Total receivables	<u>\$ 7,260,016</u>	<u>\$ 76,262</u>	<u>\$ 7,336,278</u>

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also use unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned and unavailable revenue are as follows:

	<u>Governmental Funds</u>	
	<u>Deferred Inflow - Unavailable</u>	<u>Liability - Unearned</u>
General Fund	\$ (6,238)	\$ (10,062)
Nonmajor funds	<u>-</u>	<u>(38,127)</u>
Total deferred revenue	<u>\$ (6,238)</u>	<u>\$ (48,189)</u>

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2014

Note 5 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2013	Additions	Disposals	Balance June 30, 2014
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 2,419,502	\$ -	\$ -	\$ 2,419,502
Capital assets being depreciated:				
Buildings and building improvements	173,781,149	2,157,854	-	175,939,003
Furniture and equipment	20,324,166	180,047	86,040	20,418,173
Buses and other vehicles	6,247,024	608,328	11,500	6,843,852
Subtotal	200,352,339	2,946,229	97,540	203,201,028
Accumulated depreciation:				
Buildings and building improvements	47,183,013	4,454,831	-	51,637,844
Furniture and equipment	13,259,232	580,849	-	13,840,081
Buses and other vehicles	2,776,986	619,118	10,350	3,385,754
Subtotal	63,219,231	5,654,798	10,350	68,863,679
Net capital assets being depreciated	137,133,108	(2,708,569)	87,190	134,337,349
Net capital assets	<u>\$ 139,552,610</u>	<u>\$ (2,708,569)</u>	<u>\$ 87,190</u>	<u>\$ 136,756,851</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From Nonmajor Governmental Funds
General Fund	<u>\$ 7,077</u>

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2014

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

This balance results from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Advanced To	Fund Advanced From		Total
	2010 Capital Projects Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 62,191	\$ 62,191
Nonmajor governmental funds	15,669	146,992	162,661
Total	\$ 15,669	\$ 209,183	\$ 224,852

Transfers from the nonmajor funds to the General Fund represent indirect costs paid from the Food Services Fund to the General Fund.

Transfers between the 2010 Capital Project Fund and other nonmajor funds represent transfers made to the other capital project funds to cover capital asset additions.

Transfers between nonmajor funds represent transfers made to reallocate debt funds.

Note 7 - Long-term Debt

The School District issues bonds and notes to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Notes and installment purchase agreements are also general obligations of the School District. Other long-term obligations are comprised of compensated absences.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds	\$ 119,292,000	\$ -	\$ 8,972,000	\$ 110,320,000	\$ 6,135,000
Notes	32,900	540,493	32,900	540,493	87,047
School Bond Loan/School Revolving Fund	42,241,391	7,229,099	-	49,470,490	-
Compensated absences	253,587	-	212,843	40,744	-
Premium on bonds	1,029,894	-	64,371	965,523	64,371
Pollution remediation	72,000	-	72,000	-	-
Total governmental activities	\$ 162,921,772	\$ 7,769,592	\$ 9,354,114	\$ 161,337,250	\$ 6,286,418

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2014

Note 7 - Long-term Debt (Continued)

The School District issued Build America Bonds in 2010. Build America Bonds, a program under the American Recovery and Reinvestment Act of 2009, provides funding for state and local governments at lower borrowing costs. The program is designed to provide a federal subsidy for a larger portion of the borrowing costs of state and local governments than traditional tax-exempt bonds. The federal interest subsidy is indicated as a reduction of interest payments in the table below. The net interest column indicates the amount of cash that the School District will pay in interest.

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

Years Ending June 30	Governmental Activities				
	Principal	Interest	Maximum Interest Subsidy	Net Interest	Total - Net
2015	\$ 6,222,047	\$ 5,177,987	\$ (990,076)	\$ 4,187,911	\$ 10,409,958
2016	6,347,698	4,947,136	(1,002,396)	3,944,740	10,292,438
2017	6,474,169	4,706,721	(995,466)	3,711,255	10,185,424
2018	6,485,664	4,458,139	(987,749)	3,470,390	9,956,054
2019	6,527,185	4,215,317	(979,795)	3,235,522	9,762,707
2020-2024	31,203,730	17,160,676	(4,759,340)	12,401,336	43,605,066
2025-2029	40,775,000	8,905,111	(3,011,019)	5,894,092	46,669,092
2030-2034	5,900,000	1,262,575	(421,820)	840,755	6,740,755
2035	925,000	60,588	(21,206)	39,382	964,382
Total	<u>\$ 110,860,493</u>	<u>\$ 50,894,250</u>	<u>\$ (13,168,867)</u>	<u>\$ 37,725,383</u>	<u>\$ 148,585,876</u>

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2014

Note 7 - Long-term Debt (Continued)

Governmental Activities

General obligation bonds consist of the following:

\$14,825,000 - 2004 partial refunding of the School District's 1996 building and site serial bonds due in annual installments of \$915,000 to \$1,000,000 through May 1, 2022; interest from 3.60 percent - 5.00 percent	\$ 7,720,000
\$26,390,000 - 2007 building and site serial bond due in annual installments of \$1,075,000 to \$1,350,000 through May 1, 2030; interest from 4.00 percent - 4.25 percent	19,950,000
\$12,180,000 - 2010 building and site serial bond, Series B, due on May 1, 2027; interest at 6.65 percent	12,180,000
\$14,565,000 - 2010 building and site serial bond, Series C, due in annual installments of \$450,000 to \$925,000 beginning May 1, 2014 through May 1, 2035; interest from 3.30 percent - 6.55 percent	14,115,000
\$36,960,000 - 2011 partial refunding of the 2001 refunding bond due in annual installments of \$3,690,000 to \$3,875,000 through May 1, 2022; interest at 3.50 percent	26,520,000
\$30,035,000 - 2012 refunding of the 2001 refunding bond due in annual installments of \$3,550,000 to \$3,975,000 beginning May 1, 2022 through May 1, 2029; interest from 2.25 percent - 5.25 percent	<u>29,835,000</u>
Total	<u>\$ 110,320,000</u>

Notes consist of the following:

Date	Original Amount	Interest Rate	Due Date	Principal	Interest
June 6, 2014	\$ 540,493	1.7%	5/1/2020	\$ 540,493	\$ 28,943

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2014

Note 7 - Long-term Debt (Continued)

School Bond Loan and School Loan Revolving Fund - The school bond loan and School Loan Revolving Fund payable represent notes payable to the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates ranged from 3.52 percent to 3.53 percent from July 1, 2013 to June 30, 2014. Repayment is required when the millage rate necessary to cover the annual bonded debt service falls below 7 mills. The School District is required to levy 7 mills and repay to the State any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of state equalized value of property in the School District, no provision for repayment has been included in the above amortization schedule. At June 30, 2014, \$9,026,527 was outstanding on the school bond loan and \$40,443,963 was outstanding on the School Loan Revolving Fund.

Note 8 - Restricted Assets

The balances for the restricted asset accounts are as follows:

	<u>Governmental Activities</u>
Unspent bond proceeds and related interest	\$ 2,503,250
Debt service funds	<u>727,997</u>
Total restricted assets	<u>\$ 3,231,247</u>

Note 9 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property loss, torts, errors and omissions, and medical benefit claims and participates in the SET-SEG risk pool for claims relating to employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2014

Note 10 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement Services at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Pension Benefits - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. For the period from July 1, 2013 through September 30, 2013, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP with Premium Subsidy	Pension Plus with Premium Subsidy	Pension Plus PHF*	Pension Plus to DC with PHF*	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	15.21 %	15.02 %	15.02 %	12.78 %	12.78 %	12.78 %	15.21 %
Health contributions	9.11 %	9.11 %	8.18 %	8.18 %	9.11 %	8.18 %	8.18 %
Defined contribution plan employer contributions:							
DC employer contributions	0.00 %	1.00 %	1.00 %	3.00 %	4.00 %	4.00 %	0.00 %
Personal Healthcare Fund	0.00 %	0.00 %	2.00 %	2.00 %	0.00 %	2.00 %	2.00 %

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2014

Note 10 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

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

	Basic MIP with Premium Subsidy	Pension Plus with Premium Subsidy	Pension Plus PHF*	Pension Plus to DC with PHF*	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	18.34 %	18.11 %	18.11 %	15.44 %	15.44 %	15.44 %	18.34 %
Health contributions	6.45 %	6.45 %	5.52 %	5.52 %	6.45 %	5.52 %	5.52 %
Defined contribution plan employer contributions:							
DC employer contributions	0.00 %	1.00 %	1.00 %	3.00 %	4.00 %	4.00 %	0.00 %
Personal Healthcare Fund	0.00 %	0.00 %	2.00 %	2.00 %	0.00 %	2.00 %	2.00 %

* First worked September 4, 2012 or later

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the years ended June 30, 2014, 2013, and 2012 were \$5,407,100, \$3,679,200, and \$3,459,600, respectively.

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2014

Note 10 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 8.18 percent to 9.11 percent of covered payroll for the period from July 1, 2013 through September 30, 2013, and from 5.52 percent to 6.45 percent of covered payroll for the period from October 1, 2013 through June 30, 2014 dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 401(k) account.

The School District's required and actual contributions to the plan for retiree health care benefits for the years ended June 30, 2014, 2013, and 2012 were \$1,691,800, \$2,145,900, and \$1,956,200, respectively.

Note 11 - State Aid Anticipation Note

In August 2013, the School District borrowed \$4,500,000 in a state aid anticipation note. The note bears interest at 0.94 percent and is due in August 2014. At June 30, 2014, the School District has accrued interest of \$36,543 on this note. The note, plus the accrued interest, was paid subsequent to June 30, 2014.

Note 12 - Subsequent Events

Subsequent to June 30, 2014, the School District borrowed \$3,500,000 at 0.80 percent annual interest on a state aid anticipation note. The note, plus interest, is due August 20, 2015.

Hartland Consolidated Schools

Notes to Financial Statements June 30, 2014

Note 13 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The School District is currently evaluating the impact this standard will have on the financial statements when adopted; however, the impact is expected to be material. The provisions of this Statement are effective for financial statements for the year ending June 30, 2015.

Required Supplemental Information

Hartland Consolidated Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund* Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 7,601,304	\$ 7,257,785	\$ 7,319,611	\$ 61,826
State sources	36,926,431	38,664,927	38,701,504	36,577
Federal sources	565,793	632,205	605,749	(26,456)
Other	1,081,752	989,602	962,087	(27,515)
Total revenue	46,175,280	47,544,519	47,588,951	44,432
Expenditures				
Current:				
Instruction:				
Basic program	24,618,119	24,714,276	24,406,822	(307,454)
Added needs	5,109,217	5,050,302	5,091,518	41,216
Support services:				
Pupil	886,657	860,063	841,184	(18,879)
Instructional staff	1,806,228	2,177,902	2,145,778	(32,124)
General administration	1,266,972	1,236,951	1,256,623	19,672
School administration	3,025,200	3,028,027	2,984,991	(43,036)
Business	1,014,924	828,699	839,415	10,716
Operations and maintenance	4,835,934	4,901,296	4,830,356	(70,940)
Pupil transportation services	2,232,824	2,182,655	2,173,812	(8,843)
Central	151,078	288,143	281,644	(6,499)
Other	124,121	128,321	127,543	(778)
Community services	2,535,020	2,782,698	2,905,185	122,487
Debt service:				
Principal	52,706	32,899	32,900	1
Interest	78,610	70,669	70,170	(499)
Capital outlay	129,300	731,679	730,424	(1,255)
Total expenditures	47,866,910	49,014,580	48,718,365	(296,215)
Excess of Expenditures Over Revenue	(1,691,630)	(1,470,061)	(1,129,414)	340,647
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	2,351	2,351	-
Transfers in	83,235	62,191	62,191	-
Transfers out	(642,618)	(653,687)	(653,687)	-
Proceeds from bus note	-	540,944	540,493	(451)
Total other financing uses	(559,383)	(48,201)	(48,652)	(451)
Net Change in Fund Balance	(2,251,013)	(1,518,262)	(1,178,066)	340,196
Fund Balance - Beginning of year	5,173,775	5,173,775	5,173,775	-
Fund Balance - End of year	<u>\$ 2,922,762</u>	<u>\$ 3,655,513</u>	<u>\$ 3,995,709</u>	<u>\$ 340,196</u>

*Does not include Athletics Subfund

Other Supplemental Information

Hartland Consolidated Schools

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Combined General Fund Year Ended June 30, 2014

	General Fund	Athletics Subfund	Eliminating Entries	Combined General Fund
Revenue				
Local sources	\$ 7,319,611	\$ 242,535	\$ -	\$ 7,562,146
State sources	38,701,504	-	-	38,701,504
Federal sources	605,749	-	-	605,749
Other	962,087	-	-	962,087
Total revenue	47,588,951	242,535	-	47,831,486
Expenditures				
Current:				
Instruction:				
Basic program	24,406,822	-	-	24,406,822
Added needs	5,091,518	-	-	5,091,518
Support services:				
Pupil	841,184	-	-	841,184
Instructional staff	2,145,778	-	-	2,145,778
General administration	1,256,623	-	-	1,256,623
School administration	2,984,991	-	-	2,984,991
Business	839,415	-	-	839,415
Operations and maintenance	4,830,356	-	-	4,830,356
Pupil transportation services	2,173,812	-	-	2,173,812
Central	281,644	-	-	281,644
Other	127,543	-	-	127,543
Athletics	-	870,033	-	870,033
Community services	2,905,185	-	-	2,905,185
Debt service:				
Principal	32,900	-	-	32,900
Interest	70,170	-	-	70,170
Capital outlay	730,424	32,115	-	762,539
Total expenditures	48,718,365	902,148	-	49,620,513
Excess of Expenditures Over Revenue	(1,129,414)	(659,613)	-	(1,789,027)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	2,351	-	-	2,351
Transfers in	62,191	653,687	(653,687)	62,191
Transfers out	(653,687)	-	653,687	-
Proceeds from bus note	540,493	-	-	540,493
Total other financing (uses) sources	(48,652)	653,687	-	605,035
Net Change in Fund Balances	(1,178,066)	(5,926)	-	(1,183,992)
Fund Balances - Beginning of year	5,173,775	60,040	-	5,233,815
Fund Balances - End of year	\$ 3,995,709	\$ 54,114	\$ -	\$ 4,049,823

Hartland Consolidated Schools

	Special Revenue Fund	Debt Service Funds				
	Food Services	2002 Energy Improvement Bonds	2003	School Bond Loan Fund Refunding	2004 Refunding	2007
Assets						
Cash	\$ 98,187	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables	72,850	-	-	873	345	453
Inventories	15,126	-	-	-	-	-
Restricted assets	-	-	-	-	184,488	49,455
Total assets	\$ 186,163	\$ -	\$ -	\$ 873	\$ 184,833	\$ 49,908
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 3,182	\$ -	\$ -	\$ 1,953	\$ 769	\$ 1,239
Accrued payroll-related liabilities	13,790	-	-	-	-	-
Unearned revenue	38,127	-	-	-	-	-
Due to other governmental units	46	-	-	-	-	-
Due to other funds	7,077	-	-	-	-	-
Total liabilities	62,222	-	-	1,953	769	1,239
Fund Balances						
Nonspendable - Inventory	15,126	-	-	-	-	-
Restricted:						
Debt service	-	-	-	(1,080)	184,064	48,669
Food service	108,815	-	-	-	-	-
Total fund balances	123,941	-	-	(1,080)	184,064	48,669
Total liabilities and fund balances	\$ 186,163	\$ -	\$ -	\$ 873	\$ 184,833	\$ 49,908

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

Debt Service Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
2010	2011 Refunding	2011 Refunding, Series B	Total	2006 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,187
398	1,105	238	3,412	-	76,262
-	-	-	-	-	15,126
<u>346,359</u>	<u>120,915</u>	<u>26,780</u>	<u>727,997</u>	<u>-</u>	<u>727,997</u>
<u>\$ 346,757</u>	<u>\$ 122,020</u>	<u>\$ 27,018</u>	<u>\$ 731,409</u>	<u>\$ -</u>	<u>\$ 917,572</u>
\$ 892	\$ 2,474	\$ 533	\$ 7,860	\$ -	\$ 11,042
-	-	-	-	-	13,790
-	-	-	-	-	38,127
-	-	-	-	-	46
-	-	-	-	-	7,077
<u>892</u>	<u>2,474</u>	<u>533</u>	<u>7,860</u>	<u>-</u>	<u>70,082</u>
-	-	-	-	-	15,126
345,865	119,546	26,485	723,549	-	723,549
-	-	-	-	-	108,815
<u>345,865</u>	<u>119,546</u>	<u>26,485</u>	<u>723,549</u>	<u>-</u>	<u>847,490</u>
<u>\$ 346,757</u>	<u>\$ 122,020</u>	<u>\$ 27,018</u>	<u>\$ 731,409</u>	<u>\$ -</u>	<u>\$ 917,572</u>

Hartland Consolidated Schools

	Special Revenue Fund	Debt Service Funds				
	Food Services	2002 Energy Improvement Bonds	2003	School Bond Loan Fund Refunding	2004 Refunding	2007
Revenue						
Local sources	\$ 873,547	\$ 1	\$ 197	\$ 2,064,515	\$ 815,564	\$ 1,070,434
State sources	47,000	-	-	-	-	-
Federal sources	464,899	-	-	-	-	-
Total revenue	1,385,446	1	197	2,064,515	815,564	1,070,434
Expenditures						
Current - Food services	1,327,478	-	-	-	-	-
Debt service:						
Principal	-	-	-	2,862,000	935,000	1,050,000
Interest	-	-	-	94,961	399,791	872,813
Other	-	-	-	7,722	3,380	4,278
Capital outlay	-	-	-	-	-	-
Total expenditures	1,327,478	-	-	2,964,683	1,338,171	1,927,091
Excess of Revenue Over (Under) Expenditures	57,968	1	197	(900,168)	(522,607)	(856,657)
Other Financing (Uses) Sources						
Transfers in	-	-	-	-	146,992	-
Transfers out	(62,191)	(285)	(35,739)	(94,920)	-	-
School Bond Loan Revolving Fund proceeds	-	-	-	897,920	518,749	853,389
Total other financing (uses) sources	(62,191)	(285)	(35,739)	803,000	665,741	853,389
Net Change in Fund Balances	(4,223)	(284)	(35,542)	(97,168)	143,134	(3,268)
Fund Balances - Beginning of year	128,164	284	35,542	96,088	40,930	51,937
Fund Balances (Deficit) - End of year	\$ 123,941	\$ -	\$ -	\$ (1,080)	\$ 184,064	\$ 48,669

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014

Debt Service Funds				Total
2010	2011 Refunding	2011 Refunding, Series B	2006 Capital Projects	Nonmajor Governmental Funds
\$ 943,208	\$ 2,614,549	\$ 563,891	\$ 329	\$ 8,946,235
-	-	-	-	47,000
932,854	-	-	-	1,397,753
1,876,062	2,614,549	563,891	329	10,390,988
-	-	-	-	1,327,478
450,000	3,575,000	100,000	-	8,972,000
1,687,059	1,053,325	1,375,025	-	5,482,974
4,897	10,786	1,979	-	33,042
-	-	-	939,300	939,300
2,141,956	4,639,111	1,477,004	939,300	16,754,794
(265,894)	(2,024,562)	(913,113)	(938,971)	(6,363,806)
-	-	-	15,669	162,661
(16,048)	-	-	-	(209,183)
531,577	1,954,023	910,629	-	5,666,287
515,529	1,954,023	910,629	15,669	5,619,765
249,635	(70,539)	(2,484)	(923,302)	(744,041)
96,230	190,085	28,969	923,302	1,591,531
\$ 345,865	\$ 119,546	\$ 26,485	\$ -	\$ 847,490

Hartland Consolidated Schools

June 30	2004 Refunding Principal	2007 School Building and Site Bonds Principal	2010 School Building and Site Bonds, Series B Principal	2010 School Building and Site Bonds, Series C Principal
2015	\$ 920,000	\$ 1,075,000	\$ -	\$ 450,000
2016	915,000	1,100,000	-	450,000
2017	935,000	1,125,000	-	450,000
2018	950,000	1,150,000	-	450,000
2019	1,000,000	1,175,000	-	450,000
2020	1,000,000	1,200,000	-	465,000
2021	1,000,000	1,225,000	-	500,000
2022	1,000,000	1,250,000	-	525,000
2023	-	1,275,000	-	550,000
2024	-	1,300,000	-	600,000
2025	-	1,325,000	-	650,000
2026	-	1,350,000	-	700,000
2027	-	1,350,000	12,180,000	750,000
2028	-	1,350,000	-	800,000
2029	-	1,350,000	-	850,000
2030	-	1,350,000	-	875,000
2031	-	-	-	900,000
2032	-	-	-	925,000
2033	-	-	-	925,000
2034	-	-	-	925,000
2035	-	-	-	925,000
Total principal	<u>\$ 7,720,000</u>	<u>\$ 19,950,000</u>	<u>\$ 12,180,000</u>	<u>\$ 14,115,000</u>
Principal payments due	May 1	May 1	May 1	May 1
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rate	3.60% to 5.00%	4.00% to 4.25%	6.65% (excluding subsidized portions)	3.30% to 6.55% (excluding subsidized portions)
Original issue	<u>\$ 14,825,000</u>	<u>\$ 26,390,000</u>	<u>\$ 12,180,000</u>	<u>\$ 14,565,000</u>

**Other Supplemental Information
Schedule of Bonded Indebtedness
Year Ended June 30, 2014**

2011 Refunding Bonds	2012 Refunding Bonds, Series B
<u>Principal</u>	<u>Principal</u>
\$ 3,690,000	\$ -
3,795,000	-
3,875,000	-
3,845,000	-
3,810,000	-
3,775,000	-
3,730,000	-
-	3,975,000
-	3,900,000
-	3,840,000
-	3,770,000
-	3,625,000
-	3,600,000
-	3,575,000
-	3,550,000
-	-
-	-
-	-
-	-
-	-
-	-
<u>\$ 26,520,000</u>	<u>\$ 29,835,000</u>
May 1	May 1
May 1 and November 1	May 1 and November 1
3.50%	2.25% to 5.25%
<u>\$ 36,960,000</u>	<u>\$ 30,035,000</u>