

ARVON TOWNSHIP SCHOOL DISTRICT
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)

June 30, 2013

ARVON TOWNSHIP SCHOOL DISTRICT

JUNE 30, 2013

BOARD OF EDUCATION

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Vice President	Myla Horrocks
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INDEPENDENT AUDITOR'S REPORT

Board of Education
Arvon Township School District
Skaneec, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arvon Township School District as of and for the year then ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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.

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 Arvon Township School District as of June 30, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The additional information on pages 29 through 31 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional information on pages 29 through 31 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 1, 2013 on our consideration of Arvon Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Arvon Township School District's internal control over financial reporting and compliance.

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

October 1, 2013

**ARVON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

This section of Arvon Township School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Government-Wide Financial Statements and Fund Financial Statements.

Using this Annual Report

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

Reporting the District as a Whole - Government-Wide Financial Statements:

The government-wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. Capital assets of the District are reported in the Statement of Net Position of the Government-Wide Financial Statements.

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

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

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

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition.

**ARVON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Summary of Net Position in Governmental Activities

	<u>2013</u>	<u>2012</u>
Assets		
Current and other assets	\$ 686,576	\$ 633,895
Capital assets - Net of accumulated depreciation	208,669	213,182
Total Assets	<u>\$ 895,245</u>	<u>\$ 847,077</u>
Liabilities		
Current liabilities	\$ 730	\$ 1,009
Long term liabilities	5,603	
Total Liabilities	<u>6,333</u>	<u>1,009</u>
Net Position		
Net investment in capital assets	203,066	213,182
Restricted for food service	703	313
Unrestricted	685,143	632,573
Total net position	<u>888,912</u>	<u>846,068</u>
Total Liabilities and Net Position	<u>\$ 895,245</u>	<u>\$ 847,077</u>

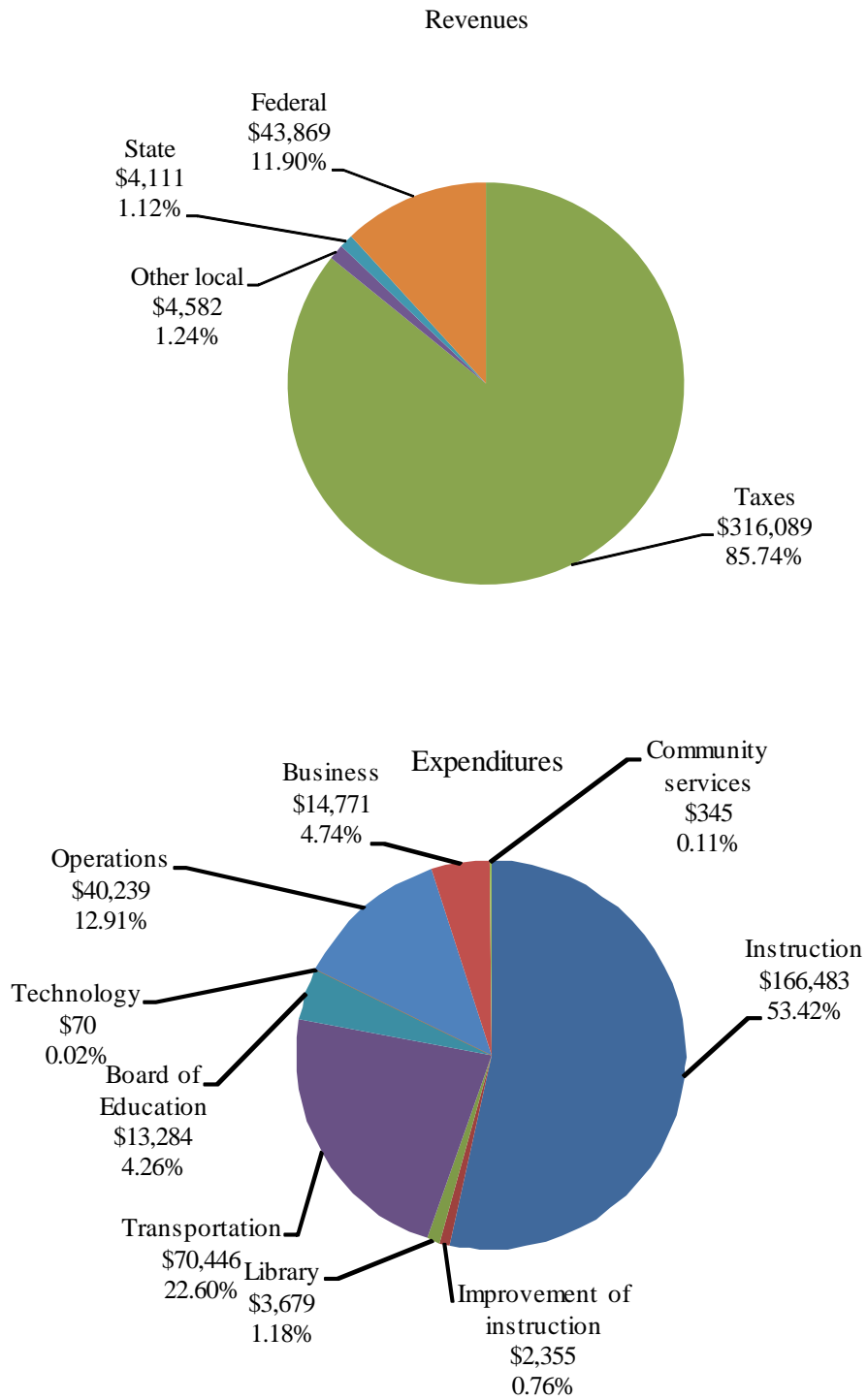
Results of Operations in Governmental Activities

	<u>2013</u>	<u>2012</u>
<u>Revenues</u>		
Program Revenue:		
Charges for services	\$ 257	\$ 126
Grants and contributions	49,589	43,967
General Revenue:		
Property taxes	316,089	306,996
State school aid - unrestricted	189	2,120
Interest	2,623	4,152
Other	1,958	1,279
Total Revenue	<u>370,705</u>	<u>358,640</u>
<u>Functions/Program Expenses</u>		
Instruction	181,751	164,327
Support services	139,692	137,564
Community service	345	256
School services	6,074	4,520
Total Expenses	<u>327,862</u>	<u>306,667</u>
Change in Net Position	42,843	51,973
Net Position - Beginning	846,069	794,095
Net Position - Ending	<u>\$ 888,912</u>	<u>\$ 846,068</u>

**ARVON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

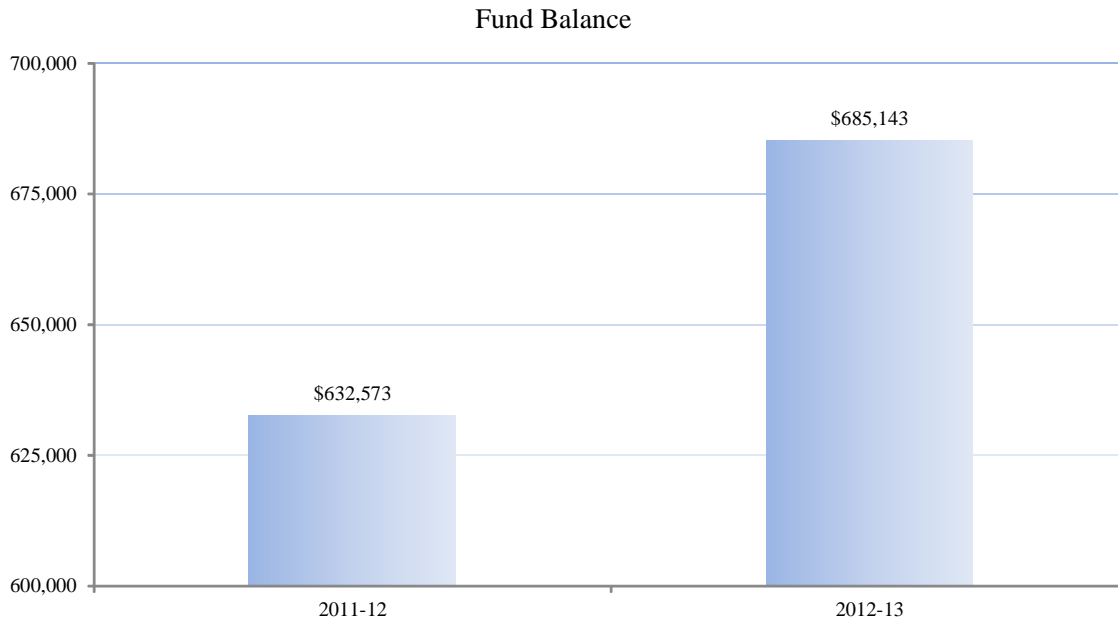
Results of Operations in Governmental Activities (Continued)

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



**ARVON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Results of Operations in Governmental Activities (Continued)



Significant Transactions and Changes in Individual Funds

The overall financial position of the individual Governmental funds of the District did not change significantly from the previous year. A comparison of the change in fund balance of the governmental funds is as follows:

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
General Fund:			
Revenues/Transfers	\$ 368,650	\$ 357,567	\$ 11,083
Expenditures/Transfers	\$ 316,081	\$ 293,392	\$ 22,689
Fund Balance	\$ 685,143	\$ 632,573	\$ 52,570
School Food Service Fund:			
Revenues/Transfers	\$ 6,465	\$ 4,426	\$ 2,039
Expenditures/Transfers	\$ 6,075	\$ 4,520	\$ 1,555
Fund Balance	\$ 703	\$ 313	\$ 390

General Fund - Revenue changes are mainly from an increase in revenues from local sources of \$8,243. State sources increased by \$1,991 and Federal sources increased by \$849.

The expenditure increase was mainly due to an increase in Instruction expenditures of \$11,193 and an increase in Supporting services of \$10,351.

School Food Service Fund - Revenue changes were mainly from an increase in revenue from Federal sources of \$860.

Expenditure changes were mainly from an increase in School service expenses of \$1,554.

**ARVON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

General Fund Budgetary Highlights

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

For the fiscal year ended June 30, 2013, the original budget was adopted on June 23, 2012. Since the original budget is adopted two months before school is in session, the district often has many unknowns that could change the financial outlook for the school year. In addition, there are often a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. Therefore, the District amended its budget during the fiscal year.

	Original Budget	Final Budget	Actual	Variance with final budget	% Variance
Revenues	\$ 361,289	\$ 366,710	\$ 368,650	\$ 1,940	0.5%
Expenditures					
Instruction	\$ 166,895	\$ 166,653	\$ 166,483	\$ 170	0.1%
Supporting services	145,658	147,543	144,844	2,699	1.9%
Community services	300	345	345	-	0.0%
Total expenditures	\$ 312,853	\$ 314,541	\$ 311,672	\$ 2,869	0.9%
Other financing sources (uses)	\$ (3,517)	\$ (4,409)	\$ (4,409)	\$ -	0.0%

There were no significant variances between the final budget and actual revenues and expenditures as of June 30, 2013.

Revenues increased by \$5,421 from the original to final budget.

Supporting services increased by \$1,885 from the original to final budget.

Analysis of Financial Position

During the fiscal year ended June 30, 2013, the District's net capital assets decreased by \$4,513 due to \$14,406 in depreciation and \$9,893 in additions of a copier, office remodeling, a camera system, computers, and office furniture. Details of the District's capital assets can be found on page 22.

Also, during the fiscal year ended June 30, 2013, the District's accrued sick leave increased by \$5,603. According to the Teacher/Principal contract accruing sick leave occurs after five consecutive years.

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

Arvon Township School District receives very little state aid and therefore does not operate dependent upon the state foundation allowance. The District levies 11 mills of local property taxes out of the 17.23 mills of non-homestead property taxes allowed. In 2012-2013, the amount levied for the District was \$316,089.

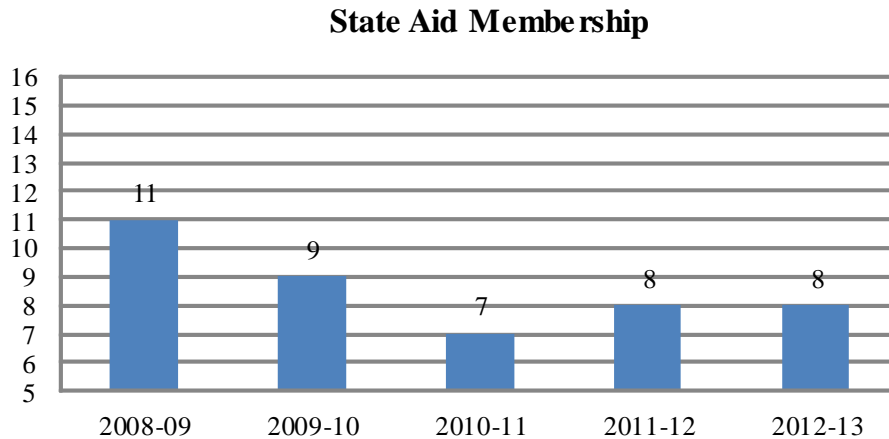
The school serves 8 students in grades K-6. Middle and high school students are transported to L'Anse or Baraga Schools and the board charges a transportation fee per student to each District.

**ARVON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations (Continued)

Arvon Township School received \$43,869 in federal grants awarded on an annual basis. These grants include Title I, Title II, REAP, and the National Lunch Program.

The following graph depicts that student enrolled remained the same, using the State Aid Membership Count.



State revenues received by Michigan school districts are approved annually in a State Aid Act. This Act, approved by the State Legislature, provided no foundation amount (amount per student) for the 2012-13 school year.

Contacting the District’s Financial Management

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

ARVON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2013

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 683,877
Accounts receivable	<u>2,699</u>
TOTAL CURRENT ASSETS	<u>686,576</u>
NONCURRENT ASSETS:	
Capital assets	323,879
Less: accumulated depreciation	<u>(115,210)</u>
TOTAL NONCURRENT ASSETS	<u>208,669</u>
TOTAL ASSETS	<u>\$ 895,245</u>
LIABILITIES:	
Current Liabilities:	
Accounts payable	\$ 350
Accrued expenses	94
Salaries payable	286
Noncurrent Liabilities:	
Compensated absences	<u>5,603</u>
TOTAL LIABILITIES	<u>6,333</u>
NET POSITION	
Net investment in capital assets	203,066
Restricted for Food Service	703
Unrestricted	<u>685,143</u>
TOTAL NET POSITION	<u>888,912</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 895,245</u>

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

ARVON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

	Program Revenues			Governmental Activities
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Government Activities:				
Instruction and instructional support	\$ 181,751	\$ -	\$ 47,791	\$ (133,960)
Support services	139,692	-	-	(139,692)
Community services	345	-	-	(345)
School food service	6,074	257	1,798	(4,019)
	<u>\$ 327,862</u>	<u>\$ 257</u>	<u>\$ 49,589</u>	<u>(278,016)</u>
Total Governmental Activities				
General Revenues:				
Property taxes - general operations				316,089
State school aid - unrestricted				189
Interest and investment earnings				2,623
Other				1,958
				<u>320,859</u>
Total general revenues				<u>320,859</u>
Change in Net Position				42,843
Net Position - Beginning				<u>846,069</u>
Net Position - Ending				<u>\$ 888,912</u>

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

ARVON TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2013

	General	Food Service Fund	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 683,079	\$ 798	\$ 683,877
Accounts receivable	2,693	6	2,699
TOTAL ASSETS	\$ 685,772	\$ 804	\$ 686,576
 LIABILITIES:			
Accounts payable	\$ 249	\$ 101	\$ 350
Salaries payable	286	-	286
Accrued expenses	94	-	94
TOTAL LIABILITIES	629	101	730
 FUND BALANCES:			
Restricted	-	703	703
Unassigned	685,143	-	685,143
TOTAL FUND BALANCES	685,143	703	
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 685,772	 \$ 804	

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

Long-term liabilities include accrued expenses not due and payable in the current period and therefore are not reported in the funds.	(5,603)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	208,669
Net position of governmental activities	\$ 888,912

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

ARVON TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2013

	General Fund	Food Service Fund	Totals
Revenues			
Local sources	\$ 320,670	\$ 257	\$ 320,927
State sources	4,111	51	4,162
Federal sources	43,869	1,747	45,616
Total revenues	<u>368,650</u>	<u>2,055</u>	<u>370,705</u>
Expenditures			
Instruction	166,483	-	166,483
Supporting services	144,844	-	144,844
Community services	345	-	345
School service	-	6,074	6,074
Total expenditures	<u>311,672</u>	<u>6,074</u>	<u>317,746</u>
Excess (deficiency) of revenue over expenditures	56,978	(4,019)	52,959
Other Financing Sources (Uses)			
Operating transfers in	-	4,409	4,409
Operating transfers out	(4,409)	-	(4,409)
Total other financing sources (uses)	<u>(4,409)</u>	<u>4,409</u>	<u>-</u>
Net Change in Fund Balance	52,569	390	<u>52,959</u>
Fund Balances - Beginning of year	<u>632,574</u>	<u>313</u>	
Fund Balances - End of Year	<u>\$ 685,143</u>	<u>\$ 703</u>	

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

Long-term liabilities include accrued expenses not due or payable in the current period and therefore are not reported in the funds. (5,603)

Governmental funds do not record depreciation and report capital outlays as expenditures in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation. (4,513)

Change in net position of governmental activities \$ 42,843

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

ARVON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2013

	<u>Fiduciary Fund</u>
ASSETS	
Cash	<u>\$ 959</u>
LIABILITIES	
Gift Fund	\$ 387
Scholarship Fund	<u> 572</u>
TOTAL LIABILITIES	<u>\$ 959</u>

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

ARVON TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term receivables as well as long-term debt and obligations. The District's net position are reported in two parts – invested in capital assets, net of related debt 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. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The District does allocate indirect costs.

ARVON TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Governmental Funds - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

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

The District reports the General Fund and Food Service Fund as major governmental funds. The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund. The Food Service Fund is the food service operating fund and accounts for financial resources of the food service fund.

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

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

ARVON TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

State Revenue - The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2013, the foundation allowance was based on pupil membership counts taken in February and September of 2012.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 17.2321 mills. Based on the District's non-homestead tax value and the student membership, the district is out of formula.

Foundation		\$ 8,000.00
Assumed Local Support	\$ 517,332	
Divided by State Aid Membership	<u>7.70</u>	
Calculated Local Support		<u>(67,185.90)</u>
Out of Formula		<u><u>\$ (59,185.90)</u></u>

Other Accounting Policies

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

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

For the year ended June 30, 2013, the District levied 11 mills of non-homestead assessed value for General Fund.

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

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

Capital Assets - Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

**ARVON TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

GASB 63 - The District adopted the provisions of GASB Statement Number 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the current year. With the implementation of GASB 63 the Statement of Net Assets will become the Statement of Net Position. GASB 63 provides that deferred outflows should be reported in a separate section following assets, and deferred inflows should be reported in a separate section following liabilities. The statement then arrives at net position which includes the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

GASB 65 - The District adopted the provisions of GASB Statement Number 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*, in the current year. GASB 65 clarifies the reporting of deferred outflows of resources and deferred inflows of resources to provide consistency in financial reporting.

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

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

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Reclassification - Certain items in the 2012 financial statements have been reclassified to conform with the current year presentation.

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

ARVON TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Benefits - The liabilities for accrued benefits reported in the district-wide statements in the amount of \$5,603 consisted of sick leave. Teachers/Principal with a minimum of 5 years of service in the District are entitled to 13 sick days per year, and if not used, can accumulate up to a maximum of 180 days. Payment of sick leave, capped at 40 days, shall be paid upon retirement or layoff.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

1. The Business Manager submits to the School Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
5. Budget appropriations lapse at the end of the fiscal year.

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

NOTE C - DEPOSITS

At year-end, the District’s deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds
Cash and cash equivalents	\$ 683,877	\$ 959

Deposit Risk

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

ARVON TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE C - DEPOSITS (Continued)

Custodial Credit Risk - Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. State law does not require and the District does not have a policy for deposit custodial credit risk. As of June 30, 2013, 100.00% of the District’s bank balance was insured.

NOTE D - CAPITAL ASSETS

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

	Balance 06/30/12	Additions	Deletions	Balance 06/30/13
Land	\$ 1	\$ -	\$ -	\$ 1
Capital assets being depreciated:				
Building and additions	101,476	-	-	101,476
Improvements other than building	160,070	4,000	-	164,070
Equipment and furniture	52,439	5,893	-	58,332
Subtotal	<u>313,985</u>	<u>\$ 9,893</u>	<u>\$ -</u>	<u>323,878</u>
Accumulated depreciation:				
Building and additions	18,138	3,795	-	21,933
Improvements other than building	52,504	6,806	-	59,310
Equipment and furniture	30,162	3,805	-	33,967
Subtotal	<u>100,804</u>	<u>\$ 14,406</u>	<u>\$ -</u>	<u>115,210</u>
Net capital assets being depreciated	<u>213,181</u>			<u>208,668</u>
Net capital assets	<u>\$ 213,182</u>			<u>\$ 208,669</u>

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

Instruction	\$ 9,665
Operations	<u>4,741</u>
TOTAL	<u>\$ 14,406</u>

NOTE E - INTER-FUND TRANSFERS

General Fund made an inter-fund transfer to the School Food Service Fund in the amount of \$4,409 during the fiscal year ending June 30, 2013.

NOTE F - RECEIVABLES

General Fund receivables at June 30, 2013 that are expected to be collected within one year consist of the following:

	General Fund	Food Service Fund
Accounts Receivable	<u>\$ 2,693</u>	<u>\$ 6</u>

**ARVON TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE G - PAYABLES

Accounts payable and accrued liabilities as of June 30, 2013, for the District General fund are as follows:

Fund Financial Statements:	
Salaries payable	\$ 286
Accounts Payable	350
Accrued expenses	94
Compensated absences	5,603
	<u>\$ 6,333</u>

There were no such liabilities for the School Food Service fund.

NOTE H - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

The School District contributes to the Michigan Public School Employees Retirement Systems ("MPSERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan, Department of Management & Budget, Office of Retirement Services ("ORS"). Effective December 1, 2012, members could elect to no longer contribute to the defined benefit pension fund, and begin contributing to a defined contribution plan. MPSERS provides retirement, disability, death and post-employment health benefits to plan members and beneficiaries. Member Investment Plan ("MIP") participants received enhanced benefits compared to Basic Plan participants. Benefits are safeguarded by Article IX, Section 24 of the Michigan Constitution. Public Act 300 of 1980, as amended, assigns authority to establish and amend benefit provisions to the State Legislature.

MPSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to MPSERS, P.O. Box 30171, Lansing, MI 48909-7671, by calling (517) 322-5103 or on the State of Michigan's website at www.Michigan.gov.

Funding Policy

Defined Benefit Plan – Plan members who participate in MIP are required to contribute 3% to 7% of their annual covered salary; plan members who participate in the Basic Plan contribute 3%; and Arvon Township Schools is required to contribute at an actuarially determined rate using the individual entry age actuarial cost method. The rates were 24.46% and 23.23%, dependent on entrance date, for the period of July 1, 2012 to September 30, 2012. From October 1, 2012 through January 31, 2013, the rates were 27.37% and 26.14%, dependent on entrance date. Beginning February 1, 2013, the rates ranged between 20.96% and 24.32% based on individual retirement elections made by each employee. The contribution requirements of plan members and Arvon Township Schools are established and may be amended by the State Legislature. The School District's contributions to MPSERS for the years ended June 30, 2013, 2012 and 2011 were \$26,149, \$23,358 and \$18,053, respectively, which is equal to the required contribution for each year.

Defined Contribution Plan – Plan members who participate in the plan may contribute up to the maximum amounts permitted by the Internal Revenue Service to their 457 account. Arvon Township Schools is required to contribute 4% to a tax-deferred 401(k) account. No employees elected the defined contribution plan for the year ended June 30, 2013.

Post-Employment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverages. Required employer contributions for post-employment health care are included as part of the School District's total contribution to the MPSERS plan discussed above.

ARVON TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE I - RECONCILIATION OF GRANT AUDITOR REPORT TO REPORTED FEDERAL REVENUES

The amounts reported as cumulative payments on the Grant Auditor Report prepared by the State of Michigan, reconcile with the federal revenue on the Combined Statements of Revenues, Expenditures, and Changes in Fund Balances as follows:

Total cumulative payments	\$	52,149
REAP Grant		17,298
Prior year grant		(23,831)
Total Federal Financial Assistance	\$	<u>45,616</u>

The District expended less than \$500,000 in Federal awards during the fiscal year ended June 30, 2013 and is exempt from Federal Single Audit requirements.

NOTE J - CONTINGENT LIABILITIES

Risk Pool - Arvon Township School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. Arvon Township School District joined together with other school districts currently operating a common risk management and insurance program. Arvon Township School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event. Arvon Township School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The District is unable to provide an estimate of the amounts of additional assessments. The MASB-SEG Property & Casualty Pool has published its own financial report for the year ended June 30, 2013, which can be obtained through the District.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

ARVON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance Final to Actual
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local sources	\$ 319,018	\$ 320,638	\$ 320,670	\$ 32
State sources	0	2,203	4,111	1,908
Federal sources	42,271	43,869	43,869	-
TOTAL REVENUE	<u>361,289</u>	<u>366,710</u>	<u>368,650</u>	<u>1,940</u>
EXPENDITURES:				
Instruction	166,895	166,653	166,483	170
Supporting services	145,658	147,543	144,844	2,699
Community services	300	345	345	-
TOTAL EXPENDITURES	<u>312,853</u>	<u>314,541</u>	<u>311,672</u>	<u>2,869</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	48,436	52,169	56,978	4,809
OTHER FINANCING SOURCES (USES)				
Operating transfer out	<u>(3,517)</u>	<u>(4,409)</u>	<u>(4,409)</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,517)</u>	<u>(4,409)</u>	<u>(4,409)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 44,919</u>	<u>\$ 47,760</u>	52,569	<u>\$ 4,809</u>
FUND BALANCE - BEGINNING OF YEAR			<u>632,574</u>	
FUND BALANCE - END OF YEAR			<u>\$ 685,143</u>	

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

ARVON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Years Ended June 30, 2013

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:			
Local sources:			
Taxes	\$ 316,089	\$ 316,089	\$ -
Other local sources:			
Investment revenue	2,590	2,623	33
Miscellaneous	1,959	1,958	(1)
Total other local sources	4,549	4,581	32
Total local sources	320,638	320,670	32
State sources	2,203	4,111	1,908
Federal sources:			
REAP	17,298	17,298	-
Title I	24,216	24,216	-
Title II A	2,355	2,355	-
Total federal sources	43,869	43,869	-
TOTAL REVENUES	366,710	368,650	1,940
EXPENDITURES:			
Instruction:			
Basic program	125,139	124,969	170
Added needs:			
Compensatory education	41,514	41,514	-
Total instruction	166,653	166,483	170
Supporting Services:			
Improvement of instruction	2,355	2,355	-
Library	4,000	3,679	321
Board of education	13,751	13,284	467
Business-fiscal services	14,771	14,771	-
Operation and maintenance	41,677	40,239	1,438
Pupil transportation	70,531	70,446	85
Technology	458	70	388
Total supporting services	147,543	144,844	2,699
Community services	345	345	-
TOTAL EXPENDITURES	314,541	311,672	2,869

ARVON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
Years Ended June 30, 2013

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
EXCESS OF REVENUES OVER EXPENDITURES	52,169	56,978	4,809
OTHER FINANCING SOURCES (USES):			
Operating transfer out	(4,409)	(4,409)	-
TOTAL OTHER FINANCING SOURCES (USES)	(4,409)	(4,409)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 47,760	52,569	\$ 4,809
FUND BALANCE, BEGINNING OF YEAR		632,574	
FUND BALANCE, END OF YEAR		\$ 685,143	

ARVON TOWNSHIP SCHOOL DISTRICT
SCHOOL FOOD SERVICE FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Years Ended June 30, 2013

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:			
Local sources - food sales	\$ 257	\$ 257	\$ -
State sources	41	51	10
Federal lunch program	1,748	1,747	1
TOTAL REVENUES	2,046	2,055	9
EXPENDITURES:			
Utilities	500	489	(11)
Food	630	630	-
Purchases	4,955	4,955	-
TOTAL EXPENDITURES	6,085	6,074	(11)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,039)	(4,019)	(20)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	4,409	4,409	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 370	390	\$ (20)
FUND BALANCE, BEGINNING OF YEAR		313	
FUND BALANCE, END OF YEAR		\$ 703	

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, P C

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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

Board of Education
Arvon Township School District
Skaneec, Michigan

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arvon Township Schools as of and for the year then ended June 30, 2013 and the related notes to the financial statements and have issued our report thereon dated October 1, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

October 1, 2013

COMMUNICATIONS SECTION

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, P C

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Education
Arvon Township School District
Skaneec, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Arvon Township School District for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 24, 2013 . Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Arvon Township School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 1, 2013.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

(Other Information in Documents Containing Audited Financial Statements)

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

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

We appreciate your business, thank you.

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

October 1, 2013