

**Athens Area Schools  
2011 School Building and Site Bond  
Capital Project Fund**

Financial Report and  
Independent Auditors' Report

For the Thirty Six Month and Thirteen Day Period Ended  
February 13, 2014

**Athens Area Schools**

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## Independent Auditors' Report

Board of Education  
Athens Area Schools  
Athens, Michigan

### Report on the Financial Statements

We have audited the accompanying balance sheet, statement of revenues and expenditures and changes in fund balance for the 2011 School Building and Site Bond Issue Capital Project Fund of Athens Area Schools, for the thirty six months and thirteen day period ended February 13, 2014, and the related notes to the financial statements.

The accompanying financial statements were prepared for the purpose of complying with the provisions of the Revised School Code, Public Act 451 of 1976 as described in Note 3. The presentation is not intended to be a presentation of the school district's total revenues and expenditures.

### 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.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 2011 School Building and Site Bond Issue Capital Project Fund of Athens Area Schools at February 13, 2014, and the results of its operations for the thirty six month and thirteen day period then ended, in conformity with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated October 8, 2014, on our consideration of Athens Area Schools' internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 2011 School Building and Site Bond Issue Capital Project Fund of Athens Area Schools Athens Area Schools' internal control over financial reporting and compliance.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

October 8, 2014

**Athens Area Schools**  
2011 School Building and Site Bond Issue Capital Project Fund  
Balance Sheet  
February 13, 2014

**Assets:**

Cash	\$ -
Total assets	<u>\$ -</u>

**Liabilities:**

Due to other funds	\$ -
	<u>\$ -</u>

**Athens Area Schools**  
 2011 School Building and Site Bond Issue Capital Project Fund  
 Statement of Revenues and Expenditures and Changes in Fund Balance  
 For the Thirty Six Month and Thirteen Day Period Ended February 13, 2014

**Revenues:**

Investment income	\$	353
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**Expenditures:**

Capital Outlay		
Building additions and improvements		2,340,086
Furniture and fixtures		256,119
School buses		154,756
Non capitalized technology additions		99,392
Total expenditures		2,850,353

Deficiency of Revenues Under Expenditures		(2,850,000)
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Other Financing Sources - Proceeds from Bonds		2,850,000
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Excess of Revenues and Other Financing Sources over Expenditures		-
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Fund Balance - Beginning of Period		-
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Fund Balance - End of Period	\$	-
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**Athens Area Schools**  
Notes to Financial Statements

**Note 1 – Reporting Entity**

Athens Area Schools is comprised of K-12 operations. The School District is governed by an elected seven-member Board of Education. The accompanying financial statements include only the balance sheet and statement of revenues, expenditures and change in fund balance of the 2011 School Building and Site Bond Issue Capital Project Fund. Its activities are considered to be part of the school district and controlled by the board of education.

**Note 2 – Bond Description**

The school district issued the 2011 General Obligation School and Building Site Bond issue on February 1, 2011 in the amount of \$2,850,000. The principal and interest on this bond issue is financed primarily from property taxes. The bonds, dated February 1, 2011 which bear interest at 3.25-4.00% are due serially through 2016.

The bond proceeds and interest income earned on those proceeds were used for the purpose of erecting, furnishing, and equipping additions to Athens High School; partially remodeling East Leroy Elementary and Athens High School; acquiring, installing and equipping educational technology for school facilities; purchasing schools buses; and developing and improving the sites.

**Note 3 – Basis of Presentation**

The accompanying statements have been prepared based on the modified accrual basis of accounting, in accordance with generally accepted accounting principles. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

The Michigan Revised School Code, Public Act 451 of 1976, section 1351a, requires that an independent audit be performed on certain operating results and compliance test performed related to specific bond activities.

The accompanying statements reflect the activity of the 2011 General Obligation School Building and Site Bond Issue, recorded in the school district's 2011 Capital Project Fund, from the date of the bond issue, February 1, 2011 through project completion, February 13, 2014, as indicated on the Certificate of Substantial Completion. The project for which the bonds were issue was considered complete, with all fund expended as of February 13, 2014.



**Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

Board of Education  
Athens Area Schools  
Athens, Michigan

We have audited, 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, balance sheet, statement of revenues, expenditures, and changes in fund balance of the 2011 School Building and Site Bond Issue Capital Project Fund of Athens Area Schools, for the thirty six month and thirteen day period ended February 13, 2014, and have issued our report thereon dated October 8, 2014.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Athens Area Schools' financial statements for the 2011 School Building and Site Bond Issue Capital Project Fund 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*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Athens Area Schools' internal control over financial reporting 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.

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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.



Board of Education  
Athens Area Schools  
Athens, Michigan

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. We consider the following deficiency in internal control to be significant deficiency:

The audit of the Bonded Construction Fund is to be conducted within 120 days after completion of all projects financed by the proceeds of the bonds. The internal control was such that the 120 day deadline passed without the district scheduling the audit.

**Purpose of this Report**

The purpose of this report is solely for the information and use of the board of education, management, and the Department of Treasury, and is not intended to be and should not be used by anyone other than those specified parties.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

October 8, 2014