

**Birch Run Area Schools**

**Birch Run, Michigan**

**Annual Financial Statements  
and  
Auditors' Report**

**June 30, 2012**

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**Birch Run Area Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2012**

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Members of the Board of Education

Donald Morse	President
Ron Johnson	Vice President
Nan Haley	Secretary
Jeanette Morrish	Treasurer
Troy Boquette	Trustee
Cindy Parker	Trustee
Al Pettyplace	Trustee

Administration

David Bush	Superintendent
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3023 Davenport  
Saginaw, MI 48602  
Phone (989) 793-9830 / (800) 968-0010  
Fax (989) 793-0186

## Independent Auditors' Report

To the Board of Education  
Birch Run Area Schools  
Birch Run, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Birch Run Area Schools as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Birch Run Area Schools' management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Birch Run Area Schools as of June 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 22, 2012 on our consideration of Birch Run Area Schools' internal control over financial reporting and on our tests of its 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Birch Run Area Schools' financial statements as a whole. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, Birch Run Area Schools' financial statements for the year ended June 30, 2011, which are not presented with the accompanying financial statements. In our report dated September 2, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Birch Run Area Schools' financial statements as a whole. The 2011 information in the comparative statements is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 information in the comparative statements is fairly stated in all material respects in relation to the financial statements from which they have been derived.

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
September 22, 2012

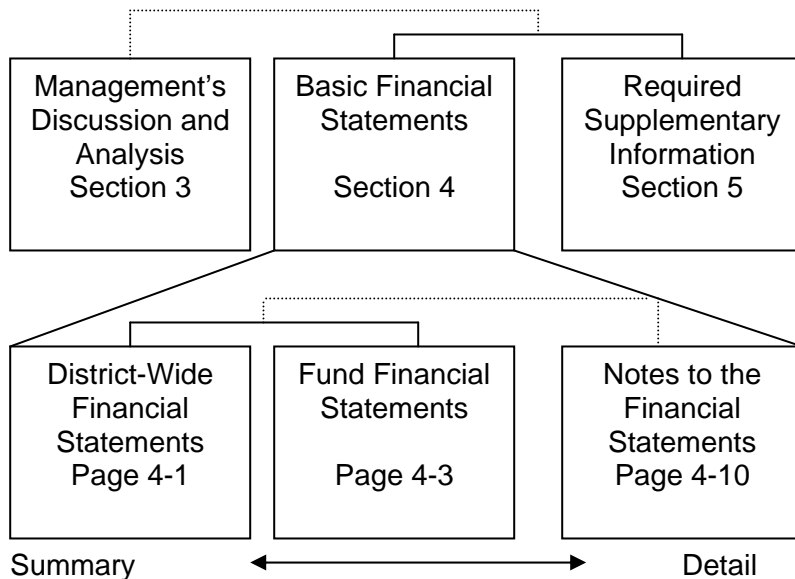
## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Birch Run Schools**  
**Management Discussion and Analysis**  
**Year Ended June 30, 2012**

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This financial report is presented in the format required by the Governmental Accounting Standards Board (GASB). The overall organization of this report is shown in Figure A-1.

**Figure A-1**  
**Birch Run Area Schools**  
**Organization of Annual Financial Report**



**District –Wide Financial Statements**

The District-wide statements provide a perspective of the District as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two District-wide statements: The Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets (page 4-1) combines and consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-2) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various district services.

When analyzed together, the two statements help the reader determine whether the District is financially stronger or weaker as a result of the year's activities.

**Fund Financial Statements**

The fund financial statements focus on individual parts of the district, reporting the District's operation in more detail than the district-wide statements. The fund level 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 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 *Public School Accounting Manual*. In the State of Michigan, the District's



**Birch Run Schools**  
**Management Discussion and Analysis**  
**Year Ended June 30, 2012**

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major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds. The funds used by Birch Run Area Schools include Debt Service Funds, Capital Projects Fund, Fiduciary Funds and a Special Revenue Fund for Food Service.

Birch Run Area Schools is the trustee, or fiduciary, for its student activity funds and for a number of scholarships established for the benefit of our students. These fiduciary activities are reported in separate statements of fiduciary net assets. They are excluded from the other financial statements because the District may not use the assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Financial Analysis of the District as a Whole**

**Summary of Net Assets**

	<b>Governmental Activities</b>	
	<b>June 30, 2012</b>	<b>June 30, 2011</b>
<b>Assets</b>		
Current Assets	\$ 4,968,250	\$ 7,218,182
Capital Assets	29,755,380	27,516,712
Less accumulated depreciation	(12,430,350)	(12,575,480)
Capital Assets, net	17,325,030	14,941,232
Total Assets	22,293,280	22,159,414
<b>Liabilities</b>		
Current Liabilities	3,676,310	5,453,279
Long-term Liabilities	4,316,774	2,800,938
Total Liabilities	7,993,084	8,254,217
<b>Net Assets</b>		
Total Capital Assets	12,158,394	12,541,200
Restricted	354,865	430,646
Unrestricted	1,786,937	933,351
Total Net Assets	\$ 14,300,196	\$ 13,905,197

Unrestricted net assets are similar but not identical to fund balance. A reconciliation of the difference between increased net assets and a decrease in fund balance is on page 4-7.

The net assets for the District increased by \$394,999 during the 2011/12 year. The *Statement of Net Assets from Operating Results* (below) shows the details of this change.

**Birch Run Schools**  
**Management Discussion and Analysis**  
**Year Ended June 30, 2012**

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**Statement of Net Assets from Operating Results**

**The School District's Funds**

As the School District completed this year, the governmental funds reported a combined fund balance of \$2,680,998, which is an increase of \$833,980 from last year. The primary reasons for the increase are:

	<u>Governmental Activities</u>	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 429,969	\$ 462,330
Operating grants and contributions	2,221,019	2,404,488
General revenues		
Property taxes	2,794,341	2,893,921
State foundation allowance	11,051,117	11,547,583
Other	144,360	116,322
<b>Total revenues</b>	<u>16,640,806</u>	<u>17,424,644</u>
<b>Expenses</b>		
Instruction	9,118,857	9,302,883
Support services	6,175,399	6,231,377
Food services	715,029	677,036
Other transactions	236,522	183,111
<b>Total expenses</b>	<u>16,245,807</u>	<u>16,394,407</u>
<b>Increase in net assets</b>	<u>\$ 394,999</u>	<u>\$ 1,030,237</u>

- In the General Fund, our principal operating fund, the fund balance decreased by \$5,594. The decrease was the result of a slight budget deficit.
- The fund balance of our Food Service Fund decreased by \$11,913. This was a result of focusing on lowering operational costs and increased Federal reimbursements for free and reduced lunch, while spending \$72,433 on capital improvements in the kitchens.
- Our Debt Service Fund showed a decrease of \$63,868. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond-issue related debt service. The fund balance of the Debt Service is reserved since it can only be used for future debt service obligations.
- The Capital Project Fund had an increase in fund balance of \$915,355. This was a result of the receipt of QZAB funds.

The School District experienced an increase in net assets of \$394,999. The primary reason for the increase in net assets was collection of property taxes for the payment made on long-term debt and decrease in instructional expenditures associated with transportation and custodial services. These payments are shown as expenditures in the governmental funds, but are shown as reductions of long-term debt on the government-wide statements, which increase net assets.

**Birch Run Schools  
Management Discussion and Analysis  
Year Ended June 30, 2012**

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Approximately 73% of the District's revenues are received from State sources. The Net State Foundation Grant is based on three variables:

1. The State of Michigan State Aid Act per student foundation allowance.
2. Student enrollment calculated by blending 90 percent of the current year's fall count and 10 percent of the prior year's winter count.
3. The amount raised by the District's non-homestead property tax levy of 18 mills.

**Per Student Foundation Allowance**

Annually, the State of Michigan establishes the per student foundation allowance. The Birch Run Area Schools' foundation allowance was \$6,846 per student.

**Student Enrollment**

The District's blended student count for 2011/12 was 1,880 students. This is one less student than the blended count of the prior year. The following summarizes the blended student count in the past five years:

**Enrollment History**

	<b>Student FTE</b>	<b>FTE Change from Prior Year</b>
2011/12	1,880	14
2010/11	1,867	27
2009/10	1,840	(8)
2008/09	1,848	(14)
2007/08	1,862	(19)

Preliminary student enrollment projections for 2012/13 indicate that enrollments are likely to be slightly lower than 2011/12.

**Property Taxes Levied for General Operations**

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the tax levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at lesser of the rate of the prior year's Consumer Price Index increase or 5 percent. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, theoretically 50 percent of the market value. The following summarizes the local tax revenues as a percent of all general fund revenues for the past five years:

**Local Property Tax History**

	<b>Local Property Tax Revenue</b>	<b>% of General Fund Revenue</b>
2011/12	\$ 1,624,195	11.0%
2010/11	1,633,757	10.7%
2009/10	1,670,057	11.2%
2008/09	1,569,689	10.5%
2007/08	1,501,525	10.2%
2006/07	1,418,967	9.8%

Local revenues in the table include the receipt of delinquent taxes from prior years. For the fiscal year ended June 30, 2012, the District had \$3,284 of current year property taxes that had not been collected.

**Capital Assets**

At June 30, 2012, the District had the following invested in capital assets including land, buildings, furniture, and equipment.

**Birch Run Schools**  
**Management Discussion and Analysis**  
**Year Ended June 30, 2012**

<b>Assets</b>	<b>2012</b>	<b>2011</b>
Land	\$ 40,000	\$ 40,000
Construction in progress	53,457	986,247
Site Improvements	2,001,870	2,001,870
Buildings and improvements	25,972,676	23,154,826
Buses and other vehicles	-	795,534
Furniture and equipment	1,687,377	1,564,482
Subtotal	29,755,380	28,542,959
Less accumulated depreciation	(12,430,350)	(12,575,480)
	<u>\$ 17,325,030</u>	<u>\$ 15,967,479</u>

**Long-Term Debt**

The long-term obligations for the District increased from \$3,905,800 to \$5,639,316. Total additions of \$1,733,516 represent bond payments, capital lease payments and payment of compensated absences and the addition of debt associated with the QZAB bond.

**Original versus Revised Budget**

The Uniform Budget Act of the State of Michigan requires that a local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The budget for 2011/12 was approved on June 28, 2011 and amended on June 25, 2012.

**General Fund Revenues**

Total Revenues Revised Budget	\$ 14,683,100
Total Revenues Original Budget	14,608,697
	<u>\$ 74,403</u>

Some of the significant revenue budget adjustments for the year include:

- More Federal grant funding
- Increased student count
- Less collection of property tax

The District's actual general fund revenues were more than the revised budget by \$85,757 a variance of 0.58%.

**General Fund Expenditures**

Total Expenditures Revised Budget	\$ 15,091,500
Total Expenditures Original Budget	14,926,577
	<u>\$ 164,923</u>

Some of the significant expenditure budget adjustments for the year include:

- Additional Federal grant funding
- Mid-year staff replacement
- 10 Staff members on family medical leave

The District's actual general fund expenditures were less than the revised budget by \$98,489, a variance of 0.65%.

**Birch Run Schools**  
**Management Discussion and Analysis**  
**Year Ended June 30, 2012**

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**Economic Factors and Next Year's Budget and Rates**

Since most of the District's revenue is derived from the per pupil foundation allowance, student enrollment as reported in the *blended count* is one of the key factors in forecasting revenue. Once the final student count is known in late September, State law requires the District to amend the budget if actual revenues will vary significantly from those originally appropriated.

Actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. During 2011/12 State funding was cut by \$470/pupil.

It is anticipated that in the 2012/13 school year that the foundation grant will increase by \$120/pupil. While that increase is helpful, it still leaves funding below that of the 2006/07 year.

It is also expected that the state mandated retirement rate (MPSERS) will increase from 24.66% to 25.36%, increasing the cost of salary and benefits by 0.7%. The MPSERS rate in the 2006/07 year was only 17.74% to compare with the foundation grant.

With the decreases in state aid and the increases in MPSERS, Salaries, Health Insurance benefits, and general inflation, it is difficult to maintain a balanced budget while still providing an adequate educational program. Birch Run has controlled costs by implementing insurance hard caps in all collective bargaining agreements and tying salary schedule increases to the increase/decrease in foundation grant.

**Requests for Information**

This financial report is designed to give our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to: Mr. Scott N. Sawyer, Business Manager, Birch Run Area Schools, 12400 Church Street, Birch Run, Michigan, 48415.

## BASIC FINANCIAL STATEMENTS

**Birch Run Area Schools**  
**Statement of Net Assets**  
**June 30, 2012**

	Governmental Activities
<b>Assets</b>	
Cash	\$ 18,304
Taxes receivable	3,284
Accounts receivable	4,772
Due from other governmental units	2,753,575
Inventory	4,432
Investments	2,139,563
Other assets	44,320
Capital assets not being depreciated	93,457
Capital assets - net of accumulated depreciation	<u>17,231,573</u>
 Total assets	 <u>22,293,280</u>
<b>Liabilities</b>	
Accounts payable	829,607
State aid anticipation note payable	275,486
Payroll deductions and withholdings	33,491
Accrued expenditures	338,571
Accrued salaries payable	798,248
Deferred revenue	34,045
Noncurrent liabilities	
Due within one year	1,366,862
Due in more than one year	<u>4,316,774</u>
Total liabilities	<u>7,993,084</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	12,158,394
Restricted for:	
Food service	144,778
Debt service	210,087
Unrestricted	<u>1,786,937</u>
<b>Total net assets</b>	<b><u>\$ 14,300,196</u></b>

See Accompanying Notes to Financial Statements

**Birch Run Area Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2012**

	Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
<b>Functions/Programs</b>					
Governmental activities					
Instruction	\$ 9,118,857	\$ 5,270	\$ 1,324,544	\$ -	\$ (7,789,043)
Supporting services	6,175,399	102,390	505,274	-	(5,567,735)
Food services	715,029	263,711	391,201	-	(60,117)
Community services	66,752	58,598	-	-	(8,154)
Interest on long-term debt	169,770	-	-	-	(169,770)
	<u>\$ 16,245,807</u>	<u>\$ 429,969</u>	<u>\$ 2,221,019</u>	<u>\$ -</u>	<u>(13,594,819)</u>
<b>General revenues</b>					
					1,624,195
					1,170,146
					11,051,117
					2,978
					18,039
					123,343
					<u>13,989,818</u>
					394,999
					<u>13,905,197</u>
					<b><u>\$ 14,300,196</u></b>

See Accompanying Notes to Financial Statements



**Birch Run Area Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2012**

	General Fund	Food Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 18,154	\$ 150	\$ -	\$ -	\$ 18,304
Taxes receivable	3,284	-	-	-	3,284
Accounts receivable	4,772	-	-	-	4,772
Due from other funds	-	140,978	-	-	140,978
Due from other governmental units	2,748,814	4,761	-	-	2,753,575
Inventory	180	4,252	-	-	4,432
Investments	1,929,431	-	45	210,087	2,139,563
<b>Total assets</b>	<b><u>\$ 4,704,635</u></b>	<b><u>\$ 150,141</u></b>	<b><u>\$ 45</u></b>	<b><u>\$ 210,087</u></b>	<b><u>\$ 5,064,908</u></b>
<b>Liabilities and fund balance</b>					
<b>Liabilities</b>					
Accounts payable	\$ 795,907	\$ 892	\$ 32,808	\$ -	\$ 829,607
State aid anticipation note payable	275,486	-	-	-	275,486
Due to other funds	120,335	-	20,643	-	140,978
Payroll deductions and withholdings	33,491	-	-	-	33,491
Accrued expenditures	268,771	-	-	-	268,771
Accrued salaries payable	798,248	-	-	-	798,248
Deferred revenue	32,858	4,471	-	-	37,329
<b>Total liabilities</b>	<b><u>2,325,096</u></b>	<b><u>5,363</u></b>	<b><u>53,451</u></b>	<b><u>-</u></b>	<b><u>2,383,910</u></b>
<b>Fund Balance</b>					
Non-spendable for:					
Inventory	180	4,252	-	-	4,432
Restricted for:					
Food service	-	140,526	-	-	140,526
Debt service	-	-	-	210,087	210,087
Assigned for:					
Major maintenance and repairs	500,000	-	-	-	500,000
Budget appropriations	242,000	-	-	-	242,000
Unassigned	1,637,359	-	(53,406)	-	1,583,953
<b>Total fund balance</b>	<b><u>2,379,539</u></b>	<b><u>144,778</u></b>	<b><u>(53,406)</u></b>	<b><u>210,087</u></b>	<b><u>2,680,998</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 4,704,635</u></b>	<b><u>\$ 150,141</u></b>	<b><u>\$ 45</u></b>	<b><u>\$ 210,087</u></b>	<b><u>\$ 5,064,908</u></b>

See Accompanying Notes to Financial Statements

**Birch Run Area Schools**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets**  
**June 30, 2012**

<b>Total fund balances for governmental funds</b>	\$ 2,680,998
Total net assets for governmental activities in the statement of net assets is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Property taxes	3,284
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	93,457
Capital assets - net of accumulated depreciation	17,231,573
Other long-term assets are not deferred in the governmental funds.	44,320
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(69,800)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(517,000)
Bonds payable	(5,204,628)
Deferred amount on refinancing	53,134
Other loans payable and liabilities	(15,142)
<b>Net assets of governmental activities</b>	<b><u>\$ 14,300,196</u></b>

See Accompanying Notes to Financial Statements

**Birch Run Area Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2012**

	General Fund	Food Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local sources	\$ 1,927,613	\$ 263,711	\$ 51	\$ 1,170,472	\$ 3,361,847
State sources	12,013,472	32,605	-	15,521	12,061,598
Federal sources	739,867	382,266	-	-	1,122,133
Interdistrict sources	87,905	-	-	-	87,905
Total revenues	<u>14,768,857</u>	<u>678,582</u>	<u>51</u>	<u>1,185,993</u>	<u>16,633,483</u>
<b>Expenditures</b>					
Current					
Education					
Instruction	8,805,965	-	-	-	8,805,965
Supporting services	5,916,453	-	-	-	5,916,453
Food services	-	690,495	-	-	690,495
Community services	64,462	-	-	-	64,462
Capital outlay	176,955	-	1,960,053	-	2,137,008
Debt service					
Principal	29,176	-	-	1,134,143	1,163,319
Interest and other expenditures	-	-	-	115,718	115,718
Total expenditures	<u>14,993,011</u>	<u>690,495</u>	<u>1,960,053</u>	<u>1,249,861</u>	<u>18,893,420</u>
Excess (deficiency) of revenues over expenditures	<u>(224,154)</u>	<u>(11,913)</u>	<u>(1,960,002)</u>	<u>(63,868)</u>	<u>(2,259,937)</u>

See Accompanying Notes to Financial Statements

**Birch Run Area Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Other financing sources (uses)</b>					
Proceeds from issuance of bonds	\$ -	\$ -	\$ 2,875,357	\$ -	\$ 2,875,357
Proceeds from sale of capital assets	<u>218,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>218,560</u>
Total other financing sources (uses)	<u>218,560</u>	<u>-</u>	<u>2,875,357</u>	<u>-</u>	<u>3,093,917</u>
Net change in fund balance	(5,594)	(11,913)	915,355	(63,868)	833,980
Fund balance - beginning, as restated	<u>2,385,133</u>	<u>156,691</u>	<u>(968,761)</u>	<u>273,955</u>	<u>1,847,018</u>
<b>Fund balance - ending</b>	<u>\$ 2,379,539</u>	<u>\$ 144,778</u>	<u>\$ (53,406)</u>	<u>\$ 210,087</u>	<u>\$ 2,680,998</u>

See Accompanying Notes to Financial Statements

**Birch Run Area Schools**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2012**

<b>Net change in fund balances - Total governmental funds</b>	\$ 833,980
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	(10,716)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(449,883)
Capital outlay	2,007,955
Sale of capital assets (net book value)	(200,521)
Expenses are recorded when incurred in the statement of activities.	
Interest	(52,300)
Compensated absences	29,000
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Debt issued	(2,875,357)
Repayments of long-term debt	1,134,143
Repayments on capital lease	10,198
Amortization bond issuance costs	(48,726)
Amortization of bond premium	17,226
<b>Change in net assets of governmental activities</b>	<b>\$ <u>394,999</u></b>

See Accompanying Notes to Financial Statements

**Birch Run Area Schools**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2012**

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	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash	\$ 29,450	\$ 145,316
<b>Liabilities</b>		
Due to agency fund activities	-	\$ 145,316
<b>Net assets</b>		
Reserved for scholarships	<u>\$ 29,450</u>	

See Accompanying Notes to Financial Statements

**Birch Run Area Schools**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Assets**  
**For the Year Ended June 30, 2012**

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	<u>Private Purpose Trust Funds</u>
<b>Additions</b>	
Local sources	\$ 2,400
<b>Deductions</b>	
Scholarships	<u>4,700</u>
Change in net assets	(2,300)
Net assets - beginning	<u>31,750</u>
<b>Net assets - ending</b>	<u><u>\$ 29,450</u></u>

See Accompanying Notes to Financial Statements

**Birch Run Area Schools**  
**Notes to Financial Statements**  
**June 30, 2012**

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Birch Run Area Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

**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. The School District has no component units.

**District-wide Financial Statements**

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

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

**Fund Financial Statements**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the 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. For this purpose, the School 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. However, debt service expenditures, as



**Birch Run Area Schools**  
**Notes to Financial Statements**  
**June 30, 2012**

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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 government.

Fiduciary fund statements also are 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 used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Food Service Fund – The Food Service Fund is used to record all transactions associated with food service activities administered by the School District.

Capital Projects Fund – The Capital Project Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, building, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

Debt Service Fund – The Debt Service Fund is used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

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

The Trust Funds are funds entrusted to the School District for scholarship awards and loans and the principal and interest of the trust may be spent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

**Assets, Liabilities and Equity**

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2012, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non principal residence exemption	18.0000
Commercial personal property	6.0000
Debt Service Funds	4.2000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries. Approximately 98% of the School District’s tax roll lies within the County of Saginaw and the remaining 2% lies within the County of Genesee.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or

**Birch Run Area Schools**  
**Notes to Financial Statements**  
**June 30, 2012**

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before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Saginaw and Genesee and remitted to the School District.

Investments – Investments are stated at fair value based on a quoted market price.

Inventories – 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.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Site improvements	10-20 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

Compensated Absences – Employees receive accumulated sick leave up to a maximum of 102 days upon retirement with a minimum of 6 to 10 years of service.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, 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.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the District's highest level of decision-making, its board of education. A fund balance commitment may be established, modified, or rescinded by a resolution of the board of education.

Assigned – amounts intended to be used for specific purposes, as determined by the board of education. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the District's policy

**Birch Run Area Schools**  
**Notes to Financial Statements**  
**June 30, 2012**

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is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

**Eliminations and Reclassifications**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

**Upcoming Accounting and Reporting Changes**

The Government Accounting Standards Board has issued Statements 63 and 65, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and Items Previously Reported as Assets and Liabilities*. The new standards provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related disclosures. These statements will be adopted for the fiscal year ending June 30, 2013.

The Government Accounting Standards Board has issued *Statements 67, Financial Reporting for Pension Plans and 68 Accounting and Financial Reporting for Pensions*. Statement 67 changes how public employee pension plans calculate and report their total pension liability. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The effect of these changes has not been determined. Statement 67 is effective for the year ending June 30, 2014 and Statement 68 is effective for the year ending June 30, 2015.

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby cancel all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were necessary to adjust budgeted revenues and expenses in relation to the original appropriations.

**Birch Run Area Schools**  
**Notes to Financial Statements**  
**June 30, 2012**

**Excess of Expenditures Over Appropriations**

The District had the following budget variances where expenses exceeded the budget:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Added needs	\$ 1,461,600	\$ 1,514,819	\$ 53,219
Pupil	736,900	770,830	33,930
General administration	311,200	317,646	6,446

**Deficits**

The District has incurred a deficit in the Capital Project Fund caused by facility improvements which were incurred in the 2012 fiscal year. This deficit will be eliminated in the 2013 fiscal year as the district has subsequently issued the 2012 School Building and Site Improvement Bonds to finance facility improvements.

**Compliance - Bond Proceeds**

The Capital Projects Fund included capital project activities which will be funded with bonds proceeds. The following is a summary of revenues and expenditures related to the 2012 School Building and Site Improvement Bonds:

Revenues:	\$	-
Expenditures:	\$	53,457

**Note 3 - Deposits and Investments**

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 18,304	\$ 174,766	\$ 193,070
Investments	<u>2,139,563</u>	<u>-</u>	<u>2,139,563</u>
	<u>\$ 2,157,867</u>	<u>\$ 174,766</u>	<u>\$ 2,332,633</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 192,420
Investments in securities, mutual funds, and similar vehicles	2,139,563
Petty cash and cash on hand	<u>650</u>
Total	<u>\$ 2,332,633</u>

**Birch Run Area Schools**  
**Notes to Financial Statements**  
**June 30, 2012**

As of year end, the District had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund - CMS	\$ 1,783	6 months Average	AAAm	Standard & Poor's
Michigan Liquid Asset Fund- MAX	<u>2,137,780</u>	6 months Average	AAAm	Standard & Poor's
	<u>\$ 2,139,563</u>			

*Interest rate risk* – In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 12 months.

*Credit risk* – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office 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.

*Concentration of credit risk* – The District's investment policy allows a maximum of 100% of available funds to be invested in the Michigan Liquid Asset Fund (MILAF+) and any of its affiliated programs.

*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. The District does not have a deposit policy for custodial credit risk. As of year end, none of the District's bank

balance of \$ 207,094 was exposed to custodial credit risk.

*Custodial credit risk – investments* – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the district's investments were exposed to custodial credit risk.

**Note 4 - Capital Assets**

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Construction in progress	<u>986,247</u>	<u>53,457</u>	<u>986,247</u>	<u>53,457</u>
Total capital assets not being depreciated	<u>1,026,247</u>	<u>53,457</u>	<u>986,247</u>	<u>93,457</u>
Capital assets being depreciated				
Buildings and additions	23,154,826	2,817,850	-	25,972,676
Site improvements	2,001,870	-	-	2,001,870
Equipment and furniture	1,564,482	122,895	-	1,687,377
Buses and other vehicles	<u>795,534</u>	<u>-</u>	<u>795,534</u>	<u>-</u>
Total capital assets being depreciated	<u>27,516,712</u>	<u>2,940,745</u>	<u>795,534</u>	<u>29,661,923</u>
Less accumulated depreciation for				
Buildings and additions	8,644,936	403,210	-	9,048,146
Site improvements	2,001,870	-	-	2,001,870
Equipment and furniture	1,333,661	46,673	-	1,380,334
Buses and other vehicles	<u>595,013</u>	<u>-</u>	<u>595,013</u>	<u>-</u>
Total accumulated depreciation	<u>12,575,480</u>	<u>449,883</u>	<u>595,013</u>	<u>12,430,350</u>
Net capital assets being depreciated	<u>14,941,232</u>	<u>2,490,862</u>	<u>200,521</u>	<u>17,231,573</u>
Net capital assets	<u>\$ 15,967,479</u>	<u>\$ 2,544,319</u>	<u>\$ 1,186,768</u>	<u>\$ 17,325,030</u>

**Birch Run Area Schools**  
**Notes to Financial Statements**  
**June 30, 2012**

Depreciation for the fiscal year ended June 30, 2012 amounted to \$449,883. Depreciation expense was charged to the various governmental activities as follows:

**Governmental activities**

Instruction	\$ 255,964
Support services	171,974
Food services	20,071
Community services	<u>1,874</u>
Total governmental activities	<u>\$ 449,883</u>

**Note 5 - Interfund Receivable and Payable and Transfers**

Individual interfund receivable and payable balances at year end were:

<u>Due From Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
Food Service	General Fund	\$ 120,335
Food Service	Capital Projects	<u>20,643</u>
		<u>\$ 140,978</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

**Note 6 - Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer 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 deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes	\$ 3,284	\$ -
Grant and categorical and payments received prior to meeting all eligibility requirements	-	29,574
Food service lunch deposits	<u>-</u>	<u>4,471</u>
Total	<u>\$ 3,284</u>	<u>\$ 34,045</u>

**Note 7 - Leases**

The School District has capital leases for copy machines. The future minimum lease payments are as follows:

<b>Year ending June 30,</b>	
2013	\$ 10,355
2014	4,068
2015	<u>719</u>
Total minimum lease payments	<u>\$ 15,142</u>

**Birch Run Area Schools**  
**Notes to Financial Statements**  
**June 30, 2012**

The assets acquired through capital leases are as follows:

Equipment	\$ 50,540
Less accumulated depreciation	<u>26,932</u>
Total	<u>\$ 23,608</u>

**Note 8 - State Aid Anticipation Note**

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30<sup>th</sup>.

Short-term debt activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	\$ 1,363,426	\$ 2,000,000	\$ 3,087,940	\$ 275,486

The state aid anticipation note included an irrevocable set aside of \$1,724,514 at year end that is considered deceased debt and not included in the ending balance.

**Note 9 - Long-Term Debt**

The School District issues bonds, notes, and other contractual commitments 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. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Government obligation bonds	\$ 3,400,000	\$ 2,875,357	\$ 1,120,000	\$ 5,155,357	\$ 1,341,690
Durant Bond	28,960	-	14,143	14,817	14,817
Capital lease	25,340	-	10,198	15,142	10,355
Compensated absences	546,000	-	29,000	517,000	-
Premium on bonds	51,680	-	17,226	34,454	-
Deferred amount on refunding	(79,701)	-	(26,567)	(53,134)	-
Deferred issuance costs	(66,479)	-	(22,159)	(44,320)	-
Total	<u>\$ 3,905,800</u>	<u>\$ 2,875,357</u>	<u>\$ 1,141,841</u>	<u>\$ 5,639,316</u>	<u>\$ 1,366,862</u>

For governmental activities, capital leases and compensated absences are primarily liquidated by the general fund.

General obligation bonds payable at year end, consists of the following:

\$5,655,000 refunding serial bond due in annual installments of \$1,120,000 to \$1,150,000 through May 15, 2014, interest at 3.00% to 3.25%	\$ 2,280,000
\$2,875,357 serial bond due in annual installments of \$191,690 and \$191,961 through August 17, 2026, interest at 5.99%	<u>2,875,357</u>
Total general obligation bonded debt	<u>\$ 5,155,357</u>

**Birch Run Area Schools**  
**Notes to Financial Statements**  
**June 30, 2012**

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

<b>Year Ending June 30,</b>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,341,690	\$ 226,236	\$ 1,567,926
2014	1,321,690	180,254	1,501,944
2015	191,690	132,046	323,736
2016	191,690	120,563	312,253
2017	191,690	109,081	300,771
2018-2022	958,452	373,173	1,331,625
2023-2026	958,455	91,858	1,050,313
<b>Total</b>	<u>\$ 5,155,357</u>	<u>\$ 1,233,211</u>	<u>\$ 6,388,568</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$210,087 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

\$221,042 Durant Refunding serial bonds due in annual installments through 5/15/2013; interest 4.76% due annually	<u>\$ 14,817</u>
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These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements are as follows:

<b>Year Ending June 30,</b>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 14,817	\$ 705	\$ 15,522

**Compensated Absences**

Accrued compensated absences at year end, consists of \$30,000 of vacation hours earned and vested and \$487,000 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

**Defeased Debt**

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

The final payment date is 2014. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

1999 Refunding	<u>\$ 2,510,000</u>
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**Birch Run Area Schools**  
**Notes to Financial Statements**  
**June 30, 2012**

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**Note 10 - Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District participates in a Municipal Risk Retention Pool Program through the Middle Cities Risk Management Trust. This program provides substantially all the insurance needs of the School District, including property, general liability, automobile and umbrella. The contributions made by the School District fund the program at rates predicated on expected losses, excess insurance premium contribution and administration costs, including appropriate state assessment. The possibility of additional claims exists but the amount of liability to the School District would be immaterial by the time the aggregate stop-loss coverage is triggered. There also is a possibility of a refund due the School District. Therefore, neither contingent liabilities nor assets have been recognized on the School District's financial statements.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had unemployment compensation expense of \$220 for the year. No provision has been made for possible future claims.

**Note 11 - Pension Plans and Post Employment Benefits**

**Plan Description**

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPSERS), which is a cost-sharing multiple-employer public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPSERS operates within the Michigan Department of Technology, Management and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Technology, Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. The report provides information for the plan as a whole and information helpful for understanding the scale of the information presented relative to the School. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671, calling 800-381-5111 or on the web at <http://www.michigan.gov/orsschools>.

In 2010 MPSERS created a new Pension Plus plan. All Michigan public school employees who begin work on or after July 1, 2010, are enrolled in the Pension Plus plan. The Pension Plus plan includes two components: (a) a defined benefit pension component, and (b) a defined contribution savings component.

**Funding Policy**

The School District is required by the School Finance Reform Act to contribute to MPSERS an actuarially determined percentage of payroll for all participating employees. The District's actual contributions march the required contributions. Additionally,

**Birch Run Area Schools**  
**Notes to Financial Statements**  
**June 30, 2012**

employees participating in the Member Investment Plan contributed 3% to 6.4% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPSERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPSERS pension retirement funding for the three-year period beginning July 1, 2009 through June 30, 2012.

	2012	2011	2010
Funding percentage range	10.66 - 15.96%	8.63 - 12.16%	9.73 - 10.13%
Total payroll	\$ 7,638,491	\$ 7,997,026	\$ 8,297,751
Total covered payroll	7,558,351	7,207,750	8,287,359
School pension contributions	1,120,865	980,181	823,752
Employee MIP contributions	269,271	277,081	281,818
Tax deferred payment program	47,135	50,424	62,930

**Defined Contribution Savings Plan**

For the Pension Plus savings plan, participants are automatically enrolled and 2% of their pay is withheld and deposited into the account. Participants may elect to not contribute, or may elect to increase their personal contribution up to the annual limits established by the IRS. The District matches 50 percent of the employee contributions into the Pension Plus savings plan, up to 1 percent. Participants opting to not contribute receive no employer matching contribution.

Contributions by the District and participants during the year ended June 30, 2012, were:

	District	Participants
Contributions to the Pension Plus Savings Plan	\$ 1,599	\$ 3,199

**Post Employment Benefits**

In addition to the pension benefits described above, the School Finance Reform Act requires the School District to provide post-

retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPSERS). Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health care, dental and vision coverage at the time of receiving the benefits. The School's actual contributions match the required contributions.

The following table discloses pertinent information relative to MPSERS post employment benefits funding for the three-year period beginning July 1, 2009 through June 30, 2012.

	2012	2011	2010
Funding percentage range	8.50%	6.81 - 8.50%	6.81%
Employer contributions	\$ 649,652	\$ 573,053	\$ 564,369
Employee contributions	225,292	201,155	-

**Note 12 - Contingent Liabilities**

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2012.

**Birch Run Area Schools**  
**Notes to Financial Statements**  
**June 30, 2012**

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**Note 13 - Subsequent Event**

Subsequent to June 30, 2012, the School District has paid the balance of the \$275,486 and accrued interest on the short-term state aid anticipation note borrowed in August 2011 and has subsequently borrowed \$1,500,000 in short-term state aid anticipation notes through the Michigan Municipal Bond Authority. Proceeds from the borrowing will be distributed to the School District in August 2012. The interest rate is .400%.

In August of 2011, the School District sold 2012 School Building and Site Bonds for \$11,360,000. Those funds will be used to eliminate the deficit in the Capital Project Fund and to finance further facility upgrades.

## REQUIRED SUPPLEMENTAL INFORMATION

**Birch Run Area Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Revenues</b>				
Local sources	\$ 1,876,790	\$ 1,803,400	\$ 1,927,613	\$ 124,213
State sources	11,935,042	12,030,100	12,013,472	(16,628)
Federal sources	721,415	763,600	739,867	(23,733)
Interdistrict sources	<u>75,450</u>	<u>86,000</u>	<u>87,905</u>	<u>1,905</u>
Total revenues	<u>14,608,697</u>	<u>14,683,100</u>	<u>14,768,857</u>	<u>85,757</u>
<b>Expenditures</b>				
Instruction				
Basic programs	7,444,666	7,341,700	7,291,146	(50,554)
Added needs	1,581,025	1,461,600	1,514,819	53,219
Supporting services				
Pupil	758,995	736,900	770,830	33,930
Instructional staff	356,809	404,700	338,085	(66,615)
General administration	294,767	311,200	317,646	6,446
School administration	1,025,847	1,097,000	1,095,947	(1,053)
Business	413,781	452,600	439,205	(13,395)
Operations and maintenance	1,239,028	1,270,500	1,249,556	(20,944)
Pupil transportation services	949,630	1,013,800	995,566	(18,234)
Central	307,387	348,400	314,691	(33,709)
Athletic activities	367,552	374,500	394,927	20,427
Community services	65,886	70,700	64,462	(6,238)
Capital outlay	112,000	178,600	176,955	(1,645)
Debt service	<u>9,204</u>	<u>29,300</u>	<u>29,176</u>	<u>(124)</u>
Total expenditures	<u>14,926,577</u>	<u>15,091,500</u>	<u>14,993,011</u>	<u>(98,489)</u>
Excess (deficiency) of revenues over expenditures	<u>(317,880)</u>	<u>(408,400)</u>	<u>(224,154)</u>	<u>184,246</u>

**Birch Run Area Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	\$ 257,200	\$ 218,400	\$ 218,560	\$ 160
Net change in fund balance	(60,680)	(190,000)	(5,594)	184,406
Fund balance - beginning, as restated	2,385,133	2,385,133	2,385,133	-
<b>Fund balance - ending</b>	<u>\$ 2,324,453</u>	<u>\$ 2,195,133</u>	<u>\$ 2,379,539</u>	<u>\$ 184,406</u>

**Birch Run Area Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - Food Service Fund**  
**For the Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Revenues</b>				
Local sources	\$ 297,000	\$ 253,200	\$ 263,711	\$ 10,511
State sources	32,000	28,600	32,605	4,005
Federal sources	<u>354,000</u>	<u>335,500</u>	<u>382,266</u>	<u>46,766</u>
Total revenues	<u>683,000</u>	<u>617,300</u>	<u>678,582</u>	<u>61,282</u>
<b>Expenditures</b>				
Food services	<u>722,654</u>	<u>696,200</u>	<u>690,495</u>	<u>(5,705)</u>
Excess (deficiency) of revenues over expenditures	<u>(39,654)</u>	<u>(78,900)</u>	<u>(11,913)</u>	<u>66,987</u>
Fund balance - beginning	<u>156,691</u>	<u>156,691</u>	<u>156,691</u>	<u>-</u>
<b>Fund balance - ending</b>	<u><u>\$ 117,037</u></u>	<u><u>\$ 77,791</u></u>	<u><u>\$ 144,778</u></u>	<u><u>\$ 66,987</u></u>

## OTHER SUPPLEMENTAL INFORMATION



**Birch Run Area Schools**  
**Other Supplemental Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2012**

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	<u>Total Nonmajor Governmental Funds</u> <u>Debt Fund</u>
<b>Assets</b>	
Investments	\$ <u>210,087</u>
<b>Liabilities and fund balance</b>	
Fund balance	
Restricted for:	
Debt service	\$ <u>210,087</u>

**Birch Run Area Schools**  
**Other Supplemental Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2012**

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	<u>Total Nonmajor Governmental Funds</u> <u>Debt Fund</u>
<b>Revenues</b>	
Local sources	\$ 1,170,472
State sources	<u>15,521</u>
Total revenues	<u>1,185,993</u>
<b>Expenditures</b>	
Debt service	
Principal	1,134,143
Interest and other expenditures	<u>115,718</u>
Total expenditures	<u>1,249,861</u>
Excess (deficiency) of revenues over expenditures	<u>(63,868)</u>
Fund balance - beginning	<u>273,955</u>
<b>Fund balance - ending</b>	<u><u>\$ 210,087</u></u>

**Birch Run Area Schools**  
**Other Supplemental Information**  
**General Fund**  
**Comparative Balance Sheet**  
**June 30, 2012**

	2012	2011
<b>Assets</b>		
Cash	\$ 18,154	\$ 8,288
Taxes receivable	3,284	14,000
Accounts receivable	4,772	104,930
Due from other governmental units	2,748,814	3,089,735
Inventory	180	10,860
Investments	1,929,431	2,545,947
<b>Total assets</b>	<b>\$ 4,704,635</b>	<b>\$ 5,773,760</b>
<b>Liabilities and fund balance</b>		
Liabilities		
Accounts payable	\$ 795,907	\$ 463,484
State aid anticipation note payable	275,486	1,363,426
Due to other funds	120,335	122,564
Payroll deductions and withholdings	33,491	20,761
Accrued expenditures	268,771	316,532
Accrued salaries payable	798,248	1,087,860
Deferred revenue	32,858	14,000
Total liabilities	2,325,096	3,388,627
Fund balance		
Non-spendable for:		
Inventory	180	10,860
Assigned for:		
Major maintenance and repairs	500,000	500,000
Budget appropriations	242,000	60,680
Unassigned	1,637,359	1,813,593
<b>Total liabilities and fund balance</b>	<b>\$ 4,704,635</b>	<b>\$ 5,773,760</b>

**Birch Run Area Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Revenues Compared to Budget**  
**For the Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue from local sources</b>				
Property tax levy	\$ 1,618,340	\$ 1,533,200	\$ 1,634,911	\$ 101,711
Tuition	6,000	1,000	900	(100)
Earnings on investments	2,500	1,800	2,601	801
Student activities	93,000	90,000	95,390	5,390
Community service activities	66,000	53,000	58,598	5,598
Other local revenues	90,950	124,400	135,213	10,813
Total revenues from local sources	<u>1,876,790</u>	<u>1,803,400</u>	<u>1,927,613</u>	<u>124,213</u>
<b>Revenues from state sources</b>				
Grants - unrestricted	11,380,042	11,371,900	11,392,265	20,365
Grants - restricted	555,000	658,200	621,207	(36,993)
Total revenues from state sources	<u>11,935,042</u>	<u>12,030,100</u>	<u>12,013,472</u>	<u>(16,628)</u>
<b>Revenues from federal sources</b>				
Grants	721,415	763,600	739,867	(23,733)
<b>Interdistrict sources</b>				
Other	75,450	86,000	87,905	1,905
<b>Other financing sources</b>				
Proceeds from sale of capital assets	257,200	218,400	218,560	160
	<u>\$ 14,865,897</u>	<u>\$ 14,901,500</u>	<u>\$ 14,987,417</u>	<u>\$ 85,917</u>

**Birch Run Area Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Basic program - elementary</b>				
Salaries	\$ 1,663,652	\$ 1,564,300	\$ 1,570,143	\$ 5,843
Employee benefits	954,445	906,300	890,793	(15,507)
Purchased services	51,000	27,300	32,213	4,913
Supplies and materials	24,100	22,900	22,765	(135)
Other	500	500	-	(500)
Total elementary	<u>2,693,697</u>	<u>2,521,300</u>	<u>2,515,914</u>	<u>(5,386)</u>
<b>Basic program - middle school</b>				
Salaries	1,442,960	1,346,500	1,386,161	39,661
Employee benefits	791,214	796,700	777,928	(18,772)
Purchased services	33,200	46,800	48,586	1,786
Supplies and materials	20,675	19,200	15,924	(3,276)
Other	1,200	2,500	2,322	(178)
Total middle school	<u>2,289,249</u>	<u>2,211,700</u>	<u>2,230,921</u>	<u>19,221</u>
<b>Basic program - high school</b>				
Salaries	1,391,307	1,403,700	1,386,359	(17,341)
Employee benefits	775,365	828,000	782,387	(45,613)
Purchased services	149,150	243,300	244,206	906
Supplies and materials	49,350	51,300	52,859	1,559
Other	2,550	2,200	3,999	1,799
Total high school	<u>2,367,722</u>	<u>2,528,500</u>	<u>2,469,810</u>	<u>(58,690)</u>

**Birch Run Area Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Basic program - pre-school</b>				
Salaries	\$ 56,659	\$ 55,000	\$ 52,520	\$ (2,480)
Employee benefits	32,939	22,200	17,509	(4,691)
Purchased services	1,300	1,800	1,432	(368)
Supplies and materials	3,100	1,200	3,040	1,840
Total pre-school	<u>93,998</u>	<u>80,200</u>	<u>74,501</u>	<u>(5,699)</u>
<b>Added needs - special education</b>				
Salaries	634,024	492,800	564,471	71,671
Employee benefits	333,290	266,400	286,048	19,648
Purchased services	4,500	45,900	46,564	664
Supplies and materials	3,700	2,100	1,809	(291)
Other	110,000	110,000	93,125	(16,875)
Total special education	<u>1,085,514</u>	<u>917,200</u>	<u>992,017</u>	<u>74,817</u>
<b>Added needs - compensatory education</b>				
Salaries	290,312	354,400	329,225	(25,175)
Employee benefits	159,445	185,500	178,188	(7,312)
Purchased services	1,000	2,100	2,096	(4)
Supplies and materials	44,754	2,400	13,293	10,893
Total compensatory education	<u>495,511</u>	<u>544,400</u>	<u>522,802</u>	<u>(21,598)</u>

**Birch Run Area Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Pupil - guidance services</b>				
Salaries	\$ 172,468	\$ 164,600	\$ 172,034	\$ 7,434
Employee benefits	95,781	90,700	97,118	6,418
Total guidance services	<u>268,249</u>	<u>255,300</u>	<u>269,152</u>	<u>13,852</u>
<b>Pupil - psychological services</b>				
Purchased services	<u>101,283</u>	<u>104,200</u>	<u>138,551</u>	<u>34,351</u>
<b>Pupil - speech services</b>				
Salaries	58,408	29,700	15,351	(14,349)
Employee benefits	36,276	18,700	15,278	(3,422)
Purchased services	61,000	65,100	66,437	1,337
Supplies and materials	700	900	1,193	293
Total speech services	<u>156,384</u>	<u>114,400</u>	<u>98,259</u>	<u>(16,141)</u>

**Birch Run Area Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Pupil - social work services</b>				
Salaries	\$ 67,877	\$ 65,800	\$ 66,955	\$ 1,155
Employee benefits	38,604	36,500	38,227	1,727
Purchased services	300	300	-	(300)
Supplies and materials	200	200	-	(200)
	<u>106,981</u>	<u>102,800</u>	<u>105,182</u>	<u>2,382</u>
Total social work services				
<b>Pupil - teacher consultant</b>				
Purchased services	<u>8,000</u>	<u>8,000</u>	<u>22,879</u>	<u>14,879</u>
<b>Pupil - other support services</b>				
Salaries	75,366	100,000	82,033	(17,967)
Employee benefits	28,582	34,200	34,067	(133)
Purchased services	1,650	6,600	5,914	(686)
Supplies and materials	4,000	2,500	3,084	584
Other	<u>8,500</u>	<u>8,900</u>	<u>11,709</u>	<u>2,809</u>
	<u>118,098</u>	<u>152,200</u>	<u>136,807</u>	<u>(15,393)</u>
Total other pupil support services				



**Birch Run Area Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Instructional staff - improvement of education</b>				
Salaries	\$ -	\$ 14,900	\$ 5,758	\$ (9,142)
Employee benefits	-	5,000	1,849	(3,151)
Purchased services	48,480	44,800	31,062	(13,738)
Supplies and materials	929	1,700	-	(1,700)
Other	850	-	-	-
Total improvement of education	<u>50,259</u>	<u>66,400</u>	<u>38,669</u>	<u>(27,731)</u>
<b>Instructional staff - educational media services</b>				
Salaries	99,418	98,900	98,728	(172)
Employee benefits	39,107	45,550	43,334	(2,216)
Purchased services	1,200	1,100	1,680	580
Supplies and materials	<u>16,075</u>	<u>22,450</u>	<u>17,621</u>	<u>(4,829)</u>
Total educational media services	<u>155,800</u>	<u>168,000</u>	<u>161,363</u>	<u>(6,637)</u>
<b>Instructional staff - supervision and direction of instructional staff</b>				
Salaries	31,584	27,200	13,479	(13,721)
Employee benefits	13,466	23,400	6,718	(16,682)
Purchased services	94,700	98,900	97,204	(1,696)
Supplies and materials	<u>2,000</u>	<u>500</u>	<u>476</u>	<u>(24)</u>
Total supervision and direction of instructional staff	<u>141,750</u>	<u>150,000</u>	<u>117,877</u>	<u>(32,123)</u>
<b>Instructional staff - academic student assessment</b>				
Purchased services	<u>-</u>	<u>11,300</u>	<u>11,300</u>	<u>-</u>

**Birch Run Area Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Instructional staff - other services</b>				
Supplies and materials	\$ 9,000	\$ 9,000	\$ 8,876	\$ (124)
<b>General administration - board of education</b>				
Salaries	7,000	8,000	6,000	(2,000)
Purchased services	39,100	33,000	39,314	6,314
Supplies and materials	2,200	3,500	4,565	1,065
Other	4,000	5,000	4,706	(294)
Total board of education	<u>52,300</u>	<u>49,500</u>	<u>54,585</u>	<u>5,085</u>
<b>General administration - executive administration</b>				
Salaries	157,482	157,500	159,669	2,169
Employee benefits	74,885	93,700	98,161	4,461
Purchased services	5,200	5,600	2,069	(3,531)
Supplies and materials	1,900	1,900	799	(1,101)
Other	3,000	3,000	2,363	(637)
Total executive administration	<u>242,467</u>	<u>261,700</u>	<u>263,061</u>	<u>1,361</u>
<b>School administration - office of the principal</b>				
Salaries	631,164	640,300	639,710	(590)
Employee benefits	368,608	425,700	427,801	2,101
Purchased services	13,075	17,500	18,619	1,119
Supplies and materials	6,300	7,500	5,963	(1,537)
Total office of the principal	<u>1,019,147</u>	<u>1,091,000</u>	<u>1,092,093</u>	<u>1,093</u>

**Birch Run Area Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>School administration - other</b>				
Other	\$ 6,700	\$ 6,000	\$ 3,854	\$ (2,146)
 <b>Business - fiscal services</b>				
Salaries	137,368	137,600	132,909	(4,691)
Employee benefits	94,063	99,800	97,913	(1,887)
Purchased services	8,700	8,700	6,305	(2,395)
Supplies and materials	6,700	6,700	5,517	(1,183)
Other	2,400	4,400	4,123	(277)
Total fiscal services	<u>249,231</u>	<u>257,200</u>	<u>246,767</u>	<u>(10,433)</u>
 <b>Business - internal services</b>				
Salaries	-	-	854	854
Employee benefits	-	-	1,808	1,808
Purchased services	300	400	-	(400)
Supplies and materials	33,200	34,200	34,025	(175)
Total internal services	<u>33,500</u>	<u>34,600</u>	<u>36,687</u>	<u>2,087</u>
 <b>Business - other</b>				
Purchased services	9,950	10,800	10,177	(623)
Other	121,100	150,000	145,574	(4,426)
Total other business	<u>131,050</u>	<u>160,800</u>	<u>155,751</u>	<u>(5,049)</u>

**Birch Run Area Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Operations and maintenance - operating building services</b>				
Salaries	\$ 141,872	\$ 166,100	\$ 164,301	\$ (1,799)
Employee benefits	102,423	110,900	153,811	42,911
Purchased services	920,833	915,700	861,926	(53,774)
Supplies and materials	72,100	76,000	68,333	(7,667)
Other	1,800	1,800	1,185	(615)
	<u>1,239,028</u>	<u>1,270,500</u>	<u>1,249,556</u>	<u>(20,944)</u>
<b>Total operating building services</b>				
<b>Pupil transportation services</b>				
Salaries	-	24,100	34,160	10,060
Employee benefits	36,200	50,100	50,997	897
Purchased services	783,530	824,600	792,045	(32,555)
Supplies and materials	129,900	115,000	118,364	3,364
	<u>949,630</u>	<u>1,013,800</u>	<u>995,566</u>	<u>(18,234)</u>
<b>Total transportation services</b>				
<b>Central - planning, research development and evaluation</b>				
Supplies and materials	-	-	230	230
Other	1,875	-	-	-
	<u>1,875</u>	<u>-</u>	<u>230</u>	<u>230</u>
<b>Total planning, research development and evaluation</b>				

**Birch Run Area Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Central - communication services</b>				
Purchased services	\$ 14,500	\$ 14,200	\$ 8,473	\$ (5,727)
Supplies and materials	500	500	306	(194)
Total communication services	<u>15,000</u>	<u>14,700</u>	<u>8,779</u>	<u>(5,921)</u>
<b>Central - staff/personnel services</b>				
Employee benefits	-	-	26	26
Purchased services	30,900	27,300	26,387	(913)
Supplies and materials	-	2,000	3,154	1,154
Total staff/personnel services	<u>30,900</u>	<u>29,300</u>	<u>29,567</u>	<u>267</u>
<b>Central - support services technology</b>				
Salaries	77,235	80,000	80,921	921
Employee benefits	40,276	40,800	39,876	(924)
Purchased services	38,150	86,000	66,978	(19,022)
Supplies and materials	3,351	5,000	4,257	(743)
Total support services technology	<u>159,012</u>	<u>211,800</u>	<u>192,032</u>	<u>(19,768)</u>
<b>Central - pupil accounting</b>				
Purchased services	<u>67,200</u>	<u>61,200</u>	<u>57,443</u>	<u>(3,757)</u>

**Birch Run Area Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Central - other</b>				
Salaries	\$ 700	\$ 700	\$ -	\$ (700)
Purchased services	32,000	30,000	26,640	(3,360)
Supplies and materials	700	700	-	(700)
Total other central	<u>33,400</u>	<u>31,400</u>	<u>26,640</u>	<u>(4,760)</u>
<b>Athletic activities</b>				
Salaries	98,476	97,300	106,882	9,582
Employee benefits	46,991	48,900	55,619	6,719
Purchased services	184,925	195,300	198,341	3,041
Supplies and materials	24,205	19,700	17,534	(2,166)
Other	12,955	13,300	16,551	3,251
Total other athletic activities	<u>367,552</u>	<u>374,500</u>	<u>394,927</u>	<u>20,427</u>
<b>Community services - community activities</b>				
Salaries	39,744	41,000	38,517	(2,483)
Employee benefits	15,672	18,200	16,944	(1,256)
Purchased services	6,300	6,800	3,811	(2,989)
Supplies and materials	4,170	4,700	5,190	490
Total community activities	<u>65,886</u>	<u>70,700</u>	<u>64,462</u>	<u>(6,238)</u>

**Birch Run Area Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Capital outlay</b>				
Basic program - elementary	\$ -	\$ 10,400	\$ 10,373	\$ (27)
Basic program - middle school	3,400	10,800	11,393	593
Basic program - high school	8,950	18,000	19,335	1,335
Instructional staff - improvement of education	15,000	-	-	-
General administration - board of education	-	1,500	1,500	-
General administration - executive administration	3,500	13,500	10,679	(2,821)
School administration - office of the principal	800	2,600	1,959	(641)
Business - fiscal services	1,200	1,200	-	(1,200)
Operations and maintenance - operating building services	13,000	46,000	45,869	(131)
Pupil transportation services	-	-	1,384	1,384
Central - support services technology	66,150	74,600	74,463	(137)
	<u>112,000</u>	<u>178,600</u>	<u>176,955</u>	<u>(1,645)</u>
<b>Total capital outlay</b>				
	<u>112,000</u>	<u>178,600</u>	<u>176,955</u>	<u>(1,645)</u>
<b>Debt service</b>				
Principal	9,204	29,300	29,176	(124)
	<u>9,204</u>	<u>29,300</u>	<u>29,176</u>	<u>(124)</u>
<b>Total expenditures and financing uses</b>	<u>\$ 14,926,577</u>	<u>\$ 15,091,500</u>	<u>\$ 14,993,011</u>	<u>\$ (98,489)</u>

**Birch Run Area Schools**  
**Other Supplemental Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2012**

Year Ending June 30,	1998 School Improvement Bonds	1999 School Building and Site Bonds	2011 School Building and Site Bonds	Total
2013	\$ 14,817	\$ 1,150,000	\$ 191,690	\$ 1,356,507
2014	-	1,130,000	191,690	1,321,690
2015	-	-	191,690	191,690
2016	-	-	191,690	191,690
2017	-	-	191,690	191,690
2018	-	-	191,690	191,690
2019	-	-	191,690	191,690
2020	-	-	191,690	191,690
2021	-	-	191,691	191,691
2022	-	-	191,691	191,691
2023	-	-	191,691	191,691
2024	-	-	191,691	191,691
2025	-	-	191,691	191,691
2026	-	-	191,691	191,691
2027	-	-	191,691	191,691
Total	<u>\$ 14,817</u>	<u>\$ 2,280,000</u>	<u>\$ 2,875,357</u>	<u>\$ 5,170,174</u>
Principal payments due	May 15th	May 1st	August 17th	
Interest payments due	May 15th	May 1st and November 1st	August 17th and February 17th	
Interest rate	4.76%	3.000% - 3.250%	5.99%	
Original issue	<u>\$ 221,042</u>	<u>\$ 5,655,000</u>	<u>\$ 2,875,357</u>	