

Birch Run Area Schools

Birch Run, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2013

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Birch Run Area Schools
Members of the Board of Education and Administration
June 30, 2013

Members of the Board of Education

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

Administration

David Bush	Superintendent
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Independent Auditors' Report

To the Board of Education
Birch Run Area Schools

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2013, the District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplemental Information

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

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Birch Run Area Schools' basic financial statements. The list of the Members of the Board of Education and Administration and other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, 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 basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

America. In our opinion, other than the prior year information, the other supplemental information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The list of the Members of the Board of Education and Administration, which is the responsibility of management, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Prior Year Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Birch Run Area Schools' financial statements as of and for the year ended June 30, 2012, which are not presented with the accompanying financial statements. In our report dated September 22, 2012, we expressed unmodified 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 2012 information in the comparative supplemental schedules 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 2012 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 2012 information in the comparative supplemental schedules are fairly stated in all material respects in relation to the financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013 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 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 Birch Run Area Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

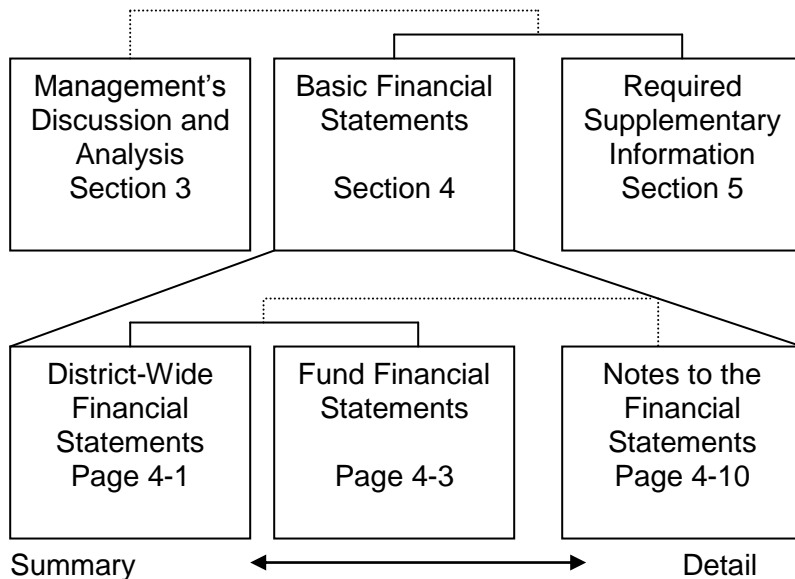
Saginaw, Michigan
October 15, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Birch Run Schools
Management Discussion and Analysis
Year Ended June 30, 2013

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 Position and the Statement of Activities.

The Statement of Net Position (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, 2013

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 position. 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 Position

	Governmental Activities	
	June 30, 2013	June 30, 2012
Assets		
Current Assets	\$ 11,926,303	\$ 4,968,250
Capital Assets	36,508,683	29,755,380
Less accumulated depreciation	(13,071,467)	(12,430,350)
Capital Assets, net	23,437,216	17,325,030
Total Assets	35,363,519	22,293,280
Deferred Outflows of Resources		
Deferred amount on debt refunding	26,567	53,134
Liabilities		
Current Liabilities	6,178,917	3,729,444
Long-term Liabilities	14,787,310	4,316,774
Total Liabilities	20,966,227	8,046,218
Net position		
Total Capital Assets	12,747,300	12,158,394
Restricted	208,662	354,865
Unrestricted	1,467,897	1,786,937
Total Net Position	\$ 14,423,859	\$ 14,300,196

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

Current assets and capital assets net of accumulated depreciation increased by \$13,070,239. The primary reason for the increase in

Birch Run Schools
Management Discussion and Analysis
Year Ended June 30, 2013

assets was cash received and capital assets purchased from the issuance of the 2012 School Improvement Bond.

Current and long-term liabilities increased by \$12,920,009. The primary reason for the increase was for the liabilities incurred from the issuance of the 2012 School Improvement Bond.

The net position for the District increased by \$167,983 during the 2012/13 year. The *Statement of Changes in Net Position from Operating Results* (below) shows the details of this change.

Statement of Changes in Net Position from Operating Results

	Governmental Activities	
	June 30, 2013	June 30, 2012
Revenues		
Program revenues		
Charges for services	\$ 415,898	\$ 429,969
Operating grants and contributions	2,225,938	2,221,019
General revenues		
Property taxes	2,993,884	2,794,341
State foundation allowance	10,841,541	11,051,117
Other	94,420	144,360
Total revenues	16,571,681	16,640,806
Expenses		
Instruction	9,186,496	9,118,857
Support services	5,962,449	6,175,399
Food services	721,410	715,029
Other transactions	533,343	236,522
Total expenses	16,403,698	16,245,807
Increase in net position	\$ 167,983	\$ 394,999

The School District experienced an increase in net position of \$167,983. The primary reason for the increase in net position was proceeds from the issuance of a bond and decrease in support services expenditures. 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 position.

The School District's Funds

As the School District completed this year, the governmental funds reported a combined fund balance of \$7,164,707, which is an increase of \$4,483,709 from last year. The primary reasons for the increase are:

- In the General Fund, our principal operating fund, the fund balance decreased by \$360,094. The decrease was the result of a budget deficit.
- The fund balance of our Food Service Fund decreased by \$17,590. This was a result of spending on a new POS system and the equipment necessary to operate it.
- Our Debt Service Fund showed a decrease of \$128,613. 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 \$4,990,006. This was a result of the receipt of the 2012 School Improvement Bond.

**Birch Run Schools
Management Discussion and Analysis
Year Ended June 30, 2013**

Approximately 72% 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 \$6,966 per student.

Student Enrollment

The District's blended student count for 2012/13 was 1,802 students. This is 78 less students than the blended count of the prior year. The following summarizes the blended student count in the past five years:

Enrollment History

	Student FTE	FTE Change from Prior Year
2012/13	1,802	(78)
2011/12	1,880	14
2010/11	1,867	27
2009/10	1,840	(8)
2008/09	1,848	(14)

Preliminary student enrollment projections for 2013/14 indicate that enrollments are likely to be flat than 2012/13.

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

	Local Property Tax Revenue	% of General Fund Revenue
2012/13	\$ 1,631,726	11.3%
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%

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 \$4,513 of current year property taxes that had not been collected.

Capital Assets

At June 30, 2013, 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, 2013

Assets	2013	2012
Land	\$ 40,000	\$ 40,000
Construction in progress	6,806,760	53,457
Site Improvements	2,001,870	2,001,870
Buildings and improvements	25,972,676	25,972,676
Furniture and equipment	1,687,377	1,687,377
Subtotal	36,508,683	29,755,380
Less accumulated depreciation	(13,071,467)	(12,430,350)
	<u>\$ 23,437,216</u>	<u>\$ 17,325,030</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 \$171,932 a variance of 1.20%.

General Fund Expenditures

Total Expenditures Revised Budget	\$ 15,046,100
Total Expenditures Original Budget	15,012,500
	<u>\$ 33,600</u>

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

- Additional Federal grant funding
- Mid-year staff replacement

The District's actual general fund expenditures were less than the revised budget by \$165,934, a variance of 1.10%.

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

Long-Term Debt

The long-term obligations for the District increased from \$5,736,770 to \$16,112,516. Total additions of \$10,375,746 represent bond payments, capital lease payments and payment of compensated absences and the addition of debt associated with the 2012 School Improvement 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 2012/13 was approved on June 25, 2012 and amended on June 24, 2013.

General Fund Revenues

Total Revenues Revised Budget	\$ 14,348,140
Total Revenues Original Budget	14,222,500
	<u>\$ 125,640</u>

Birch Run Schools
Management Discussion and Analysis
Year Ended June 30, 2013

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 2012/13 State funding increased by \$120/pupil.

It is anticipated that in the 2013/14 school year that the foundation grant will increase by \$40/pupil. While that increase is helpful, it still leaves funding below that of the 2006/07 year by 1.2%. While the CPI shows inflation of 15.1% over the same time period. Furthermore, there are currently many state "one-time" grants that could drop funding significantly, without actually changing state aid.

It is also expected that the state mandated retirement rate (MPSERS) will likely stay 25.36%. The MPSERS rate in the 2006/07 year was only 17.74% to compare with the foundation grant. Thus, while inflation is 15.1% over this time period, the MPSERS rate has increased by 43.0%. Despite the changes in the retirement system in FY 2013, the rates have not decreased, but has instead created a complex system with dozens of different options and rates for employees/the district. Further, while the state is helping fund the unfunded liability (above the 25.36% rate), it has created a convoluted accounting system for that funding.

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, while also contracting services for custodial and transportation. However, it is exceedingly difficult to manage a 43% increase in retirement and 15.1% increase in inflation on a 1.2% decrease in state revenue.

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 Position
June 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash	\$ 25,702
Taxes receivable	7,662
Accounts receivable	12,456
Due from other governmental units	3,214,131
Inventory	3,637
Investments	8,662,715
Capital assets not being depreciated	6,846,760
Capital assets - net of accumulated depreciation	<u>16,590,456</u>
Total assets	<u>35,363,519</u>
Deferred outflows of resources	
Deferred amount on debt refunding	<u>26,567</u>
Liabilities	
Accounts payable	3,392,630
State aid anticipation note payable	209,143
Payroll deductions and withholdings	199,741
Accrued expenditures	198,273
Accrued salaries payable	797,952
Unearned revenue	55,972
Noncurrent liabilities	
Due within one year	1,325,206
Due in more than one year	<u>14,787,310</u>
Total liabilities	<u>20,966,227</u>
Net position	
Net investment in capital assets	12,747,300
Restricted for:	
Food service	127,188
Debt service	81,474
Unrestricted	<u>1,467,897</u>
Total net position	<u><u>\$ 14,423,859</u></u>

See Accompanying Notes to Financial Statements

Birch Run Area Schools
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities					
Instruction	\$ 9,186,496	\$ 4,300	\$ 1,648,455	\$ -	\$ (7,533,741)
Supporting services	5,962,449	84,065	187,583	-	(5,690,801)
Food services	721,410	262,114	389,900	-	(69,396)
Community services	75,870	65,419	-	-	(10,451)
Interest on long-term debt	<u>457,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(457,473)</u>
Total governmental activities	<u>\$ 16,403,698</u>	<u>\$ 415,898</u>	<u>\$ 2,225,938</u>	<u>\$ -</u>	<u>(13,761,862)</u>
	General revenues				
					1,673,399
					1,320,485
					10,841,541
					7,325
					12,025
					<u>75,070</u>
			Total general revenues		<u>13,929,845</u>
			Change in net position		167,983
			Net position - beginning		14,300,196
			Change in accounting principle		<u>(44,320)</u>
			Net position - beginning, as restated		<u>14,255,876</u>
			Net position - ending		<u>\$ 14,423,859</u>

See Accompanying Notes to Financial Statements

Birch Run Area Schools
Governmental Funds
Balance Sheet
June 30, 2013

	General Fund	Food Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 25,552	\$ 150	\$ -	\$ -	\$ 25,702
Taxes receivable	4,513	-	-	3,149	7,662
Accounts receivable	12,456	-	-	-	12,456
Due from other funds	-	80,824	-	-	80,824
Due from other governmental units	3,164,867	49,264	-	-	3,214,131
Inventory	-	3,637	-	-	3,637
Investments	1,058,370	-	7,511,867	92,478	8,662,715
Total assets	\$ 4,265,758	\$ 133,875	\$ 7,511,867	\$ 95,627	\$ 12,007,127
Liabilities					
Accounts payable	\$ 804,204	\$ 2,155	\$ 2,575,267	\$ 11,004	\$ 3,392,630
State aid anticipation note payable	209,143	-	-	-	209,143
Due to other funds	80,824	-	-	-	80,824
Payroll deductions and withholdings	199,712	29	-	-	199,741
Accrued expenditures	68,922	-	-	-	68,922
Accrued salaries payable	797,952	-	-	-	797,952
Unearned revenue	51,469	4,503	-	-	55,972
Total liabilities	2,212,226	6,687	2,575,267	11,004	4,805,184
Deferred Inflows of Resources					
Property taxes	34,087	-	-	3,149	37,236
Fund Balance					
Non-spendable for:					
Inventory	-	3,637	-	-	3,637
Restricted for:					
Food service	-	123,551	-	-	123,551
Debt service	-	-	-	81,474	81,474
Capital projects	-	-	4,936,600	-	4,936,600
Assigned for:					
Debt buy-down	500,000	-	-	-	500,000
Unassigned	1,519,445	-	-	-	1,519,445
Total fund balance	2,019,445	127,188	4,936,600	81,474	7,164,707
Total liabilities, deferred inflows or resources and fund balance	\$ 4,265,758	\$ 133,875	\$ 7,511,867	\$ 95,627	\$ 12,007,127

See Accompanying Notes to Financial Statements

Birch Run Area Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2013

Total fund balances for governmental funds	\$ 7,164,707
Total net position for governmental activities in the statement of net position is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Property taxes	37,236
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	6,846,760
Capital assets - net of accumulated depreciation	16,590,456
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(129,351)
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	(459,433)
Bonds payable	(15,648,470)
Deferred amount on refinancing	26,567
Other loans payable and liabilities	<u>(4,613)</u>
Net position of governmental activities	<u>\$ 14,423,859</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, 2013

	General Fund	Food Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 1,869,773	\$ 262,114	\$ 5,619	\$ 1,320,719	\$ 3,458,225
State sources	11,844,794	30,254	-	15,521	11,890,569
Federal sources	756,642	383,430	-	-	1,140,072
Interdistrict sources	36,838	-	-	-	36,838
Total revenues	<u>14,508,047</u>	<u>675,798</u>	<u>5,619</u>	<u>1,336,240</u>	<u>16,525,704</u>
Expenditures					
Current					
Education					
Instruction	8,829,658	-	-	-	8,829,658
Supporting services	5,705,310	-	-	-	5,705,310
Food services	-	693,388	-	-	693,388
Community services	72,923	-	-	-	72,923
Capital outlay	34,829	-	6,753,303	-	6,788,132
Debt service					
Principal	237,446	-	-	1,164,816	1,402,262
Interest and other expenditures	-	-	-	410,427	410,427
Total expenditures	<u>14,880,166</u>	<u>693,388</u>	<u>6,753,303</u>	<u>1,575,243</u>	<u>23,902,100</u>
Excess (deficiency) of revenues over expenditures	<u>(372,119)</u>	<u>(17,590)</u>	<u>(6,747,684)</u>	<u>(239,003)</u>	<u>(7,376,396)</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, 2013

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses)					
Proceeds from issuance of bonds	\$ -	\$ -	\$ 11,249,610	\$ 110,390	\$ 11,360,000
Premium on issuance of bonds	-	-	488,080	-	488,080
Proceeds from sale of capital assets	<u>12,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,025</u>
Total other financing sources (uses)	<u>12,025</u>	<u>-</u>	<u>11,737,690</u>	<u>110,390</u>	<u>11,860,105</u>
Net change in fund balance	(360,094)	(17,590)	4,990,006	(128,613)	4,483,709
Fund balance - beginning	<u>2,379,539</u>	<u>144,778</u>	<u>(53,406)</u>	<u>210,087</u>	<u>2,680,998</u>
Fund balance - ending	<u>\$ 2,019,445</u>	<u>\$ 127,188</u>	<u>\$ 4,936,600</u>	<u>\$ 81,474</u>	<u>\$ 7,164,707</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, 2013

Net change in fund balances - Total governmental funds	\$ 4,483,709
Total change in net position 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	33,952
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	(641,117)
Capital outlay	6,753,303
Expenses are recorded when incurred in the statement of activities.	
Interest	(59,551)
Compensated absences	57,567
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 position, 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 position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Debt issued	(11,360,000)
Premium on bond issuance	(488,080)
Repayments of long-term debt	1,356,507
Repayments on capital lease	10,529
Amortization of deferred amount on debt refunding	(26,567)
Amortization of bond premium	<u>47,731</u>
Change in net position of governmental activities	<u>\$ 167,983</u>

See Accompanying Notes to Financial Statements

Birch Run Area Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2013

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash	\$ 30,400	\$ 160,938
Liabilities		
Due to agency fund activities	-	\$ 160,938
Net position		
Reserved for scholarships	\$ 30,400	

See Accompanying Notes to Financial Statements

Birch Run Area Schools
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2013

	<u>Private Purpose Trust Funds</u>
Additions	
Local sources	\$ 8,100
Deductions	
Scholarships	<u>7,150</u>
Change in net position	950
Net position - beginning	<u>29,450</u>
Net position - ending	<u><u>\$ 30,400</u></u>

See Accompanying Notes to Financial Statements

Birch Run Area Schools
Notes to Financial Statements
June 30, 2013

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 position 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 position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. 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 position 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, 2013

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, 2013, 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	4.9500

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries. Approximately 98.5% of the School District’s tax roll lies within the County of Saginaw and the remaining 1.5% 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, 2013

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

Deferred outflows of resources - A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

Deferred inflows of resources - A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that

are not considered available to liquidate liabilities of the current period.

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

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.

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

Non-spendable – amounts 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 that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Birch Run Area Schools
Notes to Financial Statements
June 30, 2013

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position 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.

Adoption of New Accounting Standards

The Government Accounting Standards Board 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*, which the government adopted effective July 1, 2012. The new standards provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of net position and related disclosures.

Upcoming Accounting and Reporting Changes

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

Birch Run Area Schools
Notes to Financial Statements
June 30, 2013

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.

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			
General administration	\$ 301,730	\$ 302,641	\$ 911
School administration	1,028,890	1,060,238	31,348
Business	386,310	406,400	20,090
Operations and maintenance	1,109,120	1,137,753	28,633
Central	304,850	307,361	2,511
Food Service Fund	657,800	693,388	35,588

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	\$ 11,672,290
Expenditures	6,735,690

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	\$ 25,702	\$ 191,338	\$ 217,040
Investments	8,662,715	-	8,662,715
	<u>\$ 8,688,417</u>	<u>\$ 191,338</u>	<u>\$ 8,879,755</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 216,390
Investments in securities, mutual funds, and similar vehicles	8,662,715
Petty cash and cash on hand	<u>650</u>
Total	<u>\$ 8,879,755</u>

Birch Run Area Schools
Notes to Financial Statements
June 30, 2013

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

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund - CMS	\$ 1,240	6 months Average	AAAm	Standard & Poor's
Michigan Liquid Asset Fund- MAX	8,661,475	6 months Average	AAAm	Standard & Poor's
	<u>\$ 8,662,715</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 \$ 223,241 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
Governmental activities				
Capital assets not being depreciated				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Construction in progress	53,457	6,806,760	53,457	6,806,760
Total capital assets not being depreciated	<u>93,457</u>	<u>6,806,760</u>	<u>53,457</u>	<u>6,846,760</u>
Capital assets being depreciated				
Buildings and additions	25,972,676	-	-	25,972,676
Site improvements	2,001,870	-	-	2,001,870
Equipment and furniture	1,687,377	-	-	1,687,377
Total capital assets being depreciated	<u>29,661,923</u>	<u>-</u>	<u>-</u>	<u>29,661,923</u>
Less accumulated depreciation for				
Buildings and additions	9,048,146	591,067	-	9,639,213
Site improvements	2,001,870	-	-	2,001,870
Equipment and furniture	1,380,334	50,050	-	1,430,384
Total accumulated depreciation	<u>12,430,350</u>	<u>641,117</u>	<u>-</u>	<u>13,071,467</u>
Net capital assets being depreciated	<u>17,231,573</u>	<u>(641,117)</u>	<u>-</u>	<u>16,590,456</u>
Net capital assets	<u>\$ 17,325,030</u>	<u>\$ 6,165,643</u>	<u>\$ 53,457</u>	<u>\$ 23,437,216</u>

Birch Run Area Schools
Notes to Financial Statements
June 30, 2013

Depreciation for the fiscal year ended June 30, 2013 amounted to \$641,117. Depreciation expense was charged to the various governmental activities as follows:

Governmental activities	
Instruction	\$ 369,959
Support services	239,050
Food services	29,053
Community services	<u>3,055</u>
Total governmental activities	<u>\$ 641,117</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	\$ 80,824

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 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

	<u>Unearned</u>
Grant and categorical and payments received prior to meeting all eligibility requirements	\$ 51,469
Food service lunch deposits	<u>4,503</u>
Total	<u>\$ 55,972</u>

Note 7 - Leases

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

Year ending June 30,	
2014	\$ 3,516
2015	<u>1,097</u>
Total minimum lease payments	<u>\$ 4,613</u>

The assets acquired through capital leases are as follows:

Equipment	\$ 50,539
Less accumulated depreciation	<u>37,038</u>
Total	<u>\$ 13,501</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 30th.

Birch Run Area Schools
Notes to Financial Statements
June 30, 2013

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

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 275,486	\$ 1,500,000	\$ 1,566,343	\$ 209,143

The state aid anticipation note included an irrevocable set aside of \$1,290,857 at year end that is considered defeased 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:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 5,155,357	\$ 11,360,000	1,341,690	\$ 15,173,667	\$ 1,321,690
Durant Bond	14,817	-	14,817	-	-
Capital lease	15,142	-	10,529	4,613	3,516
Compensated absences	517,000	-	57,567	459,433	-
Premium on bonds	34,454	488,080	47,731	474,803	-
Total	\$ 5,736,770	\$ 11,848,080	\$ 1,472,334	\$ 16,112,516	\$ 1,325,206

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%	\$ 1,130,000
\$11,360,000 serial bond due in annual installments of \$710,000 to \$975,000 through May 1, 2027, interest at 2.50% to 5.00%	11,360,000
\$2,875,357 serial bond due in annual installments of \$191,690 and \$191,961 through August 17, 2026, interest at 5.99%	2,683,667
Total general obligation bonded debt	\$ 15,173,667

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

	Principal	Interest	Total
Year Ending June 30,			
2014	\$ 1,321,690	\$ 569,866	\$ 1,891,556
2015	901,690	521,658	1,423,348
2016	941,691	488,876	1,430,567
2017	966,690	454,894	1,421,584
2018	966,690	420,161	1,386,851
2019-2023	5,408,453	1,451,698	6,860,151
2022-2027	4,666,763	413,286	5,080,049
Total	\$ 15,173,667	\$ 4,320,439	\$ 19,494,106

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$81,474 to pay this debt. Future debt and interest will be payable from future tax levies.

Compensated Absences

Accrued compensated absences at year end, consists of \$37,422 of vacation hours earned and vested and \$422,011 in accrued sick time benefits. The entire vested amount is considered long-term as

Birch Run Area Schools
Notes to Financial Statements
June 30, 2013

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>\$ 1,255,000</u>
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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 \$16,607 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 group of defined benefit and defined contribution retirement plans covering substantially all employees. The plans are 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 plans provide 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 Services, under the authority established by the Michigan Public School Employees Retirement Act (Retirement Act), as enacted and amended by the Michigan Legislature. The Michigan Legislature has the authority to amend the Retirement Act. The Michigan Department of

Birch Run Area Schools
Notes to Financial Statements
June 30, 2013

Technology, Management and Budget issues a publicly-available financial report that includes financial statements and required supplemental information for MPSERS. The report provides information for the plans as a whole and information helpful for understanding the scale of the information presented relative to the School District. 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 the Michigan legislature created a new Pension Plus plan under MPSERS. All eligible Michigan public school employees who began 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 including an employee contribution, and (b) a defined contribution savings component.

In September 2012, the Michigan legislature enacted additional changes (2012 Retirement Reform) to the Retirement Act, with different aspects becoming effective in late 2012 and early 2013. With these changes MPSERS offers eight retirement plans: Basic, Member Investment Plan (MIP), Basic 4%, MIP 7%, Basic DC Converted, MIP DC Converted, Pension Plus, and the Defined Contribution (DC) plan. Multiple options exist within some of these plans.

Full details on each of these plans are available on the MPSERS website at the address provided above.

Funding Policy

For the defined benefit plans the District is required by state law to contribute to MPSERS an actuarially determined percentage of payroll for all eligible participating employees. The District's actual contributions match the required contributions. Additionally, employees participating in the various defined benefit pension plans contribute the following amounts of their pretax salaries: (a) Member

Investment Plan participants contribute 3% to 6.4%; (b) Basic 4% participants contribute 4%; and (c) MIP 7% participants contribute 3.9% to 7%. The following table discloses pertinent information relative to MPSERS defined benefit pension retirement plan funding for the three-year period beginning July 1, 2010 through June 30, 2013.

	2013	2012	2011
Funding percentage range	12.78 - 16.25 %	10.66 - 15.96 %	8.63 - 12.16 %
School district defined benefit pension contributions	<u>\$ 1,112,789</u>	<u>\$ 1,120,865</u>	<u>\$ 980,181</u>

Defined Contribution Savings Plan

For the Pension Plus savings plan, eligible 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. Participants in the Basic DC Converted and MIP DC Converted plans receive 4% employer contributions to a tax-deferred 401(k) plan. The Defined Contribution Plan provides a 50% employer match (up to 3% of salary) on employee contributions. Participants in any of these defined contribution options may elect to make contributions to a tax-deferred 457 account up to the maximum amounts permitted by the IRS.

Birch Run Area Schools
Notes to Financial Statements
June 30, 2013

Contributions by the District and participants during the year ended June 30, 2013, were:

	School District	Participants
Contributions to the:		
Pension Plus Savings Plan	\$ 3,024	\$ 7,661
Basic DC Converted and MIP DC Converted Plans	1,190	595
Total	\$ 4,214	\$ 8,256

Post Employment Benefits

In addition to the pension benefits described above, state law requires the District to provide post-retirement healthcare benefits for eligible retirees and beneficiaries through MPSERS.

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes 2% of their salary, and receives a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

The District's actual contributions match the required contributions.

The following table discloses pertinent information relative to the District's MPSERS defined benefit post employment benefits funding for the three-year period beginning July 1, 2010 through June 30, 2013.

	2013	2012	2011
Funding percentage range	8.18 - 9.11 %	8.50 %	6.81 - 8.50 %
School district defined benefit post employment benefit plan contributions	\$ 689,007	\$ 649,652	\$ 573,053

Contributions by the District and participants to the MPSERS defined contribution Personal Healthcare Fund during the year ended June 30, 2013, were:

	School District	Participants
Contributions to the Personal Healthcare Fund	\$ 2,679	\$ 2,666

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, 2013.

Birch Run Area Schools
Notes to Financial Statements
June 30, 2013

Note 12 - Subsequent Event

Subsequent to June 30, 2013, the School District has paid the balance of the \$209,143 and accrued interest on the short-term state aid anticipation note borrowed in August 2012 and has subsequently borrowed \$1,000,000 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 2013. The interest rate is .450%.

Note 13 - Change in Accounting Principle

As indicated in Note 1, the District has adopted Government Accounting Standards Board Statements 63 and 65. These statements require bond issuance costs to be expensed. Previously these costs were capitalized in the statement of net position and amortized. The standards require this change be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2012, by \$44,320, restating it from \$14,300,196 to \$14,255,876.

REQUIRED SUPPLEMENTAL INFORMATION

Birch Run Area Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Local sources	\$ 1,819,800	\$ 1,795,550	\$ 1,869,773	\$ 74,223
State sources	11,629,900	11,675,520	11,844,794	169,274
Federal sources	731,800	828,220	756,642	(71,578)
Interdistrict sources	<u>41,000</u>	<u>36,850</u>	<u>36,838</u>	<u>(12)</u>
Total revenues	<u>14,222,500</u>	<u>14,336,140</u>	<u>14,508,047</u>	<u>171,907</u>
Expenditures				
Instruction				
Basic programs	7,202,900	7,470,060	7,406,532	(63,528)
Added needs	1,471,400	1,508,930	1,423,126	(85,804)
Supporting services				
Pupil	785,400	802,280	775,344	(26,936)
Instructional staff	395,000	385,460	373,909	(11,551)
General administration	313,900	301,730	302,641	911
School administration	1,047,300	1,028,890	1,060,238	31,348
Business	386,400	386,310	406,400	20,090
Operations and maintenance	1,257,800	1,109,120	1,137,753	28,633
Pupil transportation services	1,069,000	992,970	946,432	(46,538)
Central	286,700	304,850	307,361	2,511
Athletic activities	400,600	402,220	395,232	(6,988)
Community services	71,800	75,230	72,923	(2,307)
Capital outlay	93,000	37,500	34,829	(2,671)
Debt service	<u>231,300</u>	<u>240,550</u>	<u>237,446</u>	<u>(3,104)</u>
Total expenditures	<u>15,012,500</u>	<u>15,046,100</u>	<u>14,880,166</u>	<u>(165,934)</u>
Excess (deficiency) of revenues over expenditures	<u>(790,000)</u>	<u>(709,960)</u>	<u>(372,119)</u>	<u>337,841</u>

Birch Run Area Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Budget
Other financing sources (uses)				
Proceeds from sale of capital assets	\$ -	\$ 12,000	\$ 12,025	\$ 25
Net change in fund balance	(790,000)	(697,960)	(360,094)	337,866
Fund balance - beginning	<u>2,379,539</u>	<u>2,379,539</u>	<u>2,379,539</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,589,539</u>	<u>\$ 1,681,579</u>	<u>\$ 2,019,445</u>	<u>\$ 337,866</u>

Birch Run Area Schools
Required Supplemental Information
Budgetary Comparison Schedule - Food Service Fund
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Local sources	\$ 253,200	\$ 265,000	\$ 262,114	\$ (2,886)
State sources	28,600	28,460	30,254	1,794
Federal sources	<u>335,500</u>	<u>368,000</u>	<u>383,430</u>	<u>15,430</u>
Total revenues	<u>617,300</u>	<u>661,460</u>	<u>675,798</u>	<u>14,338</u>
Expenditures				
Food services	<u>629,700</u>	<u>657,800</u>	<u>693,388</u>	<u>35,588</u>
Excess (deficiency) of revenues over expenditures	<u>(12,400)</u>	<u>3,660</u>	<u>(17,590)</u>	<u>(21,250)</u>
Fund balance - beginning	<u>144,778</u>	<u>144,778</u>	<u>144,778</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 132,378</u></u>	<u><u>\$ 148,438</u></u>	<u><u>\$ 127,188</u></u>	<u><u>\$ (21,250)</u></u>

OTHER SUPPLEMENTAL INFORMATION

**Birch Run Area Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2013**

	<u>Total Nonmajor Governmental Funds</u> <u>Debt Fund</u>
Assets	
Taxes receivable	\$ 3,149
Investments	<u>92,478</u>
Total assets	<u>\$ 95,627</u>
Liabilities	
Accounts payable	<u>\$ 11,004</u>
Deferred Inflows of Resources	
Property taxes	<u>3,149</u>
Fund balance	
Restricted for:	
Debt service	<u>81,474</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 95,627</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, 2013

	<u>Total Nonmajor Governmental Funds</u> <u>Debt Fund</u>
Revenues	
Local sources	\$ 1,320,719
State sources	<u>15,521</u>
Total revenues	<u>1,336,240</u>
Expenditures	
Debt service	
Principal	1,164,816
Interest and other expenditures	<u>410,427</u>
Total expenditures	<u>1,575,243</u>
Excess (deficiency) of revenues over expenditures	<u>(239,003)</u>
Other financing sources	
Proceeds from issuance of bonds	<u>110,390</u>
Net change in fund balance	(128,613)
Fund balance - beginning	<u>210,087</u>
Fund balance - ending	<u><u>\$ 81,474</u></u>

Birch Run Area Schools
Other Supplemental Information
General Fund
Comparative Balance Sheet
June 30, 2013

	<u>2013</u>	<u>2012</u>
Assets		
Cash	\$ 25,552	\$ 18,154
Taxes receivable	4,513	3,284
Accounts receivable	12,456	4,772
Due from other governmental units	3,164,867	2,748,814
Inventory	-	180
Investments	1,058,370	1,929,431
Total assets	<u>\$ 4,265,758</u>	<u>\$ 4,704,635</u>
Liabilities		
Accounts payable	\$ 804,204	\$ 795,907
State aid anticipation note payable	209,143	275,486
Due to other funds	80,824	120,335
Payroll deductions and withholdings	199,712	33,491
Accrued expenditures	68,922	268,771
Accrued salaries payable	797,952	798,248
Unearned revenue	51,469	<u>29,574</u>
Total liabilities	<u>2,212,226</u>	<u>2,321,812</u>
Deferred Inflows of Resources		
Property taxes	<u>34,087</u>	<u>3,284</u>
Fund balance		
Non-spendable for:		
Inventory	-	180
Assigned for:		
Debt buy-down	500,000	-
Major maintenance and repairs	-	500,000
Budget appropriations	-	60,680
Unassigned	1,519,445	1,818,679
	<u>2,019,445</u>	<u>2,379,539</u>
Total liabilities and fund balance	<u>\$ 4,265,758</u>	<u>\$ 4,704,635</u>

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue from local sources				
Property tax levy	\$ 1,663,500	\$ 1,619,150	\$ 1,639,447	\$ 20,297
Tuition	1,000	1,000	900	(100)
Earnings on investments	1,800	1,800	1,472	(328)
Student activities	84,000	75,000	77,065	2,065
Community service activities	53,000	61,000	65,419	4,419
Other local revenues	<u>16,500</u>	<u>37,600</u>	<u>85,470</u>	<u>47,870</u>
Total revenues from local sources	<u>1,819,800</u>	<u>1,795,550</u>	<u>1,869,773</u>	<u>74,223</u>
Revenues from state sources				
Grants - unrestricted	10,977,100	11,021,300	11,096,376	75,076
Grants - restricted	<u>652,800</u>	<u>654,220</u>	<u>748,418</u>	<u>94,198</u>
Total revenues from state sources	<u>11,629,900</u>	<u>11,675,520</u>	<u>11,844,794</u>	<u>169,274</u>
Revenues from federal sources				
Grants	<u>731,800</u>	<u>828,220</u>	<u>756,642</u>	<u>(71,578)</u>
Interdistrict sources				
Other	<u>41,000</u>	<u>36,850</u>	<u>36,838</u>	<u>(12)</u>
Other financing sources				
Proceeds from sale of capital assets	<u>-</u>	<u>12,000</u>	<u>12,025</u>	<u>25</u>
	<u>\$ 14,222,500</u>	<u>\$ 14,348,140</u>	<u>\$ 14,520,072</u>	<u>\$ 171,932</u>

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - elementary				
Salaries	\$ 1,672,100	\$ 1,731,000	\$ 1,736,007	\$ 5,007
Employee benefits	870,600	909,200	929,770	20,570
Purchased services	28,700	37,300	39,621	2,321
Supplies and materials	23,000	23,000	27,204	4,204
Total elementary	<u>2,594,400</u>	<u>2,700,500</u>	<u>2,732,602</u>	<u>32,102</u>
Basic program - middle school				
Salaries	1,318,700	1,359,060	1,327,532	(31,528)
Employee benefits	729,800	732,900	757,838	24,938
Purchased services	22,600	42,600	42,890	290
Supplies and materials	19,300	19,300	15,362	(3,938)
Other	2,500	2,500	2,382	(118)
Total middle school	<u>2,092,900</u>	<u>2,156,360</u>	<u>2,146,004</u>	<u>(10,356)</u>
Basic program - high school				
Salaries	1,378,100	1,450,000	1,377,164	(72,836)
Employee benefits	777,900	783,000	808,089	25,089
Purchased services	209,500	208,400	212,856	4,456
Supplies and materials	58,400	58,900	59,088	188
Other	2,200	2,200	2,511	311
Total high school	<u>2,426,100</u>	<u>2,502,500</u>	<u>2,459,708</u>	<u>(42,792)</u>

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - pre-school				
Salaries	\$ 60,200	\$ 64,000	\$ 42,420	\$ (21,580)
Employee benefits	25,400	39,600	25,798	(13,802)
Purchased services	800	4,000	-	(4,000)
Supplies and materials	3,100	3,100	-	(3,100)
	<u>89,500</u>	<u>110,700</u>	<u>68,218</u>	<u>(42,482)</u>
Added needs - special education				
Salaries	455,800	524,470	539,443	14,973
Employee benefits	310,900	295,110	259,741	(35,369)
Purchased services	11,900	25,200	24,075	(1,125)
Supplies and materials	3,300	3,300	2,798	(502)
Other	110,000	69,600	69,706	106
	<u>891,900</u>	<u>917,680</u>	<u>895,763</u>	<u>(21,917)</u>
Added needs - compensatory education				
Salaries	355,700	402,000	352,816	(49,184)
Employee benefits	223,800	188,950	173,977	(14,973)
Supplies and materials	-	300	570	270
	<u>579,500</u>	<u>591,250</u>	<u>527,363</u>	<u>(63,887)</u>
Pupil - guidance services				
Salaries	168,700	115,800	179,569	63,769
Employee benefits	93,600	105,900	108,158	2,258
	<u>262,300</u>	<u>221,700</u>	<u>287,727</u>	<u>66,027</u>

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - speech services				
Salaries	\$ 59,100	\$ 61,670	\$ 57,509	\$ (4,161)
Employee benefits	36,700	36,310	34,820	(1,490)
Purchased services	62,600	62,400	58,851	(3,549)
Supplies and materials	900	900	396	(504)
Total speech services	<u>159,300</u>	<u>161,280</u>	<u>151,576</u>	<u>(9,704)</u>
Pupil - social work services				
Salaries	65,000	68,400	68,420	20
Employee benefits	38,800	38,200	39,376	1,176
Purchased services	300	-	210	210
Supplies and materials	200	200	-	(200)
Total social work services	<u>104,300</u>	<u>106,800</u>	<u>108,006</u>	<u>1,206</u>
Pupil - teacher consultant				
Purchased services	<u>8,000</u>	<u>24,000</u>	<u>23,823</u>	<u>(177)</u>
Pupil - other support services				
Salaries	92,500	82,000	75,254	(6,746)
Employee benefits	36,800	47,130	32,080	(15,050)
Purchased services	6,600	6,600	2,920	(3,680)
Supplies and materials	2,500	-	-	-
Other	8,900	12,670	10,806	(1,864)
Total other pupil support services	<u>147,300</u>	<u>148,400</u>	<u>121,060</u>	<u>(27,340)</u>

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - improvement of education				
Purchased services	\$ 66,600	\$ 27,430	\$ 21,289	\$ (6,141)
Supplies and materials	1,200	31,200	28,945	(2,255)
Total improvement of education	<u>67,800</u>	<u>58,630</u>	<u>50,234</u>	<u>(8,396)</u>
Instructional staff - educational media services				
Salaries	97,800	98,550	100,844	2,294
Employee benefits	44,600	45,010	45,979	969
Purchased services	1,000	1,300	1,983	683
Supplies and materials	22,300	22,300	19,891	(2,409)
Total educational media services	<u>165,700</u>	<u>167,160</u>	<u>168,697</u>	<u>1,537</u>
Instructional staff - supervision and direction of instructional staff				
Salaries	27,300	25,340	25,334	(6)
Employee benefits	23,500	22,370	22,378	8
Purchased services	99,700	89,660	89,054	(606)
Supplies and materials	2,000	2,000	925	(1,075)
Total supervision and direction of instructional staff	<u>152,500</u>	<u>139,370</u>	<u>137,691</u>	<u>(1,679)</u>
Instructional staff - academic student assessment				
Purchased services	-	11,300	8,800	(2,500)
Instructional staff - other services				
Supplies and materials	9,000	9,000	8,487	(513)

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
General administration - board of education				
Salaries	\$ 8,000	\$ -	\$ 3,690	\$ 3,690
Purchased services	42,500	35,000	29,407	(5,593)
Supplies and materials	3,000	3,000	5,801	2,801
Other	5,000	5,000	4,123	(877)
Total board of education	<u>58,500</u>	<u>43,000</u>	<u>43,021</u>	<u>21</u>
General administration - executive administration				
Salaries	157,500	160,000	160,449	449
Employee benefits	87,500	88,230	91,139	2,909
Purchased services	5,500	5,600	4,590	(1,010)
Supplies and materials	1,900	1,900	863	(1,037)
Other	3,000	3,000	2,579	(421)
Total executive administration	<u>255,400</u>	<u>258,730</u>	<u>259,620</u>	<u>890</u>
School administration - office of the principal				
Salaries	643,200	637,900	646,752	8,852
Employee benefits	372,300	361,250	385,950	24,700
Purchased services	17,500	16,640	15,919	(721)
Supplies and materials	7,500	6,000	4,685	(1,315)
Other	6,800	7,100	6,932	(168)
Total office of the principal	<u>1,047,300</u>	<u>1,028,890</u>	<u>1,060,238</u>	<u>31,348</u>

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Business - fiscal services				
Salaries	\$ 136,100	\$ 119,500	\$ 121,094	\$ 1,594
Employee benefits	93,500	85,300	63,769	(21,531)
Purchased services	8,500	8,600	6,010	(2,590)
Supplies and materials	7,200	7,200	5,153	(2,047)
Other	4,400	4,400	4,356	(44)
Total fiscal services	<u>249,700</u>	<u>225,000</u>	<u>200,382</u>	<u>(24,618)</u>
Business - internal services				
Supplies and materials	<u>36,000</u>	<u>25,000</u>	<u>27,388</u>	<u>2,388</u>
Business - other				
Purchased services	10,600	16,110	15,517	(593)
Other	<u>90,100</u>	<u>120,200</u>	<u>163,113</u>	<u>42,913</u>
Total other business	<u>100,700</u>	<u>136,310</u>	<u>178,630</u>	<u>42,320</u>

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Operations and maintenance - operating building services				
Salaries	\$ 111,100	\$ 117,600	\$ 118,246	\$ 646
Employee benefits	121,400	69,630	96,259	26,629
Purchased services	942,500	859,590	861,255	1,665
Supplies and materials	81,000	60,500	61,046	546
Other	1,800	1,800	947	(853)
Total operating building services	<u>1,257,800</u>	<u>1,109,120</u>	<u>1,137,753</u>	<u>28,633</u>
Pupil transportation services				
Salaries	21,000	19,100	15,805	(3,295)
Employee benefits	69,000	62,670	35,776	(26,894)
Purchased services	846,200	811,200	786,960	(24,240)
Supplies and materials	132,800	100,000	107,891	7,891
Total transportation services	<u>1,069,000</u>	<u>992,970</u>	<u>946,432</u>	<u>(46,538)</u>
Central - communication services				
Purchased services	14,200	31,200	38,833	7,633
Supplies and materials	500	500	1,023	523
Total communication services	<u>14,700</u>	<u>31,700</u>	<u>39,856</u>	<u>8,156</u>

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Central - staff/personnel services				
Purchased services	\$ 28,200	\$ 28,720	\$ 27,465	\$ (1,255)
Supplies and materials	2,500	2,500	479	(2,021)
Total staff/personnel services	<u>30,700</u>	<u>31,220</u>	<u>27,944</u>	<u>(3,276)</u>
Central - support services technology				
Salaries	82,000	80,000	81,355	1,355
Employee benefits	31,200	28,730	29,309	579
Purchased services	91,200	111,400	107,876	(3,524)
Supplies and materials	5,500	5,500	4,754	(746)
Total support services technology	<u>209,900</u>	<u>225,630</u>	<u>223,294</u>	<u>(2,336)</u>
Central - other				
Purchased services	30,000	16,300	16,267	(33)
Athletic activities				
Salaries	97,300	105,800	104,837	(963)
Employee benefits	59,300	50,170	51,710	1,540
Purchased services	206,100	208,350	199,220	(9,130)
Supplies and materials	24,900	24,900	26,943	2,043
Other	13,000	13,000	12,522	(478)
Total other athletic activities	<u>400,600</u>	<u>402,220</u>	<u>395,232</u>	<u>(6,988)</u>

Birch Run Area Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Community services - community activities				
Salaries	\$ 41,000	\$ 41,400	\$ 44,274	\$ 2,874
Employee benefits	19,500	22,530	20,832	(1,698)
Purchased services	6,800	6,800	3,264	(3,536)
Supplies and materials	4,500	4,500	4,553	53
Total community activities	<u>71,800</u>	<u>75,230</u>	<u>72,923</u>	<u>(2,307)</u>
Capital outlay				
Basic program - middle school	3,100	3,100	2,875	(225)
Basic program - high school	10,100	7,600	9,404	1,804
General administration - board of education	1,500	2,500	2,000	(500)
General administration - executive administration	3,500	2,000	462	(1,538)
School administration - office of the principal	2,500	2,500	492	(2,008)
Business - fiscal services	1,200	-	-	-
Operations and maintenance - operating building services	13,000	-	-	-
Central - support services technology	58,100	19,800	19,596	(204)
Total capital outlay	<u>93,000</u>	<u>37,500</u>	<u>34,829</u>	<u>(2,671)</u>
Debt service				
Principal	<u>231,300</u>	<u>240,550</u>	<u>237,446</u>	<u>(3,104)</u>
Total expenditures and financing uses	<u>\$ 15,012,500</u>	<u>\$ 15,046,100</u>	<u>\$ 14,880,166</u>	<u>\$ (165,934)</u>

Birch Run Area Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2013

Year Ending June 30,	1999 School Building and Site Bonds	2011 School Building and Site Bonds	2012 School Building and Site Bonds	Total
2014	\$ 1,130,000	\$ 191,690	\$ -	\$ 1,321,690
2015	-	191,690	710,000	901,690
2016	-	191,690	750,000	941,690
2017	-	191,690	775,000	966,690
2018	-	191,690	775,000	966,690
2019	-	191,690	825,000	1,016,690
2020	-	191,690	850,000	1,041,690
2021	-	191,691	900,000	1,091,691
2022	-	191,691	925,000	1,116,691
2023	-	191,691	950,000	1,141,691
2024	-	191,691	975,000	1,166,691
2025	-	191,691	975,000	1,166,691
2026	-	191,691	975,000	1,166,691
2027	-	191,691	975,000	1,166,691
Total	<u>\$ 1,130,000</u>	<u>\$ 2,683,667</u>	<u>\$ 11,360,000</u>	<u>\$ 15,173,667</u>
Principal payments due	May 1st	August 17th	May 1st	
Interest payments due	May 1st and November 1st	August 17th and February 17th	May 1st and November 1st	
Interest rate	3.00% - 3.25%	5.99%	3.00% - 3.50%	
Original issue	<u>\$ 5,655,000</u>	<u>\$ 2,875,357</u>	<u>\$ 11,360,000</u>	