

Birch Run Area Schools

Birch Run, Michigan

**Annual Financial Statements
and
Independent Auditors' Report**

June 30, 2014

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Birch Run Area Schools
Members of the Board of Education and Administration
June 30, 2014

Members of the Board of Education

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

Administration

David Bush	Superintendent
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Independent Auditors' Report

Management and 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, 2014, 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, 2014, 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.

Other Matters:

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The other supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other than the prior year information, the other supplementary 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 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, 2013, which are not presented with the accompanying financial statements. In our report dated October 15, 2013, 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 2013 information in the comparative supplementary schedule 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 2013 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 2013 information in the comparative supplementary schedule is 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 September 22, 2014 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.

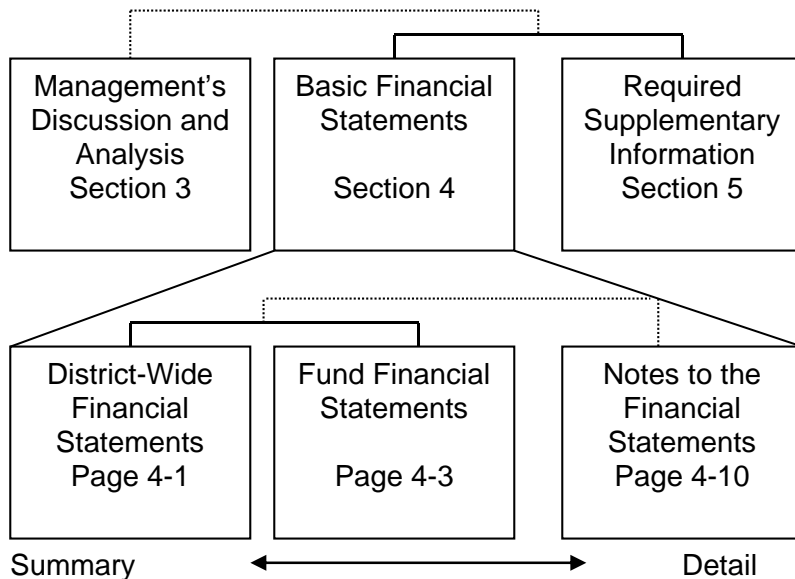
Saginaw, MI
September 22, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Birch Run Schools
Management Discussion and Analysis
Year Ended June 30, 2014

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, 2014

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, 2014	June 30, 2013
Assets		
Current Assets	\$ 4,810,526	\$ 11,926,303
Capital Assets	40,929,993	36,508,683
Less accumulated depreciation	(14,274,672)	(13,071,467)
Capital Assets, net	26,655,321	23,437,216
Total Assets	31,465,847	35,363,519
Deferred Outflows of Resources		
Deferred amount on debt refunding	-	26,567
Liabilities		
Current Liabilities	3,004,233	6,178,917
Long-term Liabilities	13,811,609	14,787,310
Total Liabilities	16,815,842	20,966,227
Net position		
Total Capital Assets	12,882,114	12,747,300
Restricted	181,510	208,662
Unrestricted	1,586,381	1,467,897
Total Net Position	\$ 14,650,005	\$ 14,423,859

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 decreased by \$3,897,672. The primary reason for the decrease in

Birch Run Schools
Management Discussion and Analysis
Year Ended June 30, 2014

assets were spending associated with the 2012 School Improvement Bond and depreciation of assets.

Current and long-term liabilities decreased by \$4,150,385. The primary reason for the decrease were the decrease in liabilities incurred from the 2012 School Improvement Bond capital improvement projects and the retirement of debt.

The net position for the District increased by \$226,146 during the 2013/14 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, 2014	June 30, 2013
Revenues		
Program revenues		
Charges for services	\$ 407,911	\$ 415,898
Operating grants and contributions	2,525,424	2,225,938
General revenues		
Property taxes	2,956,630	2,993,884
State foundation allowance	11,131,692	10,841,541
Other	136,446	94,420
Total revenues	17,158,103	16,571,681
Expenses		
Instruction	9,864,770	9,186,496
Support services	5,844,229	5,962,449
Food services	704,608	721,410
Other transactions	518,350	533,343
Total expenses	16,931,957	16,403,698
Increase in net position	\$ 226,146	\$ 167,983

The School District experienced an increase in net position of \$226,146. 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 \$2,809,444, which is a decrease of \$4,355,263 from last year. The primary reasons for the decrease are:

- In the General Fund, our principal operating fund, the fund balance increased by \$98,638. The increase was the result of budget savings.
- The fund balance of our Food Service Fund increased by \$54,322. This was result of increased free and reduced lunch and budget savings.
- Our Debt Service Fund showed a decrease of \$78,560. 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 fund balance decrease is due to the retirement of the 1999 debt.
- The Capital Project Fund had a decrease in fund balance of \$4,429,663. This was a result of expense of the 2012 School Improvement Bond on capital improvements.

**Birch Run Schools
Management Discussion and Analysis
Year Ended June 30, 2014**

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 current 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 \$7,026 per student.

Student Enrollment

The District's blended student count for 2013/14 was 1,816 students. This is 14 more students than the blended count of the prior year. The following summarizes the blended student count in the past five years:

Enrollment History

	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2013/14	1,816	14
2012/13	1,802	(78)
2011/12	1,880	14
2010/11	1,867	27
2009/10	1,840	(8)

Preliminary student enrollment projections for 2014/15 indicate that enrollments are likely to be flat with 2013/14.

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

	<u>Local Property Tax % of General Fund</u>	
	<u>Revenue</u>	<u>Revenue</u>
2013/14	\$ 1,628,497	10.8%
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%

Local revenues in the table include the receipt of delinquent taxes from prior years. For the fiscal year ended June 30, 2014, the District had \$6,196 of current year property taxes that had not been collected.

Capital Assets

At June 30, 2014, 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, 2014

Assets	2014	2013
Land	\$ 40,000	\$ 40,000
Construction in progress	-	6,806,760
Site Improvements	5,023,655	2,001,870
Buildings and improvements	33,250,582	25,972,676
Furniture and equipment	2,615,756	1,687,377
Subtotal	40,929,993	36,508,683
Less accumulated depreciation	(14,274,672)	(13,071,467)
	<u>\$ 26,655,321</u>	<u>\$ 23,437,216</u>

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

- More Federal grant funding
- Fluctuation in student count due to Section 23a and Section 25e

The District's actual general fund revenues were less than the revised budget by \$22,789 a variance of 0.15%.

General Fund Expenditures

Total Expenditures Revised Budget	\$ 15,230,395
Total Expenditures Original Budget	14,548,205
	<u>\$ 682,190</u>

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

- Additional Federal grant funding
- Staff on long-term leaves

The District's actual general fund expenditures were less than the revised budget by \$242,962, a variance of 1.60%.

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 decreased from \$16,112,516 to \$14,713,299. Total decreases of \$1,399,217 represent bond payments, capital lease payments and payment of compensated absences and the retirement of debt associated with the 1999 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 2013/14 was approved on June 24, 2013 and amended on June 23, 2014.

General Fund Revenues

Total Revenues Revised Budget	\$ 15,108,868
Total Revenues Original Budget	14,548,205
	<u>\$ 560,663</u>

Birch Run Schools
Management Discussion and Analysis
Year Ended June 30, 2014

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 2013/14 State funding increased by \$60/pupil. Further, changes in pupil accounting which allow for interim claims of students have made student count variable between Fall and Spring counts. That variation makes budgeting revenue accurately impossible until after the Spring count in February.

It is anticipated that in the 2014/15 school year that the foundation grant will increase by \$50/pupil. While that increase is helpful, it still leaves funding below that of the 2006/07 year by 3.4%. While the CPI shows inflation of 15.4% 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 2014, 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 15.4% increase in inflation on a 3.4% 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, 12450 Church Street, Suite 2, Birch Run, Michigan, 48415.

BASIC FINANCIAL STATEMENTS

Birch Run Area Schools
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash	\$ 623,248
Taxes receivable	17,628
Accounts receivable	34,905
Due from other governmental units	3,015,915
Inventory	1,688
Investments	1,117,142
Capital assets not being depreciated	40,000
Capital assets - net of accumulated depreciation	<u>26,615,321</u>
Total assets	<u>31,465,847</u>
Liabilities	
Accounts payable	281,907
State aid anticipation note payable	140,038
Due to other governmental units	100,576
Payroll deductions and withholdings	277,203
Accrued expenditures	371,076
Accrued salaries payable	848,117
Unearned revenue	83,626
Noncurrent liabilities	
Due within one year	901,690
Due in more than one year	<u>13,811,609</u>
Total liabilities	<u>16,815,842</u>
Net position	
Net investment in capital assets	12,882,114
Restricted for:	
Food service	181,510
Unrestricted	<u>1,586,381</u>
Total net position	<u>\$ 14,650,005</u>

See Accompanying Notes to Financial Statements

Birch Run Area Schools
Governmental Funds
Balance Sheet
June 30, 2014

	General Fund	Food Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 34,297	\$ 150	\$ 585,402	\$ 3,399	\$ 623,248
Taxes receivable	6,196	-	-	11,432	17,628
Accounts receivable	6,282	28,623	-	-	34,905
Due from other funds	4,496	156,905	-	-	161,401
Due from other governmental units	3,015,915	-	-	-	3,015,915
Inventory	-	1,688	-	-	1,688
Investments	1,117,142	-	-	-	1,117,142
Total assets	<u>\$ 4,184,328</u>	<u>\$ 187,366</u>	<u>\$ 585,402</u>	<u>\$ 14,831</u>	<u>\$ 4,971,927</u>
Liabilities					
Accounts payable	\$ 204,438	\$ 3,015	\$ 73,969	\$ 485	\$ 281,907
State aid anticipation note payable	140,038	-	-	-	140,038
Due to other funds	156,905	-	4,496	-	161,401
Due to other governmental units	100,576	-	-	-	100,576
Payroll deductions and withholdings	276,503	700	-	-	277,203
Accrued expenditures	251,987	-	-	-	251,987
Accrued salaries payable	848,117	-	-	-	848,117
Unearned revenue	81,485	2,141	-	-	83,626
Total liabilities	<u>2,060,049</u>	<u>5,856</u>	<u>78,465</u>	<u>485</u>	<u>2,144,855</u>
Deferred Inflows of Resources					
Property taxes	6,196	-	-	11,432	17,628
Fund Balance					
Non-spendable for:					
Inventory	-	1,688	-	-	1,688
Restricted for:					
Food service	-	179,822	-	-	179,822
Debt service	-	-	-	2,914	2,914
Capital projects	-	-	506,937	-	506,937
Assigned for:					
Debt buy-down	363,314	-	-	-	363,314
Unassigned	1,754,769	-	-	-	1,754,769
Total fund balance	<u>2,118,083</u>	<u>181,510</u>	<u>506,937</u>	<u>2,914</u>	<u>2,809,444</u>
Total liabilities, deferred inflows or resources and fund balance	<u>\$ 4,184,328</u>	<u>\$ 187,366</u>	<u>\$ 585,402</u>	<u>\$ 14,831</u>	<u>\$ 4,971,927</u>

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, 2014

Total fund balances for governmental funds	\$ 2,809,444
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	17,628
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	40,000
Capital assets - net of accumulated depreciation	26,615,321
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(119,089)
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	(433,155)
Bonds payable	(14,279,047)
Other loans payable and liabilities	<u>(1,097)</u>
Net position of governmental activities	<u>\$ 14,650,005</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, 2014

	General Fund	Food Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 1,880,207	\$ 254,835	\$ 37,728	\$ 1,347,825	\$ 3,520,595
State sources	12,399,763	39,835	-	-	12,439,598
Federal sources	715,635	436,409	-	-	1,152,044
Interdistrict sources	65,474	-	-	-	65,474
Total revenues	<u>15,061,079</u>	<u>731,079</u>	<u>37,728</u>	<u>1,347,825</u>	<u>17,177,711</u>
Expenditures					
Current					
Education					
Instruction	9,124,842	-	-	-	9,124,842
Supporting services	5,381,296	-	-	-	5,381,296
Food services	-	651,757	-	-	651,757
Community services	91,462	-	-	-	91,462
Capital outlay	13,554	-	4,467,391	-	4,480,945
Debt service					
Principal	191,690	-	-	1,130,000	1,321,690
Interest and other expenditures	47,911	-	-	433,071	480,982
Total expenditures	<u>14,850,755</u>	<u>651,757</u>	<u>4,467,391</u>	<u>1,563,071</u>	<u>21,532,974</u>
Excess (deficiency) of revenues over expenditures	<u>210,324</u>	<u>79,322</u>	<u>(4,429,663)</u>	<u>(215,246)</u>	<u>(4,355,263)</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, 2014

	<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)					
Transfers in	\$ 25,000	\$ -		\$ 136,686	\$ 161,686
Transfers out	<u>(136,686)</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>(161,686)</u>
Total other financing sources (uses)	<u>(111,686)</u>	<u>(25,000)</u>	<u>-</u>	<u>136,686</u>	<u>-</u>
Net change in fund balance	98,638	54,322	(4,429,663)	(78,560)	(4,355,263)
Fund balance - beginning	<u>2,019,445</u>	<u>127,188</u>	<u>4,936,600</u>	<u>81,474</u>	<u>7,164,707</u>
Fund balance - ending	<u>\$ 2,118,083</u>	<u>\$ 181,510</u>	<u>\$ 506,937</u>	<u>\$ 2,914</u>	<u>\$ 2,809,444</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, 2014

Net change in fund balances - Total governmental funds	\$ (4,355,263)
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	(19,608)
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	(1,203,205)
Capital outlay	4,421,310
Expenses are recorded when incurred in the statement of activities.	
Interest	10,262
Compensated absences	26,278
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.	
Repayments of long-term debt	1,321,690
Repayments on capital lease	3,516
Amortization of deferred amount on debt refunding	(26,567)
Amortization of bond premium	<u>47,733</u>
Change in net position of governmental activities	<u>\$ 226,146</u>

See Accompanying Notes to Financial Statements

Birch Run Area Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2014

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash	\$ 30,745	\$ <u>187,011</u>
Liabilities		
Due to agency fund activities	<u>-</u>	\$ <u>187,011</u>
Net position		
Reserved for scholarships	<u>\$ 30,745</u>	

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, 2014

	<u>Private Purpose Trust Funds</u>
Additions	
Local sources	\$ 4,595
Deductions	
Scholarships	<u>4,250</u>
Change in net position	345
Net position - beginning	<u>30,400</u>
Net position - ending	<u><u>\$ 30,745</u></u>

See Accompanying Notes to Financial Statements

Birch Run Area Schools
Notes to Financial Statements
June 30, 2014

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 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, 2014

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, 2014, 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, 2014

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.

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.

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

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	15-50 years
Site improvements	20 years
Equipment and furniture	5-20 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 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.

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.

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.

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.

Birch Run Area Schools
Notes to Financial Statements
June 30, 2014

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.

Upcoming Accounting and Reporting Changes

The Government Accounting Standards Board ("The GASB") has issued Statement 68, *Accounting and Financial Reporting for Pensions*, and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 net pension liability will be recorded on the government-

wide statements. Statement 71 amends Statement 68 to address an issue concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and non-employer contributing entities. The District is evaluating the impact these standards will have on its financial reporting. Statements 68 and 71 are effective for the year ending June 30, 2015.

The GASB has also issued Statement 69, *Government Combinations and Disposals of Government Operations*. Statement 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity. Statement 69 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

Birch Run Area Schools
Notes to Financial Statements
June 30, 2014

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			
Added needs	\$ 1,519,850	\$ 1,567,979	\$ 48,129

Compliance - Bond Proceeds

The Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The projects related to the 2012 School Building and Site Improvement Bonds were considered complete on June 30, 2014, which is the substantial completion date. The following is a summary of the revenue and expenditures in the 2012 School Building and Site Improvement Bonds from the inception of the funds through the current fiscal year:

Revenues	\$ 11,710,018
Expenditures	11,203,081

Note 3 - Deposits and Investments

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash	\$ 623,248	\$ 217,756	\$ 841,004
Investments	<u>1,117,142</u>	<u>-</u>	<u>1,117,142</u>
	<u>\$ 1,740,390</u>	<u>\$ 217,756</u>	<u>\$ 1,958,146</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 251,571
Investments in securities, mutual funds, and similar vehicles	1,705,925
Petty cash and cash on hand	<u>650</u>
Total	<u>\$ 1,958,146</u>

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

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rating Organization</u>
Michigan Liquid Asset Fund - CMS	\$ 1,183	6 months Average	AAAm	Standard & Poor's
Michigan Liquid Asset Fund- MAX	<u>1,704,742</u>	6 months Average	AAAm	Standard & Poor's
	<u>\$ 1,705,925</u>			

Birch Run Area Schools
Notes to Financial Statements
June 30, 2014

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, \$11,354 of the District’s bank balance of \$261,354 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	6,806,760	-	6,806,760	-
Total capital assets not being depreciated	<u>6,846,760</u>	<u>-</u>	<u>6,806,760</u>	<u>40,000</u>
Capital assets being depreciated				
Buildings and additions	25,972,676	7,277,906	-	33,250,582
Site improvements	2,001,870	3,021,785	-	5,023,655
Equipment and furniture	1,687,377	928,379	-	2,615,756
Total capital assets being depreciated	<u>29,661,923</u>	<u>11,228,070</u>	<u>-</u>	<u>40,889,993</u>
Less accumulated depreciation for				
Buildings and additions	9,639,213	883,198	-	10,522,411
Site improvements	2,001,870	151,089	-	2,152,959
Equipment and furniture	1,430,384	168,918	-	1,599,302
Total accumulated depreciation	<u>13,071,467</u>	<u>1,203,205</u>	<u>-</u>	<u>14,274,672</u>
Net capital assets being depreciated	<u>16,590,456</u>	<u>10,024,865</u>	<u>-</u>	<u>26,615,321</u>
Net capital assets	<u>\$ 23,437,216</u>	<u>\$ 10,024,865</u>	<u>\$ 6,806,760</u>	<u>\$ 26,655,321</u>

Depreciation for the fiscal year ended June 30, 2014 amounted to \$1,203,205. Depreciation expense was charged to the various governmental activities as follows:

Governmental activities	
Instruction	\$ 719,968
Support services	424,595
Food services	51,425
Community services	7,217
Total governmental activities	<u>\$ 1,203,205</u>

Birch Run Area Schools
Notes to Financial Statements
June 30, 2014

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>
Capital Project	General Fund	\$ 4,496
General Fund	Food Service	<u>156,905</u>
		<u>\$ 161,401</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.

Interfund transfers consists of the following:

	<u>Transfers Out</u>		
	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
Transfers in			
General Fund	\$ -	\$ 25,000	\$ 25,000
Capital projects	<u>136,686</u>	<u>-</u>	<u>136,686</u>
	<u>\$ 136,686</u>	<u>\$ 25,000</u>	<u>\$ 161,686</u>

Transfers of \$25,000 were made from the Food Service Fund to the General Fund to cover indirect costs.

Transfers of \$136,686 were made from the General Fund to the Capital Projects Fund to cover the interest on the 2012 School Improvement Bond for which the Board of Education designated General Fund Balance to reduce the millage rate to the taxpayers.

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	\$ 81,485
Food service lunch deposits	<u>2,141</u>
Total	<u>\$ 83,626</u>

Birch Run Area Schools
Notes to Financial Statements
June 30, 2014

Note 7 - Leases

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

Year ending June 30,	
2015	\$ <u>1,097</u>

The assets acquired through capital leases are as follows:

Equipment	\$ 50,539
Less accumulated depreciation	<u>47,114</u>
Total	\$ <u>3,425</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.

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	\$ <u>209,143</u>	\$ <u>1,500,000</u>	\$ <u>1,569,105</u>	\$ <u>140,038</u>

The state aid anticipation note included an irrevocable set aside of \$859,962 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:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Government obligation bonds	\$ 15,173,667	\$ -	1,321,690	\$ 13,851,977	\$ 901,690
Capital lease	4,613	-	3,516	1,097	-
Compensated absences	459,433	-	26,278	433,155	-
Premium on bonds	<u>474,803</u>	<u>-</u>	<u>47,733</u>	<u>427,070</u>	<u>-</u>
Total	\$ <u>16,112,516</u>	\$ <u>-</u>	\$ <u>1,399,217</u>	\$ <u>14,713,299</u>	\$ <u>901,690</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:

\$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%	<u>2,491,977</u>
Total general obligation bonded debt	\$ <u>13,851,977</u>

Birch Run Area Schools
Notes to Financial Statements
June 30, 2014

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 901,690	\$ 531,140	\$ 1,432,830
2016	941,691	500,359	1,442,050
2017	966,690	466,376	1,433,066
2018	966,690	431,644	1,398,334
2019	1,016,690	396,912	1,413,602
2020-2024	5,558,454	1,296,200	6,854,654
2025-2028	3,500,072	263,733	3,763,805
Total	<u>\$ 13,851,977</u>	<u>\$ 3,886,364</u>	<u>\$ 17,738,341</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$2,914 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 \$37,397 of vacation hours earned and vested and \$395,758 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.

Deferred Amount on Refunding

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$132,835. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2014.

Debt refunding activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Amortization</u>	<u>Ending Balance</u>
Deferred amount on debt refunding	\$ 26,567	\$ (26,567)	\$ -

Note 10 - Risk Management

The School District participates in a public entity risk pool through the School Employers Group. With the exception of unemployment described below, this program provides substantially all the insurance needs of the School District. The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements.

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 \$0 or the year. No provision has been made for possible future claims.

Birch Run Area Schools
Notes to Financial Statements
June 30, 2014

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 pension plans provide retirement, survivor and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and their beneficiaries who elect to receive the benefits.

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 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 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>.

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

Pension Benefits

Employer contributions to MPSERS result from the applying rules and applicable changes of the School Finance Reform Act.

Accordingly, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. Depending on the plan selected, a plan member's contribution may range from 0% to 7% of their gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

For the period July 1, 2013 through September 30, 2013, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF (first worked September 4, 2012 or later)	Pension Plus to DC with PHF (first worked September 4, 2012 or later)	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	15.21%	15.02%	15.02%	12.78%	12.78%	12.78%	15.21%
Health contributions	9.11%	9.11%	8.18%	8.18%	9.11%	8.18%	8.18%
Defined contribution plan employer contributions:							
DC	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
PHF	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

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

	Basic MIP	Pension Plus	Pension Plus PHF (first worked September 4, 2012 or later)	Pension Plus to DC with PHF (first worked September 4, 2012 or later)	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Health contributions	6.45%	6.45%	5.52%	5.52%	6.45%	5.52%	5.52%
Defined contribution plan employer contributions:							
DC	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
PHF	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

The School District's required and actual contributions to the plans for the years ended June 30, 2014, 2013, and 2012 were approximately \$1,263,000, \$1,113,000, and \$1,121,000, respectively.

Birch Run Area Schools
Notes to Financial Statements
June 30, 2014

Contributions made by the participants of the plan for the year ended June 30, 2014 were \$364,000.

Post Employment Benefits

In addition to the pension benefits described above, state law requires the School District to provide post-retirement health care benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPERS).

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.

For the periods July 1, 2013 through September 30, 2013, and October 1, 2013 through June 30, 2014, the employer contribution rate ranged from 8.18% to 9.11% and 5.52% to 6.45%, respectively. See above two tables for rates.

The District's actual contributions match the required contributions for the years ended June 30, 2014, 2013, and 2012 and were approximately \$500,000, \$689,000, and \$650,000, respectively.

Unfunded Accrued Actuarial Liability

During the year ending June 30, 2014, the School District had contributions in the amount of \$365,225 to the Michigan Public School Employee Retirement System (MPERS). This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 4.56% for the year. These contributions are not included in the above tables.

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, 2014.

Note 12 - Subsequent Event

Subsequent to June 30, 2014, the School District has paid the balance of the \$140,038 and accrued interest on the short-term state aid anticipation note borrowed in August 2013 and has subsequently borrowed \$1,250,000 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 2014. The interest rate is .420%.

REQUIRED SUPPLEMENTARY INFORMATION

Birch Run Area Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Local sources	\$ 1,778,400	\$ 1,788,600	\$ 1,880,207	\$ 91,607
State sources	11,902,275	12,484,268	12,399,763	(84,505)
Federal sources	781,980	745,600	715,635	(29,965)
Interdistrict sources	41,350	65,400	65,474	74
Total revenues	<u>14,504,005</u>	<u>15,083,868</u>	<u>15,061,079</u>	<u>(22,789)</u>
Expenditures				
Instruction				
Basic programs	6,899,320	7,642,910	7,556,863	(86,047)
Added needs	1,610,855	1,519,850	1,567,979	48,129
Supporting services				
Pupil	901,415	806,180	778,300	(27,880)
Instructional staff	374,535	391,315	337,890	(53,425)
General administration	317,595	324,770	323,141	(1,629)
School administration	996,730	1,050,295	1,030,878	(19,417)
Business	306,880	305,620	304,620	(1,000)
Operations and maintenance	1,123,785	1,142,455	1,137,842	(4,613)
Pupil transportation services	967,845	880,000	854,542	(25,458)
Central	267,745	313,130	266,599	(46,531)
Athletic activities	309,690	347,990	347,484	(506)
Community services	74,410	94,630	91,462	(3,168)
Capital outlay	38,400	34,700	13,554	(21,146)
Debt service				
Principal	323,000	191,700	191,690	(10)
Interest and fiscal charges	36,000	48,150	47,911	(239)
Total expenditures	<u>14,548,205</u>	<u>15,093,695</u>	<u>14,850,755</u>	<u>(242,940)</u>
Excess (deficiency) of revenues over expenditures	<u>(44,200)</u>	<u>(9,827)</u>	<u>210,324</u>	<u>220,151</u>

Birch Run Area Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Over (Under) Budget
Other financing sources (uses)				
Transfers in	\$ 44,200	\$ 25,000	\$ 25,000	\$ -
Transfers out	-	(136,700)	(136,686)	14
Total other financing sources (uses)	<u>44,200</u>	<u>(111,700)</u>	<u>(111,686)</u>	<u>14</u>
Net change in fund balance	-	(121,527)	98,638	220,165
Fund balance - beginning	<u>2,019,445</u>	<u>2,019,445</u>	<u>2,019,445</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,019,445</u>	<u>\$ 1,897,918</u>	<u>\$ 2,118,083</u>	<u>\$ 220,165</u>

Birch Run Area Schools
Required Supplemental Information
Budgetary Comparison Schedule - Food Service Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
Local sources	\$ 261,000	\$ 261,000	\$ 254,835	\$ (6,165)
State sources	27,770	38,000	39,835	1,835
Federal sources	<u>368,000</u>	<u>400,000</u>	<u>436,409</u>	<u>36,409</u>
Total revenues	656,770	699,000	731,079	32,079
Expenditures				
Food services	<u>667,325</u>	<u>662,650</u>	<u>651,757</u>	<u>(10,893)</u>
Excess (deficiency) of revenues over expenditures	(10,555)	36,350	79,322	42,972
Other Financing Sources (Uses)				
Transfers out	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balance	(10,555)	11,350	54,322	42,972
Fund balance - beginning	<u>127,188</u>	<u>127,188</u>	<u>127,188</u>	<u>-</u>
Fund balance - ending	<u>\$ 116,633</u>	<u>\$ 138,538</u>	<u>\$ 181,510</u>	<u>\$ 42,972</u>

OTHER SUPPLEMENTARY INFORMATION

Birch Run Area Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2014

	Total Nonmajor Governmental Funds
	<u>Debt Fund</u>
Assets	
Cash	\$ 3,399
Taxes receivable	<u>11,432</u>
Total assets	<u>\$ 14,831</u>
Liabilities	
Accounts payable	<u>\$ 485</u>
Deferred Inflows of Resources	
Property taxes	<u>11,432</u>
Fund balance	
Restricted for:	
Debt service	<u>2,914</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 14,831</u>

Birch Run Area Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014

	<u>Total Nonmajor Governmental Funds</u> <u>Debt Fund</u>
Revenues	
Local sources	\$ <u>1,347,825</u>
Expenditures	
Debt service	
Principal	1,130,000
Interest and other expenditures	<u>433,071</u>
Total expenditures	<u>1,563,071</u>
Excess (deficiency) of revenues over expenditures	<u>(215,246)</u>
Other financing sources	
Transfers in	<u>136,686</u>
Net change in fund balance	(78,560)
Fund balance - beginning	<u>81,474</u>
Fund balance - ending	<u><u>\$ 2,914</u></u>

Birch Run Area Schools
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2014

	<u>2014</u>	<u>2013</u>
Assets		
Cash	\$ 34,297	\$ 25,552
Taxes receivable	6,196	4,513
Accounts receivable	6,282	12,456
Due from other funds	4,496	-
Due from other governmental units	3,015,915	3,164,867
Investments	<u>1,117,142</u>	<u>1,058,370</u>
Total assets	<u>\$ 4,184,328</u>	<u>\$ 4,265,758</u>
Liabilities		
Accounts payable	\$ 204,438	\$ 804,204
State aid anticipation note payable	140,038	209,143
Due to other funds	156,905	80,824
Due to other governmental units	100,576	-
Payroll deductions and withholdings	276,503	199,227
Accrued expenditures	251,987	69,407
Accrued salaries payable	848,117	797,952
Unearned revenue	<u>81,485</u>	<u>51,469</u>
Total liabilities	<u>2,060,049</u>	<u>2,212,226</u>
Deferred Inflows of Resources		
Property taxes	<u>6,196</u>	<u>34,087</u>
Fund balance		
Assigned for:		
Debt buy-down	363,314	500,000
Unassigned	<u>1,754,769</u>	<u>1,519,445</u>
	<u>2,118,083</u>	<u>2,019,445</u>
Total liabilities and fund balance	<u>\$ 4,184,328</u>	<u>\$ 4,265,758</u>

Birch Run Area Schools
Other Supplementary Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue from local sources				
Property tax levy	\$ 1,602,150	\$ 1,617,700	\$ 1,628,497	\$ 10,797
Tuition	1,000	-	2,150	2,150
Earnings on investments	1,800	500	446	(54)
Student activities	136,000	135,700	143,926	8,226
Other local revenues	<u>37,450</u>	<u>34,700</u>	<u>105,188</u>	<u>70,488</u>
Total revenues from local sources	<u>1,778,400</u>	<u>1,788,600</u>	<u>1,880,207</u>	<u>91,607</u>
Revenues from state sources				
Grants - unrestricted	11,222,055	11,368,268	11,297,003	(71,265)
Grants - restricted	<u>680,220</u>	<u>1,116,000</u>	<u>1,102,760</u>	<u>(13,240)</u>
Total revenues from state sources	<u>11,902,275</u>	<u>12,484,268</u>	<u>12,399,763</u>	<u>(84,505)</u>
Revenues from federal sources				
Grants	<u>781,980</u>	<u>745,600</u>	<u>715,635</u>	<u>(29,965)</u>
Interdistrict sources				
ISD collected millage	-	8,900	8,971	71
Other	<u>41,350</u>	<u>56,500</u>	<u>56,503</u>	<u>3</u>
Total interdistrict sources	<u>41,350</u>	<u>65,400</u>	<u>65,474</u>	<u>74</u>
Other financing sources				
Transfers in	<u>44,200</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
	<u>\$ 14,548,205</u>	<u>\$ 15,108,868</u>	<u>\$ 15,086,079</u>	<u>\$ (22,789)</u>

Birch Run Area Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - elementary				
Salaries	\$ 1,475,160	\$ 1,750,100	\$ 1,769,136	\$ 19,036
Employee benefits	623,760	1,044,350	1,127,439	83,089
Purchased services	33,400	34,200	32,015	(2,185)
Supplies and materials	36,000	25,100	20,216	(4,884)
Total elementary	<u>2,168,320</u>	<u>2,853,750</u>	<u>2,948,806</u>	<u>95,056</u>
Basic program - middle school				
Salaries	1,337,100	1,250,500	1,116,351	(134,149)
Employee benefits	716,600	720,610	679,502	(41,108)
Purchased services	45,800	49,600	49,068	(532)
Supplies and materials	41,500	26,500	25,986	(514)
Total middle school	<u>2,141,000</u>	<u>2,047,210</u>	<u>1,870,907</u>	<u>(176,303)</u>
Basic program - high school				
Salaries	1,426,800	1,365,800	1,389,695	23,895
Employee benefits	770,700	805,650	796,511	(9,139)
Purchased services	197,600	397,000	387,677	(9,323)
Supplies and materials	88,900	63,500	57,475	(6,025)
Other	200	-	-	-
Total high school	<u>2,484,200</u>	<u>2,631,950</u>	<u>2,631,358</u>	<u>(592)</u>

Birch Run Area Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - pre-school				
Salaries	\$ 62,600	\$ 66,200	\$ 64,312	\$ (1,888)
Employee benefits	36,200	41,800	40,979	(821)
Purchased services	4,000	500	501	1
Supplies and materials	3,000	1,500	-	(1,500)
	<u>105,800</u>	<u>110,000</u>	<u>105,792</u>	<u>(4,208)</u>
Added needs - special education				
Salaries	747,205	535,400	534,942	(458)
Employee benefits	203,500	294,170	292,630	(1,540)
Purchased services	22,250	10,650	9,961	(689)
Supplies and materials	2,400	2,500	2,472	(28)
Other	94,000	115,000	116,194	1,194
	<u>1,069,355</u>	<u>957,720</u>	<u>956,199</u>	<u>(1,521)</u>
Added needs - compensatory education				
Salaries	356,500	331,600	387,475	55,875
Employee benefits	184,500	190,930	188,929	(2,001)
Purchased services	-	39,100	32,953	(6,147)
Supplies and materials	500	500	2,423	1,923
	<u>541,500</u>	<u>562,130</u>	<u>611,780</u>	<u>49,650</u>

Birch Run Area Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - guidance services				
Salaries	\$ 208,315	\$ 178,800	\$ 185,225	\$ 6,425
Employee benefits	128,900	106,210	105,245	(965)
Total guidance services	<u>337,215</u>	<u>285,010</u>	<u>290,470</u>	<u>5,460</u>
Pupil - health services				
Other	<u>65,000</u>	<u>40,000</u>	<u>39,350</u>	<u>(650)</u>
Pupil - psychological services				
Other	<u>76,000</u>	<u>88,100</u>	<u>88,242</u>	<u>142</u>
Pupil - speech services				
Salaries	62,300	63,400	62,354	(1,046)
Employee benefits	34,500	39,670	37,801	(1,869)
Purchased services	60,000	51,600	50,783	(817)
Supplies and materials	<u>200</u>	<u>2,100</u>	<u>2,088</u>	<u>(12)</u>
Total speech services	<u>157,000</u>	<u>156,770</u>	<u>153,026</u>	<u>(3,744)</u>
Pupil - social work services				
Salaries	67,900	69,300	69,232	(68)
Employee benefits	<u>37,800</u>	<u>41,680</u>	<u>40,453</u>	<u>(1,227)</u>
Total social work services	<u>105,700</u>	<u>110,980</u>	<u>109,685</u>	<u>(1,295)</u>
Pupil - teacher consultant				
Other	<u>23,000</u>	<u>23,000</u>	-	<u>(23,000)</u>

Birch Run Area Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - other support services				
Salaries	\$ 83,700	\$ 62,800	\$ 57,598	\$ (5,202)
Employee benefits	38,400	24,670	24,301	(369)
Purchased services	2,800	1,400	1,606	206
Supplies and materials	12,600	13,450	14,022	572
	<u>137,500</u>	<u>102,320</u>	<u>97,527</u>	<u>(4,793)</u>
Total other pupil support services				
Instructional staff - improvement of education				
Purchased services	56,000	76,300	23,396	(52,904)
Supplies and materials	-	-	2,783	2,783
	<u>56,000</u>	<u>76,300</u>	<u>26,179</u>	<u>(50,121)</u>
Total improvement of education				
Instructional staff - educational media services				
Salaries	121,860	94,100	94,701	601
Employee benefits	20,100	45,640	45,129	(511)
Purchased services	5,400	6,200	6,424	224
Supplies and materials	16,100	10,600	10,561	(39)
	<u>163,460</u>	<u>156,540</u>	<u>156,815</u>	<u>275</u>
Total educational media services				
Instructional staff - supervision and direction of instructional staff				
Salaries	30,300	26,000	25,360	(640)
Employee benefits	23,700	23,800	20,660	(3,140)
Purchased services	1,150	1,150	888	(262)
Supplies and materials	925	925	1,582	657
Other	90,000	97,700	97,901	201
	<u>146,075</u>	<u>149,575</u>	<u>146,391</u>	<u>(3,184)</u>
Total supervision and direction of instructional staff				

Birch Run Area Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - other services				
Other	\$ 9,000	\$ 8,900	\$ 8,505	\$ (395)
General administration - board of education				
Salaries	-	6,090	6,090	-
Purchased services	40,000	34,800	31,614	(3,186)
Supplies and materials	3,000	3,000	2,930	(70)
Other	5,000	5,000	6,612	1,612
Total board of education	<u>48,000</u>	<u>48,890</u>	<u>47,246</u>	<u>(1,644)</u>
General administration - executive administration				
Salaries	163,200	165,500	171,602	6,102
Employee benefits	94,495	99,240	99,268	28
Purchased services	7,000	7,740	4,800	(2,940)
Supplies and materials	1,900	1,900	225	(1,675)
Other	3,000	1,500	-	(1,500)
Total executive administration	<u>269,595</u>	<u>275,880</u>	<u>275,895</u>	<u>15</u>
School administration - office of the principal				
Salaries	621,200	635,900	631,574	(4,326)
Employee benefits	349,100	383,395	372,735	(10,660)
Purchased services	13,330	16,100	12,529	(3,571)
Supplies and materials	10,000	13,300	12,121	(1,179)
Other	3,100	1,600	1,919	319
Total office of the principal	<u>996,730</u>	<u>1,050,295</u>	<u>1,030,878</u>	<u>(19,417)</u>

Birch Run Area Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Business - fiscal services				
Salaries	\$ 124,000	\$ 135,200	\$ 142,609	\$ 7,409
Employee benefits	73,300	91,220	93,524	2,304
Purchased services	6,300	9,600	8,491	(1,109)
Supplies and materials	5,600	5,600	6,750	1,150
Other	4,400	4,400	4,616	216
Total fiscal services	<u>213,600</u>	<u>246,020</u>	<u>255,990</u>	<u>9,970</u>
Business - other				
Purchased services	16,100	10,600	10,387	(213)
Other	77,180	49,000	38,243	(10,757)
Total other business	<u>93,280</u>	<u>59,600</u>	<u>48,630</u>	<u>(10,970)</u>
Operations and maintenance - operating building services				
Salaries	101,900	102,500	112,709	10,209
Employee benefits	63,600	62,820	70,004	7,184
Purchased services	598,690	586,540	574,821	(11,719)
Supplies and materials	359,595	390,595	380,308	(10,287)
Total operating building services	<u>1,123,785</u>	<u>1,142,455</u>	<u>1,137,842</u>	<u>(4,613)</u>
Pupil transportation services				
Salaries	15,900	12,100	10,162	(1,938)
Employee benefits	8,445	4,500	485	(4,015)
Purchased services	824,200	745,900	742,301	(3,599)
Supplies and materials	111,300	109,500	101,594	(7,906)
Other	8,000	8,000	-	(8,000)
Total transportation services	<u>967,845</u>	<u>880,000</u>	<u>854,542</u>	<u>(25,458)</u>

Birch Run Area Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Central - communication services				
Purchased services	\$ 8,000	\$ 5,300	\$ 4,659	\$ (641)
Supplies and materials	1,000	1,000	70	(930)
Other	3,000	3,000	-	(3,000)
Total communication services	<u>12,000</u>	<u>9,300</u>	<u>4,729</u>	<u>(4,571)</u>
Central - staff/personnel services				
Purchased services	2,190	49,700	48,733	(967)
Supplies and materials	1,000	1,000	-	(1,000)
Total staff/personnel services	<u>3,190</u>	<u>50,700</u>	<u>48,733</u>	<u>(1,967)</u>
Central - support services technology				
Salaries	84,155	81,500	78,463	(3,037)
Employee benefits	26,900	30,130	33,170	3,040
Purchased services	57,800	57,800	40,993	(16,807)
Supplies and materials	5,500	5,500	174	(5,326)
Other	60,000	60,000	52,034	(7,966)
Total support services technology	<u>234,355</u>	<u>234,930</u>	<u>204,834</u>	<u>(30,096)</u>
Central - pupil accounting				
Other	1,200	1,200	1,074	(126)
Central - other				
Other	17,000	17,000	7,229	(9,771)

Birch Run Area Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Athletic activities				
Salaries	\$ 107,200	\$ 95,900	\$ 94,870	\$ (1,030)
Employee benefits	52,000	53,140	52,139	(1,001)
Purchased services	115,300	164,700	165,629	929
Supplies and materials	27,150	23,850	25,325	1,475
Other	8,040	10,400	9,521	(879)
Total other athletic activities	<u>309,690</u>	<u>347,990</u>	<u>347,484</u>	<u>(506)</u>
Community services - community recreation				
Salaries	45,900	60,100	56,886	(3,214)
Employee benefits	21,000	28,030	27,992	(38)
Purchased services	2,910	2,950	2,764	(186)
Supplies and materials	4,600	3,500	3,772	272
Other	-	50	48	(2)
Total community recreation	<u>74,410</u>	<u>94,630</u>	<u>91,462</u>	<u>(3,168)</u>
Capital outlay				
Basic program - middle school	1,900	-	-	-
Basic program - high school	1,600	5,000	4,972	(28)
Instructional staff - educational media services	3,600	-	-	-
General administration - executive administration	1,500	1,500	-	(1,500)
School administration - office of the principal	1,800	200	186	(14)
Operations and maintenance - operating building services	13,000	13,000	8,333	(4,667)
Central - support services technology	15,000	15,000	63	(14,937)
Total capital outlay	<u>38,400</u>	<u>34,700</u>	<u>13,554</u>	<u>(21,146)</u>

Birch Run Area Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Debt service				
Principal	\$ 323,000	\$ 191,700	\$ 191,690	\$ (10)
Interest and other expenditures	36,000	48,150	47,911	(239)
Total debt service	<u>359,000</u>	<u>239,850</u>	<u>239,601</u>	<u>(249)</u>
Other financing uses				
Transfers out	-	136,700	136,686	(14)
Total expenditures and financing uses	<u>\$ 14,548,205</u>	<u>\$ 15,230,395</u>	<u>\$ 14,987,441</u>	<u>\$ (242,954)</u>

Birch Run Area Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2014

Year Ending June 30,	2011 School Building and Site Bonds	2012 School Building and Site Bonds	Total
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	<u>191,691</u>	<u>975,000</u>	<u>1,166,691</u>
Total	<u>\$ 2,491,977</u>	<u>\$ 11,360,000</u>	<u>\$ 13,851,977</u>
Principal payments due	August 17th	May 1st	
Interest payments due	August 17th and February 17th	May 1st and November 1st	
Interest rate	5.99%	3.00% - 3.50%	
Original issue	<u>\$ 2,875,357</u>	<u>\$ 11,360,000</u>	