

BOYNE FALLS PUBLIC SCHOOL  
BOYNE FALLS, MICHIGAN  
FINANCIAL STATEMENTS  
JUNE 30, 2012

BOYNE FALLS PUBLIC SCHOOL

JUNE 30, 2012

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BOYNE FALLS PUBLIC SCHOOL

Table of Contents

Page

<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>ADMINISTRATION'S DISCUSSION AND ANALYSIS</b>	3-8
<b>BASIC FINANCIAL STATEMENTS:</b>	
District-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Fiduciary Fund:	
Statement of Fiduciary Net Assets	14
Notes to Financial Statements	15-24
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Budgetary Comparison Schedule - General Fund	25
<b>OTHER SUPPLEMENTAL INFORMATION</b>	
General Fund:	
Comparative Schedule of Revenues	26
Comparative Schedule of Expenditures and Other Financing Uses	27-30
Trust and Agency Funds:	
Statement of Changes in Deposits Held for Others	31
Schedules of Bonded Indebtedness	32-33
<b>APPENDICE</b>	
Report internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	34-35



# ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 308 • 109 E. Tenth St. • Mio, Michigan 48647

Phone (989) 826-5442 • Fax (989) 826-3038

Other office: Rose City, Michigan

Robert J. Carpenter, CPA  
Rodney C. Robertson, CPA

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Boyne Falls Public School  
Boyne Falls, MI 49713

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Boyne Falls Public School as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Boyne Falls Public School, as of June 30, 2012, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2012 on our consideration of Boyne Falls Public School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education  
Boyne Falls Public School  
Boyne Falls, MI 49713

Accounting principles generally accepted in the United States of America require that the administration's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 25 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Boyne Falls Public School's financial statements. The accompanying other pages of 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. Those schedules and statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson & Carpenter CPAs, P.C.  
Certified Public Accountants  
September 12, 2012

## Management's Discussion and Analysis

As management of the Boyne Falls Public School (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$2,235,917 (*net assets*). Of this amount, \$1,035,381 (*unrestricted net assets*) may be used to meet the District's ongoing obligations, \$484,620 is restricted for debt service.
- The District's total net assets increased by \$537,760.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,565,059, a increase of \$407,726 in comparison with the prior year. Approximately 66%, or \$1,038,362 is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,038,362 or 45 % percent of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**District-wide financial statements.** The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

Both of the District-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, food service, community services, and care and custody of children.. The District has no business-type activities as of and for the year ended June 30, 2012.

The government-wide financial statements can be found on pages 9-10 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service funds, and the other non-major governmental fund (the special revenue fund – food service).

The District adopts an annual appropriated budget for its general and special revenue fund. Budgetary comparison statements or schedules have been provided for the general fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 14 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-24 of this report.

### District-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a 2,235,917 at the close of the most recent fiscal year.

A portion of the District's net assets, \$715,916, reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### District's Net Assets

##### Governmental Activities

	<u>June 30,2012</u>	<u>June 30,2011</u>
<b>Assets</b>		
Current and Other Assets	\$ 1,920,595	\$ 1,561,649
Capital Assets, Net	<u>6,973,998</u>	<u>7,237,943</u>
Total Assets	<u>8,894,593</u>	<u>8,799,592</u>
<b>Liabilities</b>		
Long Term Liabilities Outstanding	5,853,082	6,247,171
Other Liabilities	<u>805,594</u>	<u>854,264</u>
Total Liabilities	<u>6,658,676</u>	<u>7,101,435</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	715,916	593,801
Restricted	484,620	525,243
Unrestricted	<u>1,035,381</u>	<u>579,113</u>
<b>Total Net Assets</b>	<b><u>\$ 2,235,917</u></b>	<b><u>\$ 1,698,157</u></b>

An additional portion of the District's net assets \$484,620 (22%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net assets*, \$1,035,381.



The District's net assets increased by \$537,760 during the current fiscal year. Most of this increase is attributable to an increase in state school aid revenue and a decrease in support services expense. The District's blended enrollment was approximately 226 students.

**District's Changes in Net Assets**

**Governmental Activities**

	<u>2011-2012</u>	<u>2010-2011</u>
<b>Revenue</b>		
Program Revenue		
Charges for Services	\$ 41,266	\$ 31,957
Operating Grants and Contributions	399,068	351,214
General Revenue:		
Property Taxes	2,671,016	2,739,891
State School Aid	160,130	68,942
Interest and investment earnings	4,488	5,612
Other	<u>247,773</u>	<u>249,802</u>
<b>Total Revenue</b>	<u><b>3,523,741</b></u>	<u><b>3,447,418</b></u>
<b>Expenses</b>		
Instruction	1,465,339	1,609,595
Support Services	854,252	1,154,766
Community Activities	550	2,017
Custody and care of children	0	182
Food Service	112,291	115,963
Amortization - Bond Refunding Costs	6,655	6,654
Depreciation - unallocated	263,945	288,376
Interest on Long Term Debt	<u>282,949</u>	<u>297,808</u>
<b>Total Expenses</b>	<u><b>2,985,981</b></u>	<u><b>3,475,361</b></u>
<b>Increase (Decrease) in Net Assets</b>	537,760	-27,943
Net Assets, Beginning of Year	<u>1,698,157</u>	<u>1,726,100</u>
<b>Net Assets, End of Year</b>	<u><b>\$ 2,235,917</b></u>	<u><b>\$ 1,698,157</b></u>

**Governmental activities.** Governmental activities increased the District's net assets by \$407,726.

**Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$1,565,059, an increase of \$407,726 in comparison with the prior year. Approximately 66% of this total amount (\$1,038,362) constitutes *unassigned fund balance*, which is available for spending at the District’s discretion. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because the underlying assets are included in debt retirement and food service and are not available for current expenditure.

The general fund is the principal operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,038,362. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent approximately 45% and 45% respectively of total general fund expenditures.

The fund balance of the District’s general fund increased by \$436,889 during the current fiscal year. This increase is primarily do to increased state school aid revenue and a decrease in support services expenses.

The food service fund has a total fund balance of \$42,077, which increased by \$11,460 this year.

### General Fund Budgetary Highlights

Differences between the original and final amended budgets were relatively minor, with expenses only adjusting down by 7% in total from beginning to final. The excess of revenues over expenditures budgetary figure was less than the actual results by \$38,113 for the General Fund. As additional information became known during the fiscal year, budget amendments were made to recognize the increase in revenue and/or planned expenditures related to various District programs.

**Capital assets.** The District’s investment in capital assets for its governmental activities as of June 30, 2012, amounted to \$6,973,998 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, vehicles and equipment.

The were no capital asset acquisitions or disposals during the current fiscal year.

#### District's Capital Assets (net of depreciation)

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Land	\$ 5,000	\$ 5,000
Land Improvement	274,209	302,531
Buildings	6,196,330	6,348,561
Vehicles	43,186	55,116
Equipment	<u>455,273</u>	<u>526,735</u>
<b>Total</b>	<b>\$ <u>6,973,998</u></b>	<b>\$ <u>7,237,943</u></b>

Additional information on the District’s capital assets can be found in note 5 on page 21 of this report.

**Long-term debt.** The district currently has a 2004 Bond issue with an outstanding balance of \$1,960,000 in bonds and a 2007 Bond issue (refunding of a portion of the 1999 Bond issue) with an outstanding balance of \$4,365,000. Additional information on the District's long term debt can be found in Note 7 on pages 22 and 23 of this report.

### **Factors Bearing on the District's Future**

The following factors were considered in preparing the District's budget for the 2012-2013 fiscal year:

- Due to significant increases in the Boyne Falls Public School District's non-principal residence taxable values in prior years, the District became an out of formula district with the State of Michigan. The district is no longer dependant on the State of Michigan to provide per pupil funding, as this will all be collected from the local non-principal residence millage. The future revenue growth for the district will be dependant solely on the increasing non-principal residence property values within the district which have begun to decrease and are forecasted to continue to decline.
- With the increased costs of utilities, health insurance and other contractual obligations the district has adopted a budget projecting a deficit of \$56,148.
- Operating as an out of formula district allows the Boyne Falls School the opportunity to utilize it's facilities and schools of choice program to the maximum benefit of the district's students without facing funding implications from the State of Michigan School Aid Fund.

### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Boyne Falls Public School  
Superintendent's Office  
P.O. Box 356  
Boyne Falls, MI 49713

BOYNE FALLS PUBLIC SCHOOL  
BASIC FINANCIAL STATEMENTS

BOYNE FALLS PUBLIC SCHOOL  
DISTRICT WIDE - STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<u>ASSETS</u>	<u>Governmental Activities</u>
<b>Current Assets</b>		
Cash and investments (Note 3)		\$ 1,829,406
Accounts receivable (Note 4)		48,329
Due from governmental units (Note 4)		40,364
Inventory		2,496
Total current assets		<u>1,920,595</u>
<b>Noncurrent Assets</b>		
Capital assets (Note 5)		9,713,901
Less: accumulated depreciation		<u>(2,739,903)</u>
Total non current assets		<u>6,973,998</u>
Total assets		<u>\$ 8,894,593</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
<b>Current Liabilities</b>		
Accounts payable		\$ 95,037
Salaries payable		148,390
Accrued interest		45,058
Deferred revenue (Note 4)		112,109
Bonds payable, Due within one year (Note 7)		405,000
Total current liabilities		<u>805,594</u>
<b>Noncurrent Liabilities</b>		
Bonds payable (Note 7)		5,840,151
Compensated absences (Note 7)		12,931
Total noncurrent liabilities		<u>5,853,082</u>
Total Liabilities		<u>6,658,676</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt		715,916
Restricted for debt service		484,620
Unrestricted		1,035,381
Total Net Assets		<u>2,235,917</u>
Total Liabilities and Net Assets		<u>\$ 8,894,593</u>

See accompanying notes

BOYNE FALLS PUBLIC SCHOOL  
DISTRICT WIDE - STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

		Program Revenues		Governmental Activities
<b>Functions/programs</b>	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
Instruction	\$ 1,465,339	\$ 7,640	\$ 303,744	\$ (1,153,955)
Support services	854,252	4,921	305	(849,026)
Community activities	550	-	-	(550)
Food services	112,291	28,705	95,019	11,433
Interest on long term debt	282,949	-	-	(282,949)
Amortization - bond refunding costs	6,655	-	-	(6,655)
Depreciation - unallocated	263,945	-	-	(263,945)
 Total Governmental Activities	 \$ 2,985,981	 \$ 41,266	 \$ 399,068	 (2,545,647)
 <b>General Revenues</b>				
Taxes				
Property taxes, levied for general operations				2,032,217
Property taxes, levied for debt service				638,799
State of Michigan aid, unrestricted				160,130
Interest and investment earnings				4,488
Other				247,773
 Total General Revenues				 3,083,407
 <b>Change in Net Assets</b>				 537,760
 Net assets - beginning of year				 1,698,157
 Net assets - end of year				 \$ 2,235,917

See accompanying notes

BOYNE FALLS PUBLIC SCHOOL  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012

	GENERAL	2004 DEBT SERVICE	2007 DEBT SERVICE	NONMAJOR GOVERNMENTAL SPECIAL REVENUE FOOD SERVICE FUND	TOTALS
<b>ASSETS</b>					
Cash and investments	\$ 1,288,391	\$ 143,817	\$ 350,963	\$ 46,235	\$ 1,829,406
Accounts receivable	43,600	-	-	-	43,600
Due from other governmental units	40,364	-	-	-	40,364
Due from other funds	13,245	-	-	1,813	15,058
Inventory	-	-	-	2,496	2,496
Total Assets	<u>\$ 1,385,600</u>	<u>\$ 143,817</u>	<u>\$ 350,963</u>	<u>\$ 50,544</u>	<u>\$ 1,930,924</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 84,926	\$ 3,240	\$ 6,637	\$ 234	\$ 95,037
Accrued salaries and withholdings	148,390	-	-	-	148,390
Deferred revenue	112,109	-	-	-	112,109
Due to other funds	1,813	105	178	8,233	10,329
Total Liabilities	<u>347,238</u>	<u>3,345</u>	<u>6,815</u>	<u>8,467</u>	<u>365,865</u>
<b>FUND BALANCES:</b>					
Nonspendable - inventory				2,496	2,496
Restricted for debt retirement	-	140,472	344,148	-	484,620
Restricted for food service	-	-	-	39,581	39,581
Unassigned - General Fund	1,038,362	-	-	-	1,038,362
Total Fund Balances	<u>1,038,362</u>	<u>140,472</u>	<u>344,148</u>	<u>42,077</u>	<u>1,565,059</u>
Total Liabilities and Fund Balances	<u>\$ 1,385,600</u>	<u>\$ 143,817</u>	<u>\$ 350,963</u>	<u>\$ 50,544</u>	<u>\$ 1,930,924</u>
Total Governmental Fund Balances					
			\$ 1,565,059		
Elimination of due to and due from governmental funds					
Due to			10,329		
Due from			(10,329)		
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial financial resources, and are not reported in the funds.					
The cost of capital assets is		\$ 9,713,901			
Accumulated depreciation is		<u>(2,739,903)</u>			
			6,973,998		
Long term liabilities are not due and payable in the current period and are not reported in the fund					
Bonds payable			(6,245,151)		
Installment purchase payable			-		
Compensated absences			(12,931)		
Accrued interest is not included as a liability in governmental funds			(45,058)		
Net Assets of Governmental Activities			<u>\$ 2,235,917</u>		

See accompanying notes

BOYNE FALLS PUBLIC SCHOOL  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	GENERAL	2004	2007	NONMAJOR	TOTALS
		DEBT	DEBT	GOVERNMENTAL SPECIAL REVENUE FOOD SERVICE	
REVENUES:		SERVICE	SERVICE	FUND	
Local sources	\$ 2,077,979	\$ 237,097	\$ 403,642	\$ 28,732	\$ 2,747,450
State sources	213,992	-	-	4,410	218,402
Federal sources	250,187	-	-	90,609	340,796
Interdistrict sources	217,093	-	-	-	217,093
Total Revenues	<u>2,759,251</u>	<u>237,097</u>	<u>403,642</u>	<u>123,751</u>	<u>3,523,741</u>
EXPENDITURES:					
Current:					
Instruction	1,466,083	-	-	-	1,466,083
Support services	843,252	-	-	112,291	955,543
Community activities	550	-	-	-	550
Custody and care of children	-	-	-	-	-
Debt service	-	221,187	449,725	-	670,912
Capital outlay	-	-	-	-	-
Intergovernmental payments	-	3,448	7,002	-	10,450
Total Expenditures	<u>2,309,885</u>	<u>224,635</u>	<u>456,727</u>	<u>112,291</u>	<u>3,103,538</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>449,366</u>	<u>12,462</u>	<u>(53,085)</u>	<u>11,460</u>	<u>420,203</u>
OTHER FINANCING SOURCES (USES):					
Loan payments	<u>(12,477)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,477)</u>
Total Other Financing Sources (Uses)	<u>(12,477)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,477)</u>
NET CHANGES IN FUND BALANCES	436,889	12,462	(53,085)	11,460	407,726
FUND BALANCES - Beginning of year	<u>601,473</u>	<u>128,010</u>	<u>397,233</u>	<u>30,617</u>	<u>1,157,333</u>
FUND BALANCES - End of year	<u>\$ 1,038,362</u>	<u>\$ 140,472</u>	<u>\$ 344,148</u>	<u>\$ 42,077</u>	<u>\$ 1,565,059</u>

See accompanying notes



BOYNE FALLS PUBLIC SCHOOL  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

Net Change in Fund Balances - Total Governmental Funds	\$	407,726
Amounts reported for governmental activities are different because:		
Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.		
Depreciation expense	\$	(263,945)
Capital Outlay		<u>-</u>
		(263,945)
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid		
		2,919
Early retirement incentive is not recognized as expense in the governmental funds until paid, but is expensed in the statement of activities when incurred		
		5,000
(Increase) decrease in compensated absences are reported as expenditures when financial resources are used in the governmental funds		
		(4,256)
Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		
		<u>390,316</u>
Change in Net Assets of Governmental Activities	\$	<u><u>537,760</u></u>

See accompanying notes

BOYNE FALLS PUBLIC SCHOOL  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2012

	<u>2012</u>
<u>ASSETS</u>	
Cash	\$ 69,047
Due from other funds	<u>-</u>
Total Assets	<u>\$ 69,047</u>
 <u>LIABILITIES</u>	
Due to other funds	\$ 4,729
Deposits held for others	<u>64,318</u>
Total Liabilities	<u>\$ 69,047</u>

See accompanying notes

BOYNE FALLS PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Boyne Falls Public School ("the District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the District:

REPORTING ENTITY

The 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 (GASB) 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 District's reporting entity, and which organizations are legally separate, component units of the school district. Based on the application criteria, the District does not contain any component units.

DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

(Continued)

BOYNE FALLS PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION  
(continued)

Fund Based Statements - Government 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 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 well as expenditures related to compensated absences and severance pay, 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 the cash is received by the District.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

The 2004 Debt Service Fund is used to record tax, interest, and other revenue for payment of principal, interest and other expenditures of the 2004 bond issue.

The 2007 Debt Service Fund is used to record tax, interest, and other revenue for payment of principal, interest and other expenditures of the 2007 bond issue.

Additionally, the District reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Fund is a Special Revenue Fund that segregates, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of this fund. The School Service Fund maintained by the District is the Food Service Fund.

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The District maintains a Student Activities Fund to record the transactions of student and parent groups school-related purposes. The funds are segregated and held in trust for the students and parents.

(Continued)

BOYNE FALLS PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other trade receivable are shown net of an allowance for uncollectible amounts. The taxpayers of the District have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2011 taxable value of the District was \$38,362,113 principal residence and \$119,039,096 non-principal residence. The District levied 18.00 mills for operating purposes on non-homestead and 4.05 mills for debt service on all property for 2011.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Inventories and Prepaid items - Inventories are valued at cost, on a first-in, first-out basis. Inventory is maintained in the Special Revenue Fund (Food Service Fund). Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$2,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend the asset life are not capitalized. The District does not have infrastructure type assets.

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

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

(Continued)

BOYNE FALLS PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

Compensated Absences - The liability for compensated absences reported in the government-wide statements consist of unpaid, accumulated sick pay balances computed according to the terms of the negotiated contracts. Vacation days are required to be used annually with no carryovers allowed.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as other bond expenditures.

Fund Equity - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Government Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned.

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. During the year the budgets were amended in a legally permissible manner. There were no significant amendments during the year.

(Continued)

BOYNE FALLS PUBLIC SCHOOL  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The District incurred expenditure variances as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General:			
Support Services:			
Business	\$ 84,300	\$ 126,471	\$ 42,171
Athletics	47,948	49,069	1,121

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end the 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>District Total</u>
Cash and investments	\$ 1,828,756	\$ 69,047	\$ 1,897,803
Total	<u>\$ 1,828,756</u>	<u>\$ 69,047</u>	<u>\$ 1,897,803</u>

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

Deposits (checking, savings)	\$ 1,897,798
Investments (Michigan Liquid Asset Fund)	5
	<u>\$ 1,897,803</u>

The total of cash and investments on the Statement of Net Assets includes petty cash of \$650.

As of June 30, 2012 the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Investment pool	\$ 5	31 days

Interest rate risk

In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; investing operating funds primarily in shorter term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2012 the District did not have any investments in commercial paper or corporate bonds.

Concentration of credit risk

The District will minimize the concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. At June 30, 2012 the District's investments were in a pooled investment fund.

(Continued)

BOYNE FALLS PUBLIC SCHOOL  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2012, \$1,426,591 of the District's bank balance of \$1,897,803 was exposed to custodial risk because it was uninsured.

Custodial credit risk - investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District did not have any custodial credit risk on its investments at June 30, 2012. The District will minimize custodial credit risk, which is the loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and by pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk

The District is not authorized to invest in investments which have this type of risk.

NOTE 4 - RECEIVABLES

Receivables as of year-end for the District's individual major funds and the nonmajor and fiduciary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>2004 Debt Service Fund</u>	<u>2007 Debt Service Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Accounts receivable	\$ 43,600	\$ -	\$ -	\$ -	\$ 43,600
Intergovernmental	<u>40,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,364</u>
Total receivables	<u>\$ 83,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,964</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grants and categorical aid payment not considered available	\$ -	\$ -
Payments received prior to meeting all eligibility requirements:		
Vocational education millage	<u>-</u>	<u>112,109</u>
Totals	<u>\$ -</u>	<u>\$ 112,109</u>
 Total deferred revenue		 <u>\$ 112,109</u>

(Continued)



BOYNE FALLS PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity of the District's Governmental activities were as follows:

<u>Assets</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Subtotal	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Capital assets being depreciated:				
Land improvements	566,432	-	-	566,432
Buildings & improvements	7,611,564	-	-	7,611,564
Buses	182,904	-	-	182,904
Furniture & equipment	1,348,001	-	-	1,348,001
Subtotal	<u>9,708,901</u>	<u>-</u>	<u>-</u>	<u>9,708,901</u>
<u>Accumulated Depreciation</u>				
Land improvements	263,901	28,322	-	292,223
Buildings & improvements	1,263,003	152,231	-	1,415,234
Buses	127,788	11,930	-	139,718
Furniture & equipment	821,266	71,462	-	892,728
Subtotal	<u>2,475,958</u>	<u>263,945</u>	<u>-</u>	<u>2,739,903</u>
Net capital assets being depreciated	<u>7,232,943</u>	<u>(263,945)</u>	<u>-</u>	<u>6,968,998</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 7,237,943</u>	<u>\$ (263,945)</u>	<u>\$ -</u>	<u>\$ 6,973,998</u>

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

**NOTE 6 - RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 13,245	General Fund	\$ 1,813
Other Nonmajor Govern.	1,813	2004 Debt Service	105
		2007 Debt Service	178
		Other Nonmajor Govern.	8,233
		Fiduciary fund	4,729
Total	<u>\$ 15,058</u>	Total	<u>\$ 15,058</u>
<u>Transfer In</u>		<u>Transfer Out</u>	
None		None	

(Continued)

BOYNE FALLS PUBLIC SCHOOL  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

NOTE 7 - LONG-TERM DEBT

The 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 full faith and credit of the school district. Other long-term obligations include installment purchases.

Long-term debt activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:				
General Obligation Bonds:				
2004 Issue	\$ 2,090,000	\$ (130,000)	\$ 1,960,000	\$ 135,000
2007 Issue	4,620,000	(255,000)	4,365,000	270,000
Installment purchase	11,971	(11,971)	-	-
Early retirement incentive	5,000	(5,000)	-	-
Compensated absences	8,675	4,256	12,931	-
Less: Deferred refunding cost	<u>(86,504)</u>	<u>6,655</u>	<u>(79,849)</u>	<u>-</u>
Total Governmental Activities	<u>\$ 6,649,142</u>	<u>\$ (391,060)</u>	<u>\$ 6,258,082</u>	<u>\$ 405,000</u>

Annual debt service requirements to maturity for the General Obligation Bonds, Installment Purchases and Early Retirement Incentive are as follows:

Year Ended <u>June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 405,000	\$ 270,353	\$ 675,353
2014	425,000	254,355	679,355
2015	440,000	237,355	677,355
2016	465,000	216,615	681,615
2017	490,000	194,597	684,597
2018-2022	2,805,000	634,153	3,439,153
2023-2024	<u>1,295,000</u>	<u>82,585</u>	<u>1,377,585</u>
Total	<u>\$ 6,325,000</u>	<u>\$ 1,890,013</u>	<u>\$ 8,215,013</u>

On May 23, 2007 the District issued \$5,095,000 in general obligation bonds with an average interest rate of 4.16% to advance refund \$5,160,000 of outstanding 1999 general obligation bonds with an average interest rate of 4.66%. The net proceeds of \$5,101,264 (after payment of \$64,890 of issuance costs and receipt of \$71,152 of net original issue premium) plus an additional \$135,000 of the 1999 Debt Fund monies were used to purchase U.S. Government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments on bonds subject to early redemption on May 1, 2009. As a result, these bonds are considered to be defeased and the liability for these bonds has been removed from the government-wide statement of net assets.

The advance refunding reduced the total debt payments over the next 17 years by \$273,781. This results in an economic gain (the difference between the present values if the debt service payments on the old and new debt ) of \$163,416.

Installment purchase: Original amount \$55,256; Purpose - purchase of school bus; Payment terms - annual installments of \$12,475 including principal and interest at the rate of 4.18% commencing on August 16, 2007 and concluding August 16, 2011.

(Continued)

BOYNE FALLS PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

NOTE 7 - LONG-TERM DEBT - (continued)

General Obligation Bonds payable at June 30, 2012 are comprised of the following issues:

General obligation bonds:

2004 bonds due in annual installments ranging from \$130,000 to \$225,000 through May 1, 2024; interest rates ranging from 3.70% to 4.70%	\$ 1,960,000
2007 bonds due in annual installments ranging from \$255,000 to \$430,000 through May 1, 2024; interest rates ranging from 4.00% to 5.00%	4,365,000
Total General obligation bonds	\$ <u>6,325,000</u>

Early retirement incentive: Original amount \$10,000. Due in two installments of \$5,000 each due in August 2010 and 2011 and do not bear interest.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District participates in SET-SEG's risk management pools for worker's compensation claims, liability insurance and errors and omissions coverages. SET-SEG was established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of SET-SEG is to provide cooperative and comprehensive risk financing and risk control services. SET-SEG provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The District makes annual contributions to SET-SEG based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund. Such contributions as received by SET-SEG are allocated between its general and member retention funds. Economic resources in SET-SEG's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the member's self-insurance retention limits along with certain other member-specific costs. Any refunds from SET-SEG are deposited in the District's General Fund.

(Continued)

BOYNE FALLS PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS**

Plan Description - The District participates in the Michigan Public School Employees' Retirement System (MPERS), a state-wide, cost sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the district. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MPERS at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy - Employer contributions to the MPERS result from implementing the effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 20.66% for the period July 1, 2011 through September 30, 2011 and 24.46% for the period October 1, 2011 through June 30, 2012 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan (MIP) members contribute at rates ranging from 3% to 4.3% of gross wages and MIP PLUS members contribute from 3% to 6.4% of gross wages. The District's contributions to the MPERS plan for the years ended June 30, 2012, 2011, and 2010 were \$260,621, \$230,852, and \$249,729.

Post Employment Benefits - Under the MPERS Act, all retirees participating in the MPERS Pension Plan have the option of health coverage which is funded on a cash basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental, and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension.

**NOTE 10 - CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject 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 expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is a reimbursing employer to the State of Michigan Unemployment Agency and as such is responsible to pay the Agency for all benefits paid and charged to the District. As of June 30, all known liabilities for claims paid by the Agency are recorded as accounts payable.

REQUIRED SUPPLEMENTAL INFORMATION

BOYNE FALLS PUBLIC SCHOOL  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	2012 Original	2012 Final		
<b>REVENUES</b>				
Local sources	\$ 2,077,667	\$ 2,074,087	\$ 2,077,979	\$ 3,892
State sources	211,420	229,839	213,992	(15,847)
Federal sources	231,638	250,040	250,187	147
Interdistrict sources	242,559	242,526	217,093	(25,433)
Total Revenues	<u>2,763,284</u>	<u>2,796,492</u>	<u>2,759,251</u>	<u>(37,241)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Basic programs	1,286,848	1,240,077	1,202,282	(37,795)
Added needs	274,719	275,521	263,801	(11,720)
Support services:				
Pupil services	61,734	38,872	37,665	(1,207)
Instructional staff	86,285	91,393	67,368	(24,025)
General administration	171,290	172,900	165,508	(7,392)
School administration	86,864	80,045	75,717	(4,328)
Business	182,400	84,300	126,471	42,171
Operation & maintenance	256,347	240,413	220,608	(19,805)
Transportation	115,938	110,051	98,739	(11,312)
Central	2,338	2,146	2,107	(39)
Athletics	45,260	47,948	49,069	1,121
Community Activities	510	550	550	-
Total Expenditures	<u>2,570,533</u>	<u>2,384,216</u>	<u>2,309,885</u>	<u>(74,331)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	-	-	-	-
Outgoing transfers & other transactions	(13,500)	(13,500)	(12,477)	(1,023)
Total Other Financing Sources (Uses)	<u>(13,500)</u>	<u>(13,500)</u>	<u>(12,477)</u>	<u>(1,023)</u>
Excess of Revenues over (under) Expenditures and Other Financing Sources (Uses)	179,251	398,776	436,889	38,113
Budgetary fund balance - July 1, 2011	<u>644,152</u>	<u>601,473</u>	<u>601,473</u>	<u>-</u>
Budgetary fund balance - June 30, 2012	<u><u>\$ 823,403</u></u>	<u><u>\$ 1,000,249</u></u>	<u><u>\$ 1,038,362</u></u>	<u><u>\$ 38,113</u></u>

OTHER SUPPLEMENTAL INFORMATION

BOYNE FALLS PUBLIC SCHOOL  
GENERAL FUND  
COMPARATIVE DETAIL OF REVENUES  
FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
REVENUES		
Local Sources:		
Current property taxes	\$ 2,032,217	\$ 2,081,644
Earnings on investments	2,521	3,095
Miscellaneous	43,241	18,386
Total Local Sources	2,077,979	2,103,125
State Sources:		
Grants - Unrestricted:		
State Aid	160,130	68,942
Grants - Restricted:		
Special education	53,185	61,717
Received through ISD:		
Other	677	485
Total State Sources	213,992	131,144
Federal Sources:		
Grants - Restricted:		
Received direct:		
REAP	17,054	21,720
Received through State:		
ARRA Education stabilization	-	4,702
Education Jobs Fund	57,418	-
Title I	31,249	35,426
Title I - ARRA	-	8,375
Title II	14,930	16,802
Received through ISD:		
Medicaid	305	689
21st Century	128,400	117,040
Other grants	831	869
Total Federal Sources	250,187	205,623
Interdistrict Sources:		
Vocational education millage	147,411	163,236
Special education	63,614	70,507
Other	6,068	5,132
	217,093	238,875
TOTAL REVENUES	\$ 2,759,251	\$ 2,678,767



BOYNE FALLS PUBLIC SCHOOL  
GENERAL FUND  
COMPARATIVE DETAILS OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2012

INSTRUCTION:	2012	2011
Basic Programs:		
Elementary:		
Salaries	\$ 310,586	\$ 319,766
Employee benefits	208,067	250,740
Purchased services	17,442	17,250
Supplies & materials	9,591	13,998
Other expenses	1,088	1,124
Capital outlay	-	-
Total Elementary	546,774	602,878
Middle School:		
Salaries	166,728	193,061
Employee benefits	101,231	139,592
Purchased services	16,874	21,801
Supplies & materials	7,537	9,584
Other expenses	476	902
Total Middle School	292,846	364,940
High School:		
Salaries	208,888	192,556
Employee benefits	107,233	121,015
Purchased services	6,724	17,041
Supplies & materials	4,317	5,545
Other expenses	10,492	7,052
Capital outlay	-	-
Total High School	337,654	343,209
Pre-School		
Supplies & materials	119	-
Other expenses	292	-
Total Pre-School	411	-
Summer School:		
Salaries	6,413	3,747
Employee benefits	1,876	977
Purchased services	15,800	375
Supplies & materials	508	-
Total Summer School	24,597	5,099
TOTAL BASIC PROGRAMS	1,202,282	1,316,126
Added Needs:		
Special Education:		
Salaries	108,986	108,920
Employee benefits	65,487	77,084
Purchased services	3,451	1,604
Supplies & materials	859	478
Total Special Education	178,783	188,086
Compensatory Education:		
Salaries	32,211	38,312
Employee benefits	28,141	40,903
Purchased services	19	426
Total Compensatory Education	60,371	79,641

BOYNE FALLS PUBLIC SCHOOL  
GENERAL FUND  
COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2012

INSTRUCTION:	2012	2011
Added Needs (continued)		
Career Technical Education:		
Salaries	\$ 460	\$ -
Employee benefits	145	-
Purchased services	32	870
Supplies & materials	24,010	21,198
Capital outlay	-	2,262
Total Career Technical Education	24,647	24,330
TOTAL ADDED NEEDS	263,801	292,057
TOTAL INSTRUCTION	1,466,083	1,608,183
SUPPORT SERVICES:		
Support Services - Pupil:		
Guidance:		
Salaries	9,778	35,587
Employee benefits	6,428	21,597
Purchased services	12,562	25
Supplies & materials	2,993	2,500
Other expenses	-	43
Total Guidance	31,761	59,752
Health Services:		
Supplies & materials	100	-
Total Health Services	100	-
Other Pupil Services:		
Salaries	1,044	665
Employee benefits	341	225
Purchased services	4,419	3,687
Other expenses	-	-
Total Other Pupil Services	5,804	4,577
Total Support Services - Pupil	37,665	64,329
Support Services - Instructional Staff:		
Improvement of Instruction:		
Salaries	7,125	7,309
Employee benefits	2,008	1,710
Purchased services	1,068	2,046
Supplies & materials	10	126
Other expenses	-	-
Total Improvement of Instruction	10,211	11,191
Educational Media Services:		
Salaries	-	-
Employee benefits	-	-
Purchased services	-	-
Supplies & materials	574	450
Other expenses	-	-
Total Educational Media Services	574	450
Technology Assisted Instruction:		
Salaries	5,469	16,040
Employee benefits	2,644	8,748
Purchased services	42,943	25,153
Supplies & materials	2,652	13,690
Total Technology Assisted Instruction	53,708	63,631

BOYNE FALLS PUBLIC SCHOOL  
GENERAL FUND  
COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES - (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
<b>SUPPORT SERVICES:</b>		
Support Services - Instructional Staff: (continued)		
Supervision & Direction of Instructional Staff:		
Salaries	\$ 2,243	\$ 2,156
Employee benefits	632	526
Purchased services	-	-
Supplies & materials	-	-
Other expenses	-	-
Total Supervision & Direction of Instructional Staff	2,875	2,682
Total Support Services - Instructional Staff	67,368	77,954
Support Services - General Administration:		
Board of Education:		
Salaries	1,850	2,250
Employee benefits	272	374
Purchased services	14,867	12,986
Supplies & materials	219	800
Other expenses	1,838	2,133
Capital outlay	-	-
Total Board of Education	19,046	18,543
Executive Administration:		
Salaries	95,670	113,322
Employee benefits	44,332	34,048
Purchased services	4,434	3,766
Supplies & materials	302	357
Other expenses	1,724	1,517
Capital outlay	-	-
Total Executive Administration	146,462	153,010
Total Support Services - General Administration	165,508	171,553
Support Services - School Administration:		
Office of the Principal:		
Salaries	45,639	46,747
Employee benefits	27,232	29,794
Purchased services	1,459	1,728
Supplies & materials	1,183	599
Other expenses	204	298
Capital outlay	-	-
Total Support Services - School Administration	75,717	79,166
Support Services - Business:		
Other Business Services:		
Employee benefits	-	-
Purchased services	52,890	54,850
Supplies & materials	67	171
Other expenses	73,514	274,707
Total Support Services - Business	126,471	329,728

BOYNE FALLS PUBLIC SCHOOL  
GENERAL FUND  
COMPARATIVE DETAIL OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
<b>SUPPORT SERVICES:</b>		
Support Services - Operation & Maintenance:		
Purchased services	148,312	140,208
Supplies & materials	71,603	83,017
Other expenses	693	440
Total Support Services - Operation & Maintenance	220,608	223,665
Support Services - Pupil Transportation:		
Salaries	30,198	31,457
Employee benefits	32,657	45,265
Purchased services	20,928	17,018
Supplies & materials	14,802	11,516
Other expenses	154	207
Total Support Services - Transportation	98,739	105,463
Support Services - Planning, Development:		
Salaries	1,320	1,140
Employee benefits	370	268
Purchased services	-	710
Other expenses	-	-
Total Support Services - Planning, Development	1,690	2,118
Support Services - Staff/Personal Services		
Purchased services	356	-
Other expenses	61	-
Total Staff/Personal Services	417	-
Support Services - Athletic Activities:		
Salaries	9,500	10,246
Employee benefits	3,152	2,696
Purchased services	28,866	31,135
Supplies & materials	651	457
Other expenses	6,900	80
Total Support Services - Athletic Activities	49,069	44,614
<b>TOTAL SUPPORT SERVICES</b>	<b>843,252</b>	<b>1,098,590</b>
<b>COMMUNITY ACTIVITIES</b>		
Purchased services	550	1,968
Supplies & materials	-	49
<b>TOTAL COMMUNITY ACTIVITIES</b>	<b>550</b>	<b>2,017</b>
<b>CUSTODY AND CARE OF CHILDREN</b>		
Other expenses	-	182
<b>TOTAL CUSTODY AND CARE OF CHILDREN</b>	<b>-</b>	<b>182</b>
<b>TOTAL EXPENDITURES</b>	<b>2,309,885</b>	<b>2,708,972</b>
<b>OTHER FINANCING USES:</b>		
Payments to other governmental units:		
Other	-	-
Loan payments	12,477	12,475
<b>Total Other Financing Uses</b>	<b>12,477</b>	<b>12,475</b>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 2,322,362</b>	<b>\$ 2,721,447</b>

BOYNE FALLS PUBLIC SCHOOL  
TRUST AND AGENCY FUNDS  
STATEMENT OF CHANGES IN DEPOSITS HELD FOR OTHERS  
FOR THE YEAR ENDED JUNE 30, 2012

	BALANCES July 1, 2011	REVENUES	EXPENDITURES	BALANCES June 30, 2012
Class of 2006	\$ 227	\$ -	\$ 227	\$ -
Class of 2007	54	-	54	-
Class of 2009	1	-	1	-
Class of 2011	2,000	-	-	2,000
Class of 2012	21,058	45,090	65,858	290
Class of 2013	9,050	20,760	8,733	21,077
Class of 2014	5,167	11,128	5,628	10,667
Class of 2015	(907)	13,079	8,081	4,091
Class of 2016	478	299	1,000	(223)
After-school science	500	-	500	-
Boys JV Basketball	179	-	179	-
Baseball	779	769	1,326	222
Boyne Falls School pavers	1,855	-	37	1,818
Celebration of the Arts	72	-	-	72
Cross country	4,048	3,115	3,012	4,151
Girls basketball	521	-	-	521
Library fund	513	1,313	1,363	463
Miscellaneous	3,366	1,014	973	3,407
Miscellaneous Administration	111	992	622	481
Music department	31	132	135	28
National honor society	230	442	325	347
MS Student council	894	-	894	-
Student assistance	817	78	125	770
Student council	2,359	3,202	2,858	2,703
Volleyball	362	-	-	362
Yearbook	1,261	2,950	6,912	(2,701)
American Red Cross	47	-	47	-
Field trip - elementary	251	5,177	2,311	3,117
Boys basketball	1,010	4,255	3,266	1,999
Office account	15	-	15	-
School store	278	-	278	-
Softball	47	1,796	1,932	(89)
Julius Kowalski scholarship	5,478	4	500	4,982
Jill Stewart scholarship	1,039	-	-	1,039
Drama	183	-	183	-
Interest	2,642	82	-	2,724
Totals	\$ <u>66,016</u>	\$ <u>115,677</u>	\$ <u>117,375</u>	\$ <u>64,318</u>

BOYNE FALLS PUBLIC SCHOOL  
SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS  
JUNE 30, 2012

DATE OF ISSUE - July 1, 2004

Original amount of issue - \$ 2,650,000

Purpose of issue - Erecting, furnishing, and equipping additions to and partially remodeling the Boyne Falls Public School facility; acquiring, installing and equipping the facility for technology; erecting, furnishing and equipping a bus garage and a restroom/storage building; acquiring school bus(es); and developing and improving the site.

Mandatory Redemption - Bonds maturing May 1, 2020, May 1, 2022, and May 1, 2024 are term bonds subject to mandatory redemption on the redemption dates as follows: May 1, 2020 includes May 1, 2019; May 1, 2022 includes May 1, 2021; May 1, 2024 includes May 1, 2023. These amounts appear in the schedule below.

Early Redemption - Bonds maturing in the years 2006 through 2014 inclusive shall not be subject to redemption prior to maturity. Bonds maturing in the years 2015 and thereafter, shall be subject to redemption prior to maturity, at the option of the School District, in such order as the School District may determine and by lot within any maturity, on any interest payment date on or after May 1, 2014 at par and accrued interest to the date fixed for redemption.

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1	Total Fiscal Year Requirements
		November 1	May 1		
3.85%	2012-13	\$ 43,076	\$ 43,076	\$ 135,000	\$ 221,152
4.00%	2013-14	40,477	40,478	140,000	220,955
4.10%	2014-15	37,678	37,677	140,000	215,355
4.15%	2015-16	34,807	34,808	145,000	214,615
4.25%	2016-17	31,799	31,799	150,000	213,598
4.35%	2017-18	28,611	28,611	155,000	212,222
4.50%	2018-19	25,240	25,240	160,000	210,480
4.50%	2019-20	21,640	21,640	160,000	203,280
4.60%	2020-21	18,040	18,040	165,000	201,080
4.60%	2021-22	14,245	14,245	180,000	208,490
4.70%	2022-23	10,105	10,105	205,000	225,210
4.70%	2023-24	5,288	5,287	225,000	235,575
		<u>\$ 311,006</u>	<u>\$ 311,006</u>	<u>\$ 1,960,000</u>	<u>\$ 2,582,012</u>

BOYNE FALLS PUBLIC SCHOOL  
SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS  
JUNE 30, 2012

DATE OF ISSUE - MAY 1, 2007

Original amount of issue - \$ 5,095,000

Purpose of issue - To refund a portion of the outstanding 1999 Bond issue, dated May 1, 1999, bonds which are callable on or after May 1, 2009, and are due and payable May 1, 2010 through May 1, 2019, inclusive May 1, 2021 and May 1, 2024; and paying the costs of issuing the bonds.

Optional Redemption - Bonds maturing on or after May 1, 2018, are subject to redemption prior to maturity at the option of the School District in such order as the School District may determine and by lot within any maturity, on any date occurring on or after May 1, 2017, at par and accrued interest to the date fixed for redemption.

Interest Rate	Fiscal Year	Semi-Annual Interest Payments		Annual Maturity May 1	Total Fiscal Year Requirements
		November 1	May 1		
4.00%	2012-13	\$ 92,100	\$ 92,100	\$ 270,000	\$ 454,200
4.00%	2013-14	86,700	86,700	285,000	458,400
5.00%	2014-15	81,000	81,000	300,000	462,000
5.00%	2015-16	73,500	73,500	320,000	467,000
5.00%	2016-17	65,500	65,500	340,000	471,000
4.00%	2017-18	57,000	57,000	360,000	474,000
4.00%	2018-19	49,800	49,800	375,000	474,600
4.00%	2019-20	42,300	42,300	400,000	484,600
4.00%	2020-21	34,300	34,300	420,000	488,600
4.00%	2021-22	25,900	25,900	430,000	481,800
4.00%	2022-23	17,300	17,300	435,000	469,600
4.00%	2023-24	8,600	8,600	430,000	447,200
		<u>\$ 634,000</u>	<u>\$ 634,000</u>	<u>\$ 4,365,000</u>	<u>\$ 5,633,000</u>

## APPENDICE





# ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 308 • 109 E. Tenth St. • Mio, Michigan 48647

Phone (989) 826-5442 • Fax (989) 826-3038

Other office: Rose City, Michigan

Robert J. Carpenter, CPA  
Rodney C. Robertson, CPA

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education  
Boyne Falls Public School  
Boyne Falls, MI 49713

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Boyne Falls Public School as of and for the year ended June 30, 2012, which collectively comprise Boyne Falls Public School's basic financial statements and have issued our report thereon dated September 12, 2012. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Boyne Falls Public School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Boyne Falls Public School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Boyne Falls Public School's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Education  
Boyne Falls Public School  
Boyne Falls, MI 49713

### Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Education, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Robertson & Carpenter CPAs, P.C.  
Certified Public Accountants  
September 12, 2012