

Big Rapids  Public Schools

BIG RAPIDS, MICHIGAN

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

BIG RAPIDS PUBLIC SCHOOLS

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|--------------------|
| Administrative Personnel | |
| Independent Auditors' Report | 1-2 |
| Management's Discussion and Analysis | 3-9 |
| Basic Financial Statements | |
| Government-wide Financial Statements: | |
| Statement of Net Assets | 10 |
| Statement of Activities | 11 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 12 |
| Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets | 13 |
| Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds | 14 |
| Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 15 |
| Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund | 16 |
| Statement of Fiduciary Assets and Liabilities | 17 |
| Notes to the Financial Statements | 18-30 |
| Combining and Individual Fund Financial Statements and Schedules | |
| Detailed Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund | 31-34 |
| Combining Balance Sheet – Nonmajor Governmental Funds | 35 |
| Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds | 36 |
| Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual: | |
| Athletics Fund | 37 |
| Food Service Fund | 38 |
| Combining Statement of Assets and Liabilities – Agency Funds | 39 |

**BIG RAPIDS PUBLIC SCHOOLS
ADMINISTRATIVE PERSONNEL
YEAR ENDED JUNE 30, 2010**

SCHOOL BOARD MEMBERS

| | |
|-----------------|----------------|
| Kathy Bouwman | President |
| Diana Byrne | Vice President |
| John Thomas | Treasurer |
| Michael Wyman | Secretary |
| Suzanne Hosking | Trustee |
| Pete Kent | Trustee |
| Dave Murray | Trustee |

SUPERINTENDENT

Dr. Thomas Langdon

FINANCE DIRECTOR

Nick Scheible

CURRICULUM/HUMAN RESOURCES DIRECTOR

Deb Tyson

PRINCIPALS

| | |
|----------------|--|
| Tim Haist | High School |
| Lenore Weaver | Middle School |
| Renee Kent | Elementary School |
| Tim Buckingham | Elementary School/ Early Childhood Center |

INDEPENDENT AUDITORS' REPORT

November 15, 2010

Board of Education
Big Rapids Public Schools
Big Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of ***Big Rapids Public Schools***, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Big Rapids Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Big Rapids Public Schools as of June 30, 2010, and the respective changes in financial position, where applicable, thereof and the budgetary comparisons of the general fund and food service special revenue fund 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 separately issued our report dated November 15, 2010 on our consideration of the Big Rapids Public Schools' 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 an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Big Rapids Public Schools' basic financial statements. The combining and individual nonmajor fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the Big Rapids Public Schools' basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Lehmann Johnson". The signature is written in black ink and is centered on the page.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of Big Rapids Public Schools (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, 2010.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$6,362,470 (*net assets*). This represents the amount that may be used to meet the District's ongoing obligations for general district programs.
- The District's total net assets increased by \$892,842.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,420,599, an increase of \$326,068 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$424,659, or 2.5 percent of total general fund expenditures and transfers out.

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) government-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.

Government-wide financial statements. The *government-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 vacation leave).

Both of the government-wide financial statements display functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The activities of the District include instruction, supporting services, community services, food services, and athletics.

The government-wide financial statements can be found on pages 10-11 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 fall within the governmental and fiduciary fund type categories.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-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 the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *government activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District'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 five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the general fund and 2009 debt service fund which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 12-16 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement 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 the government wide financial statements. The fiduciary funds statement of fiduciary assets and liabilities can be found on page 17 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 18-30 of this report.

Other information. The combining and individual fund financial statements and schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. They can be found on pages 31-39 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$6,362,470 at the close of the most recent fiscal year.

Big Rapids Public Schools' Net Assets

| | 2010 | 2009 |
|---|--------------|--------------|
| Assets | | |
| Current and other assets | \$ 5,302,662 | \$ 4,652,920 |
| Capital assets, net | 24,146,170 | 24,923,818 |
| | | |
| Total assets | 29,448,832 | 29,576,738 |
| | | |
| Liabilities | | |
| Long-term liabilities | 19,349,599 | 20,639,306 |
| Other liabilities | 3,736,763 | 3,467,804 |
| | | |
| Total liabilities | 23,086,362 | 24,107,110 |
| | | |
| Net assets | | |
| Invested in capital assets, net of related debt | 5,251,985 | 4,821,939 |
| Restricted | 807,228 | 512,895 |
| Unrestricted | 303,257 | 134,794 |
| | | |
| Total net assets | \$ 6,362,470 | \$ 5,469,628 |
| | | |

At the end of the current fiscal year, the District was able to report a positive balance in net assets for the District as a whole, as well as for each of the individual categories.

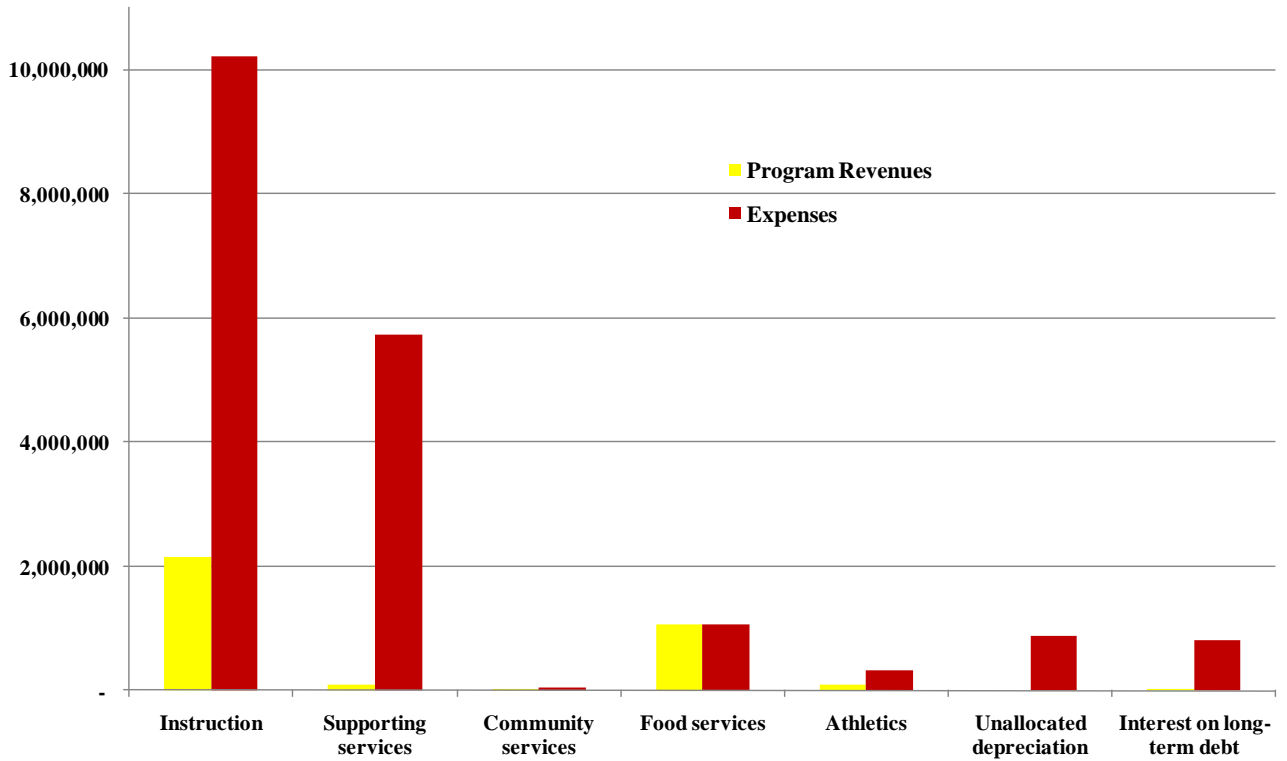
The District's net assets were \$6,362,470 at June 30, 2010. Capital assets, net of related debt totaling \$5,251,985, compares the original cost, less depreciation of the District's capital assets, to long-term debt used to finance the acquisition of these assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net assets for day-to-day operations. The remaining amount of net assets was an unrestricted \$303,257.

Big Rapids Public Schools' Changes in Net Assets

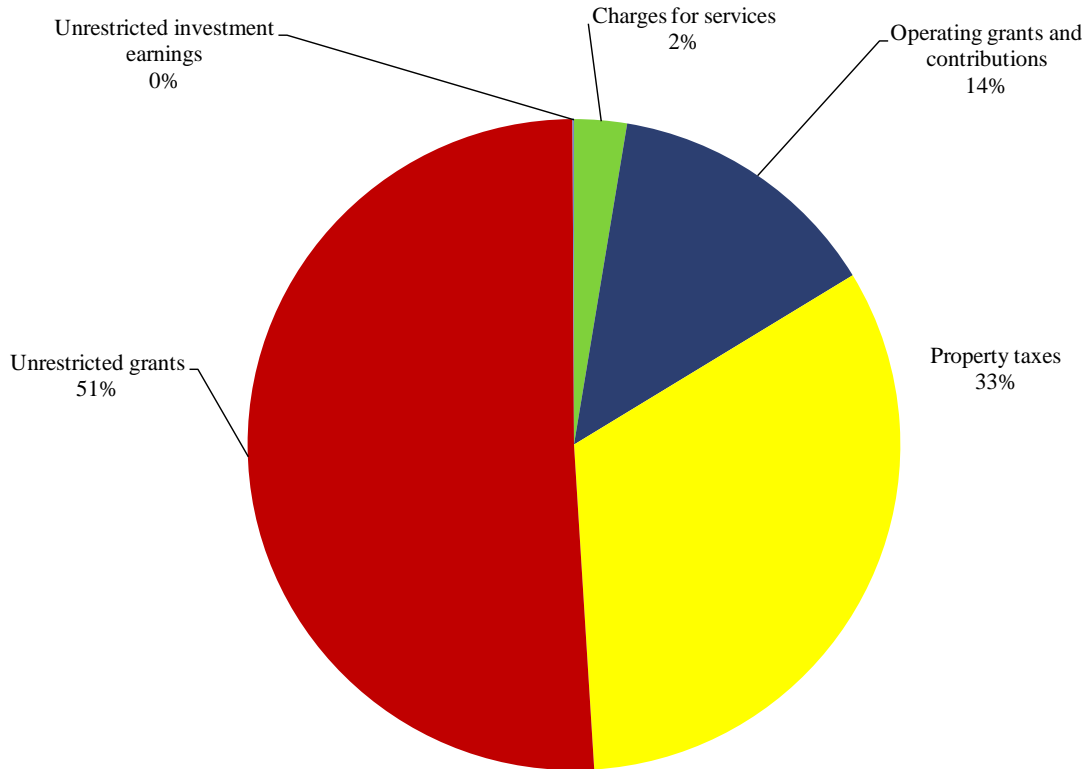
| | 2010 | 2009 |
|---|---------------------|---------------------|
| Revenues | | |
| Program revenues: | | |
| Charges for services | \$ 536,135 | \$ 555,709 |
| Operating grants and contributions | 3,365,547 | 2,909,822 |
| General revenues: | | |
| Property taxes | 5,786,250 | 6,949,320 |
| Grants and contributions not restricted to specific programs | 10,394,147 | 10,820,595 |
| Unrestricted investment earnings | 5,971 | 15,388 |
| Total revenues | 20,088,050 | 21,250,834 |
| Expenses | | |
| Instruction | 10,526,423 | 10,216,368 |
| Supporting services | 5,422,818 | 5,724,504 |
| Community services | 68,328 | 57,661 |
| Food services | 1,033,998 | 1,072,281 |
| Athletics | 325,901 | 327,209 |
| Depreciation - unallocated | 873,667 | 877,637 |
| Interest on long-term debt | 944,073 | 802,847 |
| Total expenses | 19,195,208 | 19,078,507 |
| Change in net assets | 892,842 | 2,172,327 |
| Net assets, beginning of year | 5,469,628 | 3,297,301 |
| Net assets, end of year | \$ 6,362,470 | \$ 5,469,628 |

The increase in net assets of governmental activities is primarily due to principal payments and capital outlay being recorded as expenditures in the fund statements, but as a reduction in liabilities and long-term assets, respectively, in the government-wide statement of net assets.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



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, *unreserved fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance was \$424,659 and total fund balance of the general fund was \$476,419. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance represent approximately 2.5 percent and 2.9 percent of total general fund expenditures and transfers out, respectively

The fund balance of the District's general fund increased by \$114,233 during the current fiscal year. This was mainly due to an increase in local revenue, which was not accompanied by a corresponding increase in expenditures. The largest revenue source in this fund is state revenue which includes primarily state aid. Expenditures consist primarily of costs associated with supporting the District's instructional and supporting services operations.

General Fund Budgetary Highlights

Differences between the original and final amended budgets were relatively minor and were reflections of additional information becoming available regarding grant funding, and related expenditures.

Differences between the final amended budget and the actual results were a result of:

- Unrestricted State school aid was more than the final budget by approximately \$101,000 because the revenue was budgeted conservatively due to financial uncertainty with the State.
- ARRA Title I revenue was under budget by approximately \$125,000 because the entire grant award (which extends after June 30, 2010) was budget for fiscal year 2010 while many of the expenditure will be incurred during the next fiscal year.
- Fiscal services expenditures were approximately \$110,000 over budget because of an adjustment in which function certain employees are charged to.
- Operation and maintenance expenditures were approximately \$107,000 under budget because utility and contracted grounds work were less than expected.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2010 amounted to \$24,146,170 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment.

Major capital asset additions during the year included several computers and projectors.

Big Rapids Public Schools
Capital Assets
(net of depreciation)

| | 2010 | 2009 |
|----------------------------|----------------------|----------------------|
| Land | \$ 570,602 | \$ 570,602 |
| Buildings and improvements | 23,122,906 | 23,871,590 |
| Furniture and equipment | 304,320 | 289,693 |
| Buses and vehicles | 148,342 | 191,933 |
| Total | \$ 24,146,170 | \$ 24,923,818 |

Additional information on the District’s capital assets can be found in Note 6 on pages 25-26 of this report.

Long-term debt. At the end of the current fiscal year, the District had long-term debt outstanding of \$19,349,599. This includes bonds, notes and capital leases as well as early retirement incentives and compensated absences.

The District’s total debt decreased by \$1,289,707 during the current fiscal year.

Additional information on the District’s long-term debt can be found in Note 8 on pages 27-29 of this report.

Factors Bearing on the District’s Future

The following factors were considered in preparing the District’s budget for the 2010-11 fiscal year:

- Revenue based on stagnant foundation allowance per pupil
- Flat enrollment projections from the previous year
- Union wages were projected to increase according to negotiated contracts and Board approval
- MPSERS rate of 19.41%.
- Continued receipt of ARRA (Federal stimulus) money

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 District’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 21034 15 Mile Road, Big Rapids, Michigan, 49307.

BASIC FINANCIAL STATEMENTS

BIG RAPIDS PUBLIC SCHOOLS

Statement of Net Assets

June 30, 2010

| | Governmental Activities |
|--|------------------------------------|
| Assets | |
| Current assets: | |
| Cash and investments | \$ 2,024,324 |
| Receivables | 3,029,429 |
| Inventories | 10,517 |
| Prepays | 53,010 |
| Total current assets | <u>5,117,280</u> |
| Noncurrent assets: | |
| Capital assets not being depreciated | 570,602 |
| Capital assets being depreciated, net | 23,575,568 |
| Deferred bond charges, net | 185,382 |
| Total noncurrent assets | <u>24,331,552</u> |
| Total assets | <u>29,448,832</u> |
| Liabilities | |
| Current liabilities: | |
| Accounts payable and accrued liabilities | 1,757,803 |
| Unearned revenue | 28,960 |
| State aid anticipation note payable | 1,950,000 |
| Current portion of compensated absences/early retirement incentive | 114,662 |
| Current portion of long-term debt | 1,223,691 |
| Total current liabilities | <u>5,075,116</u> |
| Noncurrent liabilities: | |
| Long-term portion of compensated absences/early retirement incentive | 268,985 |
| Noncurrent portion of long-term debt | 17,742,261 |
| Total noncurrent liabilities | <u>18,011,246</u> |
| Total liabilities | <u>23,086,362</u> |
| Net assets | |
| Invested in capital assets, net of related debt | 5,251,985 |
| Restricted for: | |
| Athletics | 77,347 |
| Food service | 110,030 |
| Debt service | 619,851 |
| Unrestricted | 303,257 |
| Total net assets | <u>\$ 6,362,470</u> |

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2010

| Functions / Programs | Program Revenues | | | Net (Expense) |
|---|------------------|-------------------------|--|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Revenue |
| Governmental activities: | | | | |
| Instruction | \$ 10,526,423 | \$ - | \$ 2,603,031 | \$ (7,923,392) |
| Supporting services | 5,422,818 | 27,684 | 56,136 | (5,338,998) |
| Community services | 68,328 | 19,181 | - | (49,147) |
| Food services | 1,033,998 | 389,083 | 709,218 | 64,303 |
| Athletics | 325,901 | 100,187 | 214 | (225,500) |
| Depreciation - unallocated | 873,667 | - | - | (873,667) |
| Interest on long-term debt | 944,072 | - | (3,053) | (947,125) |
| Total governmental activities | \$ 19,195,207 | \$ 536,135 | \$ 3,365,546 | (15,293,526) |
| General revenues: | | | | |
| Property taxes - operations | | | | 3,671,567 |
| Property taxes - debt service | | | | 2,114,683 |
| Grants and contributions not restricted to specific programs | | | | 10,394,147 |
| Unrestricted investment earnings | | | | 5,971 |
| Total general revenues | | | | 16,186,368 |
| Change in net assets | | | | 892,842 |
| Net assets, beginning of year | | | | 5,469,628 |
| Net assets, end of year | | | | \$ 6,362,470 |

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Balance Sheet Governmental Funds

June 30, 2010

| | General | 2009 Refunding Debt | Nonmajor Governmental Funds | Total |
|---|---------------------|------------------------------------|--|---------------------|
| Assets | | | | |
| Cash and investments | \$ 1,109,209 | \$ 755,007 | \$ 160,108 | \$ 2,024,324 |
| Accounts receivable | 49,180 | 1,796 | 12,207 | 63,183 |
| Due from other governments | 2,875,018 | - | 91,228 | 2,966,246 |
| Inventories | - | - | 10,517 | 10,517 |
| Prepays | 51,760 | - | 1,250 | 53,010 |
| | <hr/> | | | |
| Total assets | \$ 4,085,167 | \$ 756,803 | \$ 275,310 | \$ 5,117,280 |
| <hr/> | | | | |
| Liabilities and fund balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 119,797 | \$ - | \$ 3,231 | \$ 123,028 |
| Accrued expenditures | 1,487,264 | - | 10,559 | 1,497,823 |
| Deferred revenue | 51,687 | - | 74,143 | 125,830 |
| State aid anticipation notes payable | 1,950,000 | - | - | 1,950,000 |
| | <hr/> | | | |
| Total liabilities | 3,608,748 | - | 87,933 | 3,696,681 |
| <hr/> | | | | |
| Fund balances | | | | |
| Reserved for: | | | | |
| Inventories | - | - | 8,141 | 8,141 |
| Prepays | 51,760 | - | 1,250 | 53,010 |
| Unreserved: | | | | |
| Undesignated, reported in nonmajor special revenue funds | - | - | 177,986 | 177,986 |
| Undesignated | 424,659 | 756,803 | - | 1,181,462 |
| | <hr/> | | | |
| Total fund balances | 476,419 | 756,803 | 187,377 | 1,420,599 |
| | <hr/> | | | |
| Total liabilities and fund balances | \$ 4,085,167 | \$ 756,803 | \$ 275,310 | \$ 5,117,280 |
| <hr/> | | | | |

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

June 30, 2010

| | |
|--|----------------------------|
| Fund balances - governmental funds | \$ 1,420,599 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | |
| Add - capital assets not being depreciated | 570,602 |
| Add - capital assets being depreciated, net | 23,575,568 |
| Long-term receivables are reported as an asset and revenue when earned on the statement of net assets while the governmental funds report these balances as an asset and deferred revenue until the availability criterion for revenue recognition is met. | |
| Add - deferred long-term receivables | 96,870 |
| Bond issuance costs are expensed in the fund statements, but are recorded as noncurrent assets in the statement of net assets and amortized over the life of the related bonds | |
| Add - deferred bond charges, net of accumulated amortization | 185,382 |
| Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | |
| Deduct - bonds and installment notes payable | (18,908,436) |
| Deduct - premiums and discount on bonds payable, net | (330,468) |
| Add - deferred loss on issuance of refunding debt, net | 272,952 |
| Deduct - accrued interest on bonds payable | (136,952) |
| Deduct - compensated absences and early retirement incentive | <u>(383,647)</u> |
| Net assets of governmental activities | <u><u>\$ 6,362,470</u></u> |

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Statement of Revenue, Expenditures and Changes in Fund Balances Governmental Funds

For the Year Ended June 30, 2010

| | General | 2009 Refunding Debt | Nonmajor Governmental Funds | Total |
|---------------------------------------|--------------|---------------------------|-----------------------------------|--------------|
| Revenue | | | | |
| Local sources | \$ 4,232,031 | \$ 2,120,411 | \$ 490,010 | \$ 6,842,452 |
| State sources | 10,762,308 | - | 59,624 | 10,821,932 |
| Federal sources | 1,775,254 | - | 659,644 | 2,434,898 |
| Total revenue | 16,769,593 | 2,120,411 | 1,209,278 | 20,099,282 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 10,612,201 | - | - | 10,612,201 |
| Supporting services | 5,474,508 | - | - | 5,474,508 |
| Community services | 68,328 | - | - | 68,328 |
| Athletics | - | - | 325,901 | 325,901 |
| Food services | - | - | 1,033,998 | 1,033,998 |
| Debt service: | | | | |
| Principal | 72,258 | 1,130,000 | 8,781 | 1,211,039 |
| Interest | 72,482 | 941,179 | 1,795 | 1,015,456 |
| Capital outlay | 31,783 | - | - | 31,783 |
| Total expenditures | 16,331,560 | 2,071,179 | 1,370,475 | 19,773,214 |
| Revenue over (under) expenditures | 438,033 | 49,232 | (161,197) | 326,068 |
| Other financing sources (uses) | | | | |
| Transfers in | - | 68,800 | 255,000 | 323,800 |
| Transfers out | (323,800) | - | - | (323,800) |
| Total other financing sources (uses) | (323,800) | 68,800 | 255,000 | - |
| Net changes in fund balances | 114,233 | 118,032 | 93,803 | 326,068 |
| Fund balances, beginning of year | 362,186 | 638,771 | 93,574 | 1,094,531 |
| Fund balances, end of year | \$ 476,419 | \$ 756,803 | \$ 187,377 | \$ 1,420,599 |

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2010

Net changes in fund balances - governmental funds \$ 326,068

Amounts reported for *governmental activities* in the statement of activities are different because:

Long-term receivables are reported as revenue when earned on the statement of activities while the governmental funds report these balances as revenue when the availability criterion for revenue recognition is met.

Deduct - decrease in deferred long-term receivables (11,233)

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.

Add - capital outlay 96,019
Deduct - depreciation expense (873,667)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but is recorded as a reduction in bonds payable on the government-wide statements.

Add - principal payments on long-term liabilities 1,211,039
Deduct - amortization of bond issuance costs (16,550)
Deduct - amortization of deferred loss on bond refunding (24,814)
Add - amortization of premiums and discounts on bonds payable 30,250

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds 82,498
Add - decrease in the accrual for compensated absences and early retirement incentive 73,232

Change in net assets of governmental activities \$ 892,842

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual General Fund

For the Year Ended June 30, 2010

| | Budget | | Actual | Variance with Final Budget |
|---------------------------------------|--------------|--------------|--------------|----------------------------------|
| | Original | Amended | | |
| Revenue | | | | |
| Local sources | \$ 4,029,214 | \$ 4,201,507 | \$ 4,232,031 | \$ 30,524 |
| State sources | 10,897,670 | 10,691,414 | 10,762,308 | 70,894 |
| Federal sources | 2,476,130 | 1,816,482 | 1,775,254 | (41,228) |
| | | | | |
| Total revenue | 17,403,014 | 16,709,403 | 16,769,593 | 60,190 |
| | | | | |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 10,556,656 | 10,799,864 | 10,612,201 | (187,663) |
| Supporting services | 5,873,840 | 5,514,216 | 5,474,508 | (39,708) |
| Community services | 34,716 | 68,581 | 68,328 | (253) |
| Debt service: | | | | |
| Principal | 48,000 | 45,000 | 72,258 | 27,258 |
| Interest | 58,500 | 75,000 | 72,482 | (2,518) |
| Capital outlay | 80,000 | 48,250 | 31,783 | (16,467) |
| | | | | |
| Total expenditures | 16,651,712 | 16,550,911 | 16,331,560 | (219,351) |
| | | | | |
| Revenue over expenditures | 751,302 | 158,492 | 438,033 | 279,541 |
| | | | | |
| Other financing sources (uses) | | | | |
| Transfers out | (323,800) | (318,800) | (323,800) | (5,000) |
| | | | | |
| Net changes in fund balance | 427,502 | (160,308) | 114,233 | 274,541 |
| | | | | |
| Fund balance, beginning of year | 362,186 | 362,186 | 362,186 | - |
| | | | | |
| Fund balance, end of year | \$ 789,688 | \$ 201,878 | \$ 476,419 | \$ 274,541 |

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of Big Rapids Public Schools (the “District”) consistently applied in the preparation of the accompanying financial statements follows.

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the reporting entity of Big Rapids Public Schools. The criteria identified in GASB Statements 14 and 39, including financial accountability, have been utilized when identifying the District reporting entity which includes no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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. The District had no *business-type activities* during the year ended June 30, 2010.

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 or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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 as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds also use the accrual basis of accounting, but do not have a measurement focus. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or one year for reimbursement-based grants. 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 claims and judgments, are recorded only when payment is due.

BIG RAPIDS PUBLIC SCHOOLS

Notes to Financial Statements

Property taxes, expenditure driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the district.

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 general government, except those required to be accounted for in another fund.

The *2009 refunding debt fund* accounts for the accumulation of resources which are restricted for the payment of principal and interest on the 2009 refunding bonds.

Additionally, the government reports the following fund types:

The *special revenue funds* account for assets which are restricted for specific purposes.

The *debt service fund* accounts for the accumulation of resources which are restricted for the payment of principal and interest on bonds.

The *fiduciary funds* account for resources held for student activities and payroll taxes and benefits.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, unrestricted grants and interest income.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data as reflected in the financial statements.

Budgets are adopted for general and special revenue funds as required by state law and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The District considers the debt service schedule to be an adequate budgetary control for debt service funds. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.

BIG RAPIDS PUBLIC SCHOOLS

Notes to Financial Statements

4. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
5. Adoption and amendments of all budgets used by the District are governed by Public Act 621, which was followed for the year ended June 30, 2010. Expenditures may not exceed appropriations at the function level. The appropriations resolutions are based on the projected expenditures budget of the department heads of the District. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures at the functional level must be approved by the District Board.

Appropriations lapse at year-end and amounts may be reappropriated for expenditures to be incurred in the following fiscal year.

Property Taxes

Property taxes are recognized as revenue in the General and Debt Service funds on a levy year basis. The 2009 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within sixty days after year end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues. Property taxes are levied July 1 on the assessed valuation of property located in the District as of the preceding December 31, the lien date. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

Cash and Cash Equivalents

The District considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

Investments

The District's investments consist of money market mutual funds and certificates of deposit with local financial institutions. Investments are stated at fair value.

Michigan law authorizes the District to deposit and invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposits issued by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

BIG RAPIDS PUBLIC SCHOOLS
Notes to Financial Statements

- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

Inventories and Prepaids

Inventories consist of office and food service supplies. Inventories are stated at cost (first-in, first-out). United States Department of Agriculture Commodities inventory received by the food service fund is recorded as inventory and deferred revenue until used.

Payments to vendors for services that will benefit periods beyond a fund's fiscal year-end are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 20-50 |
| Furniture and equipment | 5-20 |
| Buses and other vehicles | 5-10 |

Salaries Payable and Accrued Employee Benefits

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

BIG RAPIDS PUBLIC SCHOOLS

Notes to Financial Statements

Compensated Absences

Most employees of the District are compensated for leaves of absences chargeable to sick days. Each school year, the covered employees are credited with a number of sick days and any unused portion of such allowances can accumulate. Upon retirement, those employees who meet certain age and years of service requirements will be paid for a portion of sick days accumulated to a maximum number of days and at a rate determined by their job category.

The liability for the sick leave has been computed using the vesting method in accordance with Governmental Accounting Standards Board Statement No. 16, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. This liability is shown on the statement of net assets.

Long-term Obligations

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

In the fund financial statements, governmental funds 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 while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Reserves and Designations of Fund Balance/Restricted Net Assets

Reservations of fund balance are established to identify (1) third party claims against resources of the entity that have not materialized as liabilities at the balance sheet date, or (2) the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, or (3) the existence of assets that are legally restricted to a future use.

Restricted net assets represent assets which are legally restricted by outside parties or enabling legislation.

Durant Related Issues

Under Public Act 142 of 1997, enacted in November 1997 as part of the *Durant* Resolution Package, school districts and intermediate school districts were offered settlement amounts to settle, compromise, and resolve, in their entirety, any potential claims they may have asserted for violations of section 29, Article IX, of the constitution through September 30, 1997, which were similar to the claims asserted by the plaintiffs in the *Durant v. State of Michigan* case. To be eligible to receive its offer of settlement amount, the non-plaintiff district needed to adopt and submit to the State Treasurer a waiver resolution, in the form set forth in Public Act 142 of 1997, waiving any potential claims through September 30, 1997.

Settlement amounts were based on the formula used to determine amounts owed to *Durant* plaintiffs. Half the settlement amount was to be received in ten annual payments; *the other half was received in a lump sum by participating in a special bonding program offered through the Michigan Municipal Bond Authority (MMBA)* or in fifteen annual payments. Big Rapids Public Schools elected to participate in the special bonding program.

BIG RAPIDS PUBLIC SCHOOLS
Notes to Financial Statements

Districts electing to bond under the Durant settlement received a lump sum amount (bond proceeds) on November 24, 1998. This created a liability which will be reduced each year with an annual state appropriation made for debt service on the bonds. The annual State of Michigan appropriation is the only revenue source for making the annual debt service payment on the bonds. If the legislature fails to appropriate the funds, the district is under no obligation for payment. Additionally, the bond documentation states specifically that the Bonds shall not be in any way a debt or liability of the State of Michigan. This liability and a related asset has been booked on the statement of net assets. Annual appropriations from the State are recorded in the Durant Debt Service Fund along with the payment of the interest and principal of the bonds.

The original bond proceeds were recorded in the Durant Construction Fund and expended for purposes specified in Section 1351a of the Revised School Code.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District.

2. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan School aid appropriation acts. State funding provided 64% of general fund revenue to the District during the 2010 fiscal year.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended June 30, 2010 the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

| | <u>Total Appropriations</u> | <u>Amount of Expenditures</u> | <u>Budget Variance</u> |
|------------------------|---------------------------------|-----------------------------------|----------------------------|
| General fund: | | | |
| Pupil services | \$ 282,579 | \$ 292,695 | \$ 10,116 |
| General administration | 734,643 | 858,854 | 124,211 |
| Other services | 31,509 | 31,661 | 152 |
| Principal | 45,000 | 72,258 | 27,258 |
| Transfers out | 318,800 | 323,800 | 5,000 |

BIG RAPIDS PUBLIC SCHOOLS
Notes to Financial Statements

4. CASH AND INVESTMENTS

Following is a reconciliation of deposits and investments as of June 30, 2010:

| | Governmental Activities | Fiduciary Funds | Total |
|----------------------|------------------------------------|----------------------------|--------------------|
| Cash and investments | \$ 2,024,324 | \$ 230,550 | \$2,254,874 |

Cash and investments are comprised of the following at year-end:

| | |
|---|--------------------|
| Checking and savings accounts | \$2,162,214 |
| Certificates of deposit (due within one year) | 79,180 |
| Investments | 12,410 |
| Cash on hand | 1,070 |
| | \$2,254,874 |

These deposits are in four (4) financial institutions located in Michigan. State policy limits the District's investing options to financial institutions located in Michigan. All accounts are in the name of the District and a specific fund or common account. They are recorded in District records at fair value.

The District chooses to disclose its investments by specifically identifying each. As of year-end, the District had the following investment:

| Investment | Maturity | Fair Value | Rating |
|------------------------------------|-----------------|-------------------|---------------|
| Mutual fund: | | | |
| MILAF Plus – Cash Management Funds | N/A | \$ 12,410 | S&P AAAM |

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of the District's specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1 (summary of significant accounting policies). The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District's investment policy. As of year-end, \$-0- of the District's bank balance of \$2,504,103 was exposed to custodial credit risk because the entire amount was covered by FDIC insurance.

BIG RAPIDS PUBLIC SCHOOLS
Notes to Financial Statements

Custodial Credit Risk – Investments. For an investment, custodial credit risk 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. State law does not require and the District does not have a policy for investment custodial credit risk. Of the above mutual fund investments, the District’s custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

5. RECEIVABLES AND PAYABLES

Receivables are comprised of the following at year-end:

| | Governmental Activities |
|----------------------------|------------------------------------|
| Accounts | \$ 63,183 |
| Due from other governments | 2,966,246 |
| | \$ 3,029,429 |

Payables are comprised of the following at year-end:

| | Governmental Activities |
|------------------------------------|------------------------------------|
| Accounts | \$ 123,028 |
| Accrued expenditures | 1,497,823 |
| Interest payable on long-term debt | 136,952 |
| | \$ 1,757,803 |

6. CAPITAL ASSETS

A summary of capital assets activity for the year ended June 30, 2010 is as follows:

| | Balance July 1, 2009 | Additions | Dispositions | Balance June 30, 2010 |
|---------------------------------------|-------------------------------------|------------------|---------------------|--------------------------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 570,602 | \$ - | \$ - | \$ 570,602 |
| Depreciable capital assets: | | | | |
| Buildings and improvements | 32,477,668 | - | - | 32,477,668 |
| Furniture and equipment | 1,075,449 | 96,019 | - | 1,171,468 |
| Buses and vehicles | 1,305,301 | - | (122,128) | 1,183,173 |
| Total depreciable capital assets | 34,858,418 | 96,019 | (122,128) | 34,832,309 |

BIG RAPIDS PUBLIC SCHOOLS
Notes to Financial Statements

| | Balance July 1, 2009 | Additions | Dispositions | Balance June 30, 2010 |
|--|-------------------------------------|--------------------------|---------------------|--------------------------------------|
| Governmental activities (concluded) | | | | |
| Buildings and improvements | \$ 8,606,078 | \$ 748,684 | \$ - | \$ 9,354,762 |
| Furniture and equipment | 785,756 | 81,392 | - | 867,148 |
| Buses and vehicles | 1,113,368 | 43,591 | (122,128) | 1,034,831 |
| Total accumulated depreciation | 10,505,202 | 873,667 | (122,128) | 11,256,741 |
| Total capital assets being depreciated, net | 24,353,216 | 777,648 | - | 23,575,568 |
| Governmental activities capital assets, net | <u>\$ 24,923,818</u> | <u>\$ 777,648</u> | <u>\$ -</u> | <u>\$ 24,146,170</u> |

Depreciation for the fiscal year ended June 30, 2010 amounted to \$873,667. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

Of the amounts reported above, \$168,690 was acquired through a capital lease. Accumulated depreciation on this asset at June 30, 2010 was \$61,431.

7. TRANSFERS

Transfers primarily reflect subsidies allocated from the general fund.

| Transfers out | Transfers in | | |
|----------------------|------------------------------------|--|--------------------------|
| | 2009 Refunding Debt | Nonmajor Governmental Funds | Total |
| General fund | <u>\$ 68,800</u> | <u>\$ 255,000</u> | <u>\$ 323,800</u> |

8. LONG-TERM DEBT

The following is a summary of debt transactions of the District for the year ended June 30, 2010:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|------------------------------|--------------------------|----------------------------|-----------------------------|--------------------------------|
| General obligation bonds | \$ 19,875,548 | \$ - | \$ 1,138,781 | \$ 18,736,767 | \$ 1,144,199 |
| Installment purchase agreements | 243,927 | - | 72,258 | 171,669 | 74,056 |
| | 20,119,475 | - | 1,211,039 | 18,908,436 | 1,218,255 |
| Unamortized discounts/premiums on general obligation bonds | 360,718 | - | 30,250 | 330,468 | 30,250 |
| Deferred loss on bond refunding | (297,766) | - | (24,814) | (272,952) | (24,814) |
| Early retirement incentive | 228,753 | - | 76,191 | 152,562 | 80,000 |
| Compensated absences | 228,126 | 144,824 | 141,865 | 231,085 | 34,662 |
| | <u>\$ 20,639,306</u> | <u>\$ 144,824</u> | <u>\$ 1,434,531</u> | <u>\$ 19,349,599</u> | <u>\$ 1,338,353</u> |

BIG RAPIDS PUBLIC SCHOOLS
Notes to Financial Statements

Bonds payable at June 30, 2010, are comprised of the following issues:

| | |
|--|-----------------------------|
| General obligation bonds: | |
| 2009 Refunding Bonds due in amounts ranging from \$1,055,000 through \$1,130,000 plus interest at 4.00 - 5.00 % through 2021 (unlimited tax, general obligation) | \$ 12,430,000 |
| 2007 Energy Bonds due in amounts ranging from \$35,000 through \$165,000 plus interest at 4.00% through 2024 | 1,720,000 |
| 1999 Refunding Bonds due in amounts ranging from \$105,000 through \$1,100,000 plus interest at 3.15 - 4.75% through 2025 (unlimited tax, general obligation) | 4,515,000 |
| * 1998 School Improvement Bonds (Durant Settlement) due in amounts ranging from \$6,641 through \$15,438 plus interest at 4.76% through 2013 | <u>71,767</u> |
| | <u>\$ 18,736,767</u> |

* The Durant School Improvement Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature does not appropriate the funding required, the District is not liable to pay the debt service.

Installment purchase agreements at June 30, 2010, are comprised of the following:

| | |
|---|--------------------------|
| Installment purchase agreements: | |
| 2006 Installment purchase agreement due in installments of \$28,089 plus interest at 4.19% through 2011 | \$ 28,090 |
| 2007 Installment purchase agreement due in installments of \$17,440 plus interest at 4.05% through 2012 | 48,351 |
| 2009 Installment purchase agreement due in monthly installments of \$2,812, including interest at 4.0% through 2013 | <u>95,228</u> |
| | <u>\$ 171,669</u> |

BIG RAPIDS PUBLIC SCHOOLS
Notes to Financial Statements

Annual debt service requirements to maturity for general obligation bonds and installment purchase agreements are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|------------------------------------|-----------------------------|----------------------------|-----------------------------|
| 2011 | \$ 1,218,255 | \$ 505,491 | \$ 1,723,746 |
| 2012 | 1,285,308 | 518,254 | 1,803,562 |
| 2013 | 1,294,873 | 496,806 | 1,791,679 |
| 2014 | 1,235,000 | 493,324 | 1,728,324 |
| 2015 | 1,290,000 | 491,526 | 1,781,526 |
| 2016 – 2020 | 6,355,000 | 2,373,224 | 8,728,224 |
| 2021 – 2025 | 6,230,000 | 1,028,351 | 7,258,351 |
| | <u>\$ 18,908,436</u> | <u>\$ 5,906,976</u> | <u>\$ 24,815,412</u> |

Compensated absences and the early retirement incentives are expected to be liquidated by the general fund.

9. SHORT-TERM DEBT – NOTES PAYABLE

The District issues state aid notes in advance of state aid collections, depositing the proceeds in its general fund. These notes are necessary because the District must maintain cash on hand for operations, whereas collections from state aid are only received from October through August each year.

Short-term debt activity for the year ended June 30, 2010, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--------------------------------|------------------------------|------------------|-------------------|---------------------------|
| Governmental activities | | | | |
| State aid anticipation notes | \$1,700,000 | \$ 2,400,000 | \$ (2,150,000) | \$ 1,950,000 |

The state aid note outstanding at year-end was due on August 20, 2010.

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2010, the District carried commercial insurance for claims. The District has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

11. RETIREMENT PLAN

Plan Description

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

BIG RAPIDS PUBLIC SCHOOLS

Notes to Financial Statements

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-6000.

Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 through June 30, 2008 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate as a percentage of covered payroll was 16.54% for July through September and 16.94% for October through June. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPSERS for the years ended June 30, 2010, 2009, and 2008, were \$ 1,619,773, \$1,598,321, and \$1,581,922, respectively, equal to the required contributions for each year.

Other Postemployment Benefits

Retirees have the option of health coverage which is funded on a cash disbursement 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 MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exception:

Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.

12. CONTINGENCIES

Federal Grant Programs

The District participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

BIG RAPIDS PUBLIC SCHOOLS
Notes to Financial Statements

13. SUBSEQUENT EVENTS

On August 20, 2010, the District borrowed State Aid Anticipation Notes in the amounts of \$1,100,000, \$400,000 and \$900,000. The notes bear interest at 0.40 percent, 0.80 percent and 0.40 percent, respectively, and are due on August 20, 2011.

On September 29, 2010, the District issued General Obligation Refunding Bonds in the amount of \$3,905,000. The refunding resulting in a savings of \$897,587 and an economic gain of \$452,835.

* * * * *

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

GENERAL FUND

BIG RAPIDS PUBLIC SCHOOLS

General Fund

Detailed Schedule of Revenue, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended June 30, 2010

| | Budget | | Actual | Variance with Final Budget |
|---|-------------------|-------------------|-------------------|-------------------------------------|
| | Original | Amended | | |
| Revenue | | | | |
| Local sources: | | | | |
| Property taxes | \$ 3,471,904 | \$ 3,651,031 | \$ 3,671,567 | \$ 20,536 |
| Act 18 allocation | 410,810 | 410,810 | 418,227 | 7,417 |
| Tuition | 25,000 | 19,161 | 19,181 | 20 |
| Interest | 20,000 | 5,801 | 5,971 | 170 |
| Other | 101,500 | 114,704 | 117,085 | 2,381 |
| Total local sources | 4,029,214 | 4,201,507 | 4,232,031 | 30,524 |
| State sources: | | | | |
| State aid - unrestricted | 9,915,760 | 9,709,573 | 9,810,379 | 100,806 |
| At-risk | 422,500 | 451,614 | 450,887 | (727) |
| Special education | 437,010 | 407,827 | 378,642 | (29,185) |
| Preschool grant | 122,400 | 122,400 | 122,400 | - |
| Total state sources | 10,897,670 | 10,691,414 | 10,762,308 | 70,894 |
| Federal sources: | | | | |
| Federal aid received through the state - | | | | |
| Title I - regular | 566,373 | 564,864 | 564,864 | - |
| Title I - carryover | - | - | 8,551 | 8,551 |
| Title I - ARRA | 296,990 | 296,050 | 171,055 | (124,995) |
| Title II | 180,052 | 166,849 | 193,287 | 26,438 |
| ARRA budget stabilization funds | 1,165,060 | 573,192 | 573,192 | - |
| Federal aid received through intermediate school districts | 255,655 | 203,389 | 252,167 | 48,778 |
| Federal aid received through other sources | 12,000 | 12,138 | 12,138 | - |
| Total federal sources | 2,476,130 | 1,816,482 | 1,775,254 | (41,228) |
| Total revenue | 17,403,014 | 16,709,403 | 16,769,593 | 60,190 |

(continued)

BIG RAPIDS PUBLIC SCHOOLS

General Fund

Detailed Schedule of Revenue, Expenditures and Changes in Fund Balance Budget and Actual (Continued)

For the Year Ended June 30, 2010

| Expenditures | Budget | | Actual | Variance with Final Budget |
|------------------------------|--------------|--------------|--------------|-------------------------------------|
| | Original | Amended | | |
| Instruction: | | | | |
| Basic programs: | | | | |
| Elementary | \$ 3,000,527 | \$ 3,066,309 | \$ 2,998,046 | \$ (68,263) |
| Middle school | 2,528,522 | 2,549,980 | 2,503,034 | (46,946) |
| High school | 2,800,403 | 2,770,278 | 2,785,116 | 14,838 |
| Early education | 134,801 | 129,151 | 141,154 | 12,003 |
| Total basic programs | 8,464,253 | 8,515,718 | 8,427,350 | (88,368) |
| Added needs: | | | | |
| Special education | 1,335,144 | 1,327,033 | 1,310,796 | (16,237) |
| Compensatory education | 757,259 | 957,113 | 874,055 | (83,058) |
| Total added needs | 2,092,403 | 2,284,146 | 2,184,851 | (99,295) |
| Total instruction | 10,556,656 | 10,799,864 | 10,612,201 | (187,663) |
| Supporting services: | | | | |
| Pupil services | | | | |
| Guidance services | 275,135 | 281,364 | 271,726 | (9,638) |
| Social work services | - | 965 | 20,969 | 20,004 |
| Other pupil services | 34,940 | 250 | - | (250) |
| Total pupil services | 310,075 | 282,579 | 292,695 | 10,116 |
| Instructional staff | | | | |
| Improvement of instruction | 455,999 | 385,878 | 342,786 | (43,092) |
| Library | 127,541 | 134,029 | 127,704 | (6,325) |
| Direction of instruction | 88,369 | 53,228 | 88,526 | 35,298 |
| Other instructional services | 7,527 | - | - | - |
| Total instructional staff | 679,436 | 573,135 | 559,016 | (14,119) |
| General administration | | | | |
| Board of Education | 114,500 | 117,500 | 132,998 | 15,498 |
| Executive administration | 262,929 | 305,455 | 303,943 | (1,512) |
| Fiscal services | 332,239 | 311,688 | 421,913 | 110,225 |
| Total general administration | 709,668 | 734,643 | 858,854 | 124,211 |

(continued)

BIG RAPIDS PUBLIC SCHOOLS

General Fund

Detailed Schedule of Revenue, Expenditures and Changes in Fund Balance Budget and Actual (Continued)

For the Year Ended June 30, 2010

| | Budget | | Actual | Variance with Final Budget |
|---|------------|--------------|------------|-------------------------------------|
| | Original | Amended | | |
| Expenditures (concluded) | | | | |
| Supporting services (concluded): | | | | |
| School administration | | | | |
| Elementary and secondary administration | \$ 950,309 | \$ 1,009,873 | \$ 978,821 | \$ (31,052) |
| Operation and maintenance | 2,005,440 | 1,828,172 | 1,721,644 | (106,528) |
| Security services | 44,576 | 27,250 | 27,239 | (11) |
| Pupil transportation | 699,643 | 660,421 | 655,925 | (4,496) |
| Information services | 322,184 | 286,634 | 274,544 | (12,090) |
| Other services | 47,509 | 31,509 | 31,661 | 152 |
| Payments to other schools | 105,000 | 80,000 | 74,109 | (5,891) |
| Total supporting services | 5,873,840 | 5,514,216 | 5,474,508 | (39,708) |
| Community services | 34,716 | 68,581 | 68,328 | (253) |
| Debt service: | | | | |
| Principal | 48,000 | 45,000 | 72,258 | 27,258 |
| Interest | 58,500 | 75,000 | 72,482 | (2,518) |
| Total debt service | 106,500 | 120,000 | 144,740 | 24,740 |
| Capital outlay | 80,000 | 48,250 | 31,783 | (16,467) |
| Total expenditures | 16,651,712 | 16,550,911 | 16,331,560 | (219,351) |
| Revenue over expenditures | 751,302 | 158,492 | 438,033 | 279,541 |

(continued)

BIG RAPIDS PUBLIC SCHOOLS

General Fund

Detailed Schedule of Revenue, Expenditures and Changes in Fund Balance Budget and Actual (Concluded)

For the Year Ended June 30, 2010

| | Budget | | Actual | Variance with Final Budget |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------------------------|
| | Original | Amended | | |
| Other financing sources (uses) | | | | |
| Transfers out | \$ (323,800) | \$ (318,800) | \$ (323,800) | \$ (5,000) |
| Net changes in fund balance | 427,502 | (160,308) | 114,233 | 274,541 |
| Fund balance, beginning of year | 362,186 | 362,186 | 362,186 | - |
| Fund balance, end of year | \$ 789,688 | \$ 201,878 | \$ 476,419 | \$ 274,541 |

NONMAJOR GOVERNMENTAL FUNDS

BIG RAPIDS PUBLIC SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2010

| | Special Revenue | | Debt Service | Total |
|--|------------------|-------------------|------------------|-------------------|
| | Athletics | Food Service | Durant Debt | |
| Assets | | | | |
| Cash and investments | \$ 71,964 | \$ 88,144 | \$ - | \$ 160,108 |
| Accounts receivable | 9,873 | 2,334 | - | 12,207 |
| Due from other governments | - | 19,461 | 71,767 | 91,228 |
| Inventories | - | 10,517 | - | 10,517 |
| Prepays | - | 1,250 | - | 1,250 |
| | | | | |
| Total assets | \$ 81,837 | \$ 121,706 | \$ 71,767 | \$ 275,310 |
| Liabilities and fund balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 32 | \$ 3,199 | \$ - | \$ 3,231 |
| Accrued expenditures | 4,458 | 6,101 | - | 10,559 |
| Deferred revenue | - | 2,376 | 71,767 | 74,143 |
| | | | | |
| Total liabilities | 4,490 | 11,676 | 71,767 | 87,933 |
| Fund balances | | | | |
| Reserved for: | | | | |
| Inventories | - | 8,141 | - | 8,141 |
| Prepays | - | 1,250 | - | 1,250 |
| Unreserved, undesignated | 77,347 | 100,639 | - | 177,986 |
| | | | | |
| Total fund balances | 77,347 | 110,030 | - | 187,377 |
| | | | | |
| Total liabilities and fund balances | \$ 81,837 | \$ 121,706 | \$ 71,767 | \$ 275,310 |

BIG RAPIDS PUBLIC SCHOOLS

Combining Statement of Revenue, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds

For the Year Ended June 30, 2010

| | Special Revenue | | Debt Service | |
|-----------------------------------|------------------|-------------------|-----------------|-------------------|
| | Athletics | Food Service | Durant Debt | Total |
| Revenue | | | | |
| Local sources | \$ 100,401 | \$ 389,609 | \$ - | \$ 490,010 |
| State sources | - | 49,048 | 10,576 | 59,624 |
| Federal sources | - | 659,644 | - | 659,644 |
| | | | | |
| Total revenue | 100,401 | 1,098,301 | 10,576 | 1,209,278 |
| Expenditures | | | | |
| Current: | | | | |
| Athletic activities | 325,901 | - | - | 325,901 |
| Food service | - | 1,033,998 | - | 1,033,998 |
| Debt service: | | | | |
| Principal | - | - | 8,781 | 8,781 |
| Interest | - | - | 1,795 | 1,795 |
| | | | | |
| Total expenditures | 325,901 | 1,033,998 | 10,576 | 1,370,475 |
| Revenue under expenditures | (225,500) | 64,303 | - | (161,197) |
| Other financing sources | | | | |
| Transfers in | 255,000 | - | - | 255,000 |
| | | | | |
| Net changes in fund balances | 29,500 | 64,303 | - | 93,803 |
| Fund balances, beginning of year | 47,847 | 45,727 | - | 93,574 |
| | | | | |
| Fund balances, end of year | \$ 77,347 | \$ 110,030 | \$ - | \$ 187,377 |

BIG RAPIDS PUBLIC SCHOOLS

Athletics Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2010

| | Budget | | Actual | Variance with Final Budget |
|----------------------------------|------------------|------------------|------------------|----------------------------------|
| | Original | Amended | | |
| Revenue | | | | |
| Local sources: | | | | |
| Gate receipts | \$ 95,000 | \$ 95,000 | \$ 100,401 | \$ 5,401 |
| Expenditures | | | | |
| Supporting services | 335,000 | 335,000 | 325,901 | (9,099) |
| Revenue under expenditures | (240,000) | (240,000) | (225,500) | 14,500 |
| Other financing sources | | | | |
| Transfers in | 255,000 | 255,000 | 255,000 | - |
| Net changes in fund balance | 15,000 | 15,000 | 29,500 | 14,500 |
| Fund balance, beginning of year | 47,847 | 47,847 | 47,847 | - |
| Fund balance, end of year | \$ 62,847 | \$ 62,847 | \$ 77,347 | \$ 14,500 |

BIG RAPIDS PUBLIC SCHOOLS

Food Service Fund Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2010

| | Budget | | Actual | Variance with Final Budget |
|--|-------------|-------------|------------|----------------------------------|
| | Original | Amended | | |
| Revenue | | | | |
| Local sources: | | | | |
| Food sales | \$ 381,225 | \$ 381,225 | \$ 371,430 | \$ (9,795) |
| Interest | 5,000 | 5,000 | 526 | (4,474) |
| Other | 22,250 | 22,250 | 17,653 | (4,597) |
| Total local sources | 408,475 | 408,475 | 389,609 | (18,866) |
| State sources: | | | | |
| State aid | 37,000 | 37,000 | 49,048 | 12,048 |
| Federal sources: | | | | |
| Federal aid received through the State | 497,000 | 497,000 | 589,507 | 92,507 |
| USDA donated commodities | 30,500 | 30,500 | 70,137 | 39,637 |
| Total federal sources | 527,500 | 527,500 | 659,644 | 132,144 |
| Total revenue | 972,975 | 972,975 | 1,098,301 | 125,326 |
| Expenditures | | | | |
| Supporting services | 1,043,663 | 1,043,663 | 1,033,998 | (9,665) |
| Net changes in fund balance | (70,688) | (70,688) | 64,303 | 134,991 |
| Fund balance, beginning of year | 45,727 | 45,727 | 45,727 | - |
| Fund balance, end of year | \$ (24,961) | \$ (24,961) | \$ 110,030 | \$ 134,991 |

AGENCY FUNDS

BIG RAPIDS PUBLIC SCHOOLS
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2010

| | Student Activities | Section 125 Fund | Total |
|--------------------------|-------------------------------|-----------------------------|-------------------|
| Assets | | | |
| Cash and investments | \$ 223,784 | \$ 6,766 | \$ 230,550 |
| | | | |
| Liabilities | | | |
| Due to student groups | \$ 223,784 | \$ - | \$ 223,784 |
| Withholdings payable | - | 6,766 | 6,766 |
| | | | |
| Total liabilities | \$ 223,784 | \$ 6,766 | \$ 230,550 |
| | | | |