

Belding Area Schools

**Financial Statements
With Supplemental Information
June 30, 2012**

Belding Area Schools

June 30, 2012

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Independent Auditor's Report

Independent Auditor's Report

To the Board of Education
Belding Area Schools
Belding, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belding Area Schools as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Belding Area School'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 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 opinion.

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 Belding Area Schools as of June 30, 2012 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2012 on our consideration of the School District's internal control over financial reporting and our tests of 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 and budgetary comparison information on pages 3 through 10 and 32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 Belding Area School's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is also not a required part of the basic financial statements of Belding Area Schools. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Biggs, Hausserman, Thompson & Dickinson, P.C.

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants

November 13, 2012

Management's Discussion and Analysis

Belding Area Schools
Management's Discussion and Analysis
June 30, 2012

This section of the Belding Area Schools' annual financial report represents our discussion and analysis of the School District's financial performance and is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position and its ability to address the next and subsequent year challenges. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2012.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Belding Area School District financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant fund - the General Fund - with all other funds presented in one column as nonmajor funds. The remaining statement, the Statement of Fiduciary Net Assets presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The annual report is organized as follows:

Management's Discussion & Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "Is the School District as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include *all* assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Belding Area Schools

Management's Discussion and Analysis

June 30, 2012

These two statements report the School District's net assets- the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets - as reported in the Statement of Activities - are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – Fund Financial Statements

The School District's fund financial statements provide detailed information about the most *significant funds* - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (like the Food Service Fund) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds in a* reconciliation.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or *fiduciary* for its student activity funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Belding Area Schools
Management's Discussion and Analysis
June 30, 2012

The School District As A Whole

The Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2012 and 2011:

Table 1:

	Net Assets Summary	
	Governmental Activities	
	2012	2011
Current and other assets	\$ 24,692,569	\$ 41,800,407
Capital assets	39,512,503	20,955,276
Total assets	64,205,072	62,755,683
Current and other liabilities	\$ 7,345,794	\$ 5,224,633
Long-term liabilities	56,681,123	56,427,585
Total liabilities	64,026,917	61,652,218
Net assets		
Invested in capital assets, net of related debt	(18,938,948)	(37,054,037)
Restricted for capital projects	14,860,745	34,004,129
Restricted for debt service	2,007,272	833,084
Restricted for food service	46,888	74,070
Unrestricted	2,202,198	3,246,219
Total expenses	\$ 178,155	\$ 1,103,465

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$178,155 at June 30, 2012. Invested in capital assets, net of related debt totaling \$(18,938,948) compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approval 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 School District's ability to use those net assets for day-to-day operations. Net assets restricted for debt service totaled \$2,007,272 and food service totaled \$46,888. The remaining amount of net assets, \$2,202,198, was unrestricted.

The \$2,202,198 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

Belding Area Schools
Management's Discussion and Analysis
June 30, 2012

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for fiscal year 2012 and 2011.

Table 2:

Statement of Activities Summary

	Governmental Activities	
	2012	2011
Revenues		
Program revenues		
Charges for services	\$ 466,142	\$ 513,572
Grants and Categoricals	3,988,488	4,612,074
General Revenues		
Property taxes	3,624,509	3,753,489
State foundation allowance	12,340,546	13,504,322
Other general revenues	2,145,590	2,017,386
Total revenues	<u>22,565,275</u>	<u>24,400,843</u>
Functions/Program Expenses		
Instruction	11,703,252	12,447,452
Support services	6,864,370	7,126,965
Food services	869,626	997,402
Community service	156,832	101,704
Interest on long-term debt	3,236,013	3,166,975
Depreciation (unallocated)	660,492	596,644
Total expenses	<u>23,490,585</u>	<u>24,437,142</u>
Increase (decrease) in net assets	<u>\$ (925,310)</u>	<u>\$ (36,299)</u>

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$23,490,585. Certain activities were partially funded from those who benefited from the program (\$466,142) or by governments and organizations that subsidized certain programs with grants and categorical (\$3,988,488). We paid for the remaining "public benefit" portion of our governmental activities with \$3,624,509 in taxes, \$12,340,546 in state Foundation Allowance, and with our other revenues, like interest and general entitlements.

The School District experienced a decrease in net assets of \$925,310. The key reason for the change in net assets was interest on new bonds sold May, 2010 and a decline in student population, resulting in less state aid.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

Belding Area Schools
Management's Discussion and Analysis
June 30, 2012

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the School District is being accountable for the resources taxpayers and others provide to it but may also give you more insight into the School District's overall financial health.

As the School District completed this year; our governmental funds reported a combined fund balance of \$19,942,889 which is a decrease of \$18,720,874 from last year. The primary reasons for these are:

Our general fund is our principal operating fund. The fund balance in the general fund decreased \$712,776 to \$2,750,598. The decrease is due to declining revenues.

Our special revenue fund showed a net decrease of \$27,182.

The debt service funds showed an increase of \$1,162,468. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

The capital projects fund had excess expenditures of \$19,143,384 as projects from the 2010 bonds continued.

General Fund Budgetary Highlights

The Uniform Budget Act requires that the local Board of Education approve the original budget for the upcoming year prior to July 1.

Over the course of the year, the district's practice is to revise the budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure expenditures do not exceed appropriations.

Budget revenues were decreased \$320,125 from the original budget. These were various amendments to properly reflect revenues based on more current information.

Budget expenditures were decreased \$93,913 to more closely reflect program expenditures.

Belding Area Schools
 Management's Discussion and Analysis
 June 30, 2012

Capital Asset and Debt Administration

Capital Assets

At June 30, 2012, the School District had \$38,599,487 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$18,661,309, or 93.6%, from last year.

Capital Assets at Year-End

	June 30, 2012	June 30, 2011
Land	\$ 243,585	\$ 243,585
Construction in process	22,271,053	3,375,858
Buildings	14,077,267	14,854,107
Buses and other vehicles	622,745	341,442
Furniture and equipment	1,384,837	1,123,186
Total capital assets	\$ 38,599,487	\$ 19,938,178

This year's additions are various improvements mostly related to the 2010 bond projects.

Debt

At the end of this year, the School District had \$53,833,726 in bonds outstanding versus \$55,632,612 last year - a decrease of \$1,798,886. Those bonds consisted of:

Outstanding Debt at Year-End

	June 30, 2012	June 30, 2011
General obligation bonds	\$ 53,833,726	\$ 55,632,612

The School District's general obligation bond rating was increased to A+ rating in 2010. The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e. debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding general obligation debt of \$53,833,726 is below the statutory imposed limit. Other obligations include termination benefits.

The borrowings and accrued interest owed to the School Bond Loan fund were increased during the year by \$2,380,238. The balance at the end of the year is \$4,375,972, including accrued interest.

We present more detailed information about our long-term liabilities in the Notes to the Financial Statements.

Belding Area Schools
Management's Discussion and Analysis
June 30, 2012

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2012-2013 fiscal year budget and tax rates. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. Approximately 90% of total general fund revenue is from the Foundation Allowance.

Under State law, the School District cannot access additional property tax revenue for general operations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data, we anticipate that the fall student count will be higher than the approximately 70 less already in the 2012-2013 budget.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State of Michigan's economy continues to struggle. The District has budgeted for a reduction of 70 students from the 2011-2012 school year. Personnel levels have been reduced for the 2012-13 budget. Twelve staff accepted a voluntary severance plan at the end of the 2011-2012 year.

Various State legislation has been enacted in the attempt to lessen the local burden for retirement and employee insurance costs.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Adrienne Barna
Business Manager
Belding Area Schools
1975 Orchard Street
Belding, MI 48809
(616) 794-4707

Government-Wide Financial Statements

Belding Area Schools
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and investments	\$ 20,394,569
Accounts receivable	66,373
Accrued interest	52,259
Due from other governments	3,519,166
Inventory	624,431
Prepaid expense	35,771
Total current assets	<u>24,692,569</u>
Noncurrent Assets	
Deferred charges, net of amortization	913,016
Capital assets	52,262,721
Less: accumulated depreciation	(13,663,234)
Total noncurrent assets	<u>39,512,503</u>
Total Assets	<u><u>\$ 64,205,072</u></u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 1,650,829
Salaries and withholdings payable	1,151,393
Due to other governments	292,167
Accrued interest payable	509,529
Deferred revenue	123,148
Notes payable	1,300,000
Voluntary severance plan due within one year	300,000
Long-term liabilities due within one year	
Bonds payable- due within one year	<u>2,018,728</u>
Total Current Liabilities	7,345,794
Noncurrent Liabilities	
Bonds and other loans payable	56,519,899
Compensated absences, not due within one year	<u>161,224</u>
Total Noncurrent Liabilities	<u>56,681,123</u>
Total Liabilities	64,026,917
Net Assets	
Investment in capital assets- net of related debt	(18,938,948)
Restricted for:	
Capital projects	14,860,745
Debt service	2,007,272
Food service	46,888
Unrestricted	<u>2,202,198</u>
Total Net Assets	<u><u>\$ 178,155</u></u>

See accompanying notes to financial statements

Belding Area Schools
Statement of Activities
June 30, 2012

	Program Revenues			Governmental Activities
Expenses	Charges for Service	Operating Grants		Net (Expenses) Revenues and Changes in Net Assets
Governmental activities:				
Instruction	\$ 11,703,252	\$ 12,950	\$ 3,002,668	\$ (8,687,634)
Support services	6,864,370	177,755	221,930	(6,464,685)
Food service	869,626	150,032	763,890	44,296
Community services	156,832	125,405	0	(31,427)
Interest on long- term debt	3,236,013	0	0	(3,236,013)
Depreciation (unallocated)	660,492	0	0	(660,492)
Total governmental activities	\$ 23,490,585	\$ 466,142	\$ 3,988,488	(19,035,955)
General revenues:				
Taxes				
Property taxes, levied for general purpose				1,485,938
Property taxes, levied for debt service				2,138,571
State aid not restricted to specific purposes				12,340,546
Interest and investment earnings				2,073,567
Other				72,023
Total general revenues				18,110,645
Changes in Net Assets				(925,310)
Net Assets- Beginning of year				1,103,465
Net Assets-End of year				\$ 178,155

See accompanying notes to financial statements

Fund Financial Statements

Belding Area Schools
Governmental Funds
Balance Sheet
June 30, 2012

	General	Capital Projects	Other Non-Major Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 1,860,129	\$ 16,154,529	\$ 2,379,911	\$ 20,394,569
Accounts receivable	15,911	0	50,462	66,373
Accrued interest receivable	0	18,498	33,761	52,259
Due from other funds	79,224	0	4,991	84,215
Due from other governments	3,278,130	0	8,893	3,287,023
Inventory	608,551	0	15,880	624,431
Prepaid expenses	35,771	0	0	35,771
Total assets	<u>\$ 5,877,716</u>	<u>\$ 16,173,027</u>	<u>\$ 2,493,898</u>	<u>\$ 24,544,641</u>
Liabilities and Fund Equity				
Liabilities				
Accounts payable	\$ 257,106	\$ 1,312,282	\$ 81,441	\$ 1,650,829
Salaries and withholdings payable	1,149,706	0	1,687	1,151,393
Due to other funds	4,991	0	79,224	84,215
Due to other governments	292,167	0	0	292,167
Deferred revenue	123,148	0	0	123,148
Notes payable	1,300,000	0	0	1,300,000
Total Liabilities	3,127,118	1,312,282	162,352	4,601,752
Fund Equity				
Fund balances				
Non-spendable for:				
Inventory	608,551	0	15,880	624,431
Prepaid expenditures	35,771	0	0	35,771
Restricted	0	14,860,745	2,315,666	17,176,411
Assigned				
Compensated absences	161,224	0	0	161,224
Subsequent year budget usage	764,973	0	0	764,973
Unassigned	1,180,079	0	0	1,180,079
Total fund equity	2,750,598	14,860,745	2,331,546	19,942,889
Total liabilities and fund equity	<u>\$ 5,877,716</u>	<u>\$ 16,173,027</u>	<u>\$ 2,493,898</u>	<u>\$ 24,544,641</u>

Belding Area Schools
 Governmental Funds
 Reconciliation of Balance Sheet of Governmental Funds to Net Assets
 June 30, 2012

Total fund Balances- Governmental Funds **\$ 19,942,889**

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

Capital assets used in government activities
 are not financial resources, and are not reported in the funds

Deferred charges, net of amortization	\$	913,016	
Capital assets cost:		52,262,721	
Accumulated depreciation:		<u>(13,663,234)</u>	
 Net Capital Assets			 39,512,503

Long term and other liabilities are not due and payable
 in the current period and are not reported in the funds

Bonds and other loans payable		(58,538,627)	
Accrued Interest-net		(277,386)	
Compensated absences		(161,224)	
Voluntary severance plan		<u>(300,000)</u>	

Net Assets of Governmental Activities **\$ 178,155**

Belding Area Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 1,855,480	\$ 442,095	\$ 3,917,941	\$ 6,215,516
State sources	13,952,183	0	95,363	14,047,546
Federal sources	1,167,638	0	689,252	1,856,890
Other	445,323	0	0	445,323
Total revenues	17,420,624	442,095	4,702,556	22,565,275
Expenditures				
Instruction				
Basic programs	8,324,474	0	0	8,324,474
Added needs	3,067,541	0	0	3,067,541
Adult and continuing education	45,708	0	0	45,708
Support services				
Pupil	988,619	0	0	988,619
Instructional staff	569,283	0	0	569,283
General administration	343,388	0	0	343,388
School administration	1,159,455	0	0	1,159,455
Business and central services	3,171,304	0	0	3,171,304
Athletics	339,697	0	0	339,697
Food service	0	0	871,517	871,517
Community services	156,832	0	0	156,832
Other transactions	37,099	0	0	37,099
Capital outlay-bonds	0	19,585,479	0	19,585,479
Debt services				
Redemption of bonds/notes	0	0	1,798,884	1,798,884
Interest and fiscal charges	0	0	3,131,511	3,131,511
Total expenditures	18,203,400	19,585,479	5,801,912	43,590,791
Excess (deficiency) of revenues over expenditures	(782,776)	(19,143,384)	(1,099,356)	(21,025,516)
Other financing sources (uses)				
Proceeds from SLRF	0	0	2,304,642	2,304,642
Operating transfers in	70,000	0	0	70,000
Operating transfers out	0	0	(70,000)	(70,000)
Total other financing sources (uses)	70,000	0	2,234,642	2,304,642
Excess (deficiency) of revenues over expenditures and other sources (uses)	(712,776)	(19,143,384)	1,135,286	(18,720,874)
Fund balances at beginning of year	3,463,374	34,004,129	1,196,260	38,663,763
Fund balances at end of year	\$ 2,750,598	\$ 14,860,745	\$ 2,331,546	\$ 19,942,889

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

Net Change in fund Balances- Total Governmental funds \$ (18,720,874)

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

Governmental funds reported capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(947,757)
Capital outlay	19,609,066

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(63,876)
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Proceeds and repayments of principal on long-term debt are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities)

Principal repayment/transfer to escrow agent	1,798,884
Proceeds from debt issuances	(2,304,642)
Amortization of premiums on debt issuances	63,457
Amortization of bond issuance costs	(65,256)
Amortization of deferred amounts on bond refundings	(38,827)

Compensated absences/voluntary severance plans are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Change in accrued compensated absences	44,515
Change in accrued voluntary severance plan liability	<u>(300,000)</u>

Net Change in Net Assets- Governmental Activities	<u><u>\$ (925,310)</u></u>
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Belding Area Schools
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Agency Funds- Student Activities</u>
Assets	
Cash and Cash Equivalents	<u>\$ 228,888</u>
Liabilities	
Due to Student groups	<u>\$ 228,888</u>

See accompanying notes to financial statements

Belding Area Schools

Notes to Financial Statements

June 30, 2012

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Belding Area Schools 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 significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary 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. 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 given 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 as separate columns in the fund financial statements.

Belding Area Schools

Notes to Financial Statements

June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Statements – The government-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 for 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.

The district does not allocate indirect costs.

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

The District first utilizes restricted resources to finance qualifying activities.

Fund Based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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 cash is received by the government.

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

The school district reports the following major governmental funds:

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

Capital Projects fund is used to account for the construction of fixed assets.

The government 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.

Belding Area Schools

Notes to Financial Statements

June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Fund maintained by the School District is the Food Services Fund.

Debt Retirement Funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Capital Projects funds are used to account for the construction of fixed assets.

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

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

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds 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 receivables are shown net of an allowance for uncollectible amounts. Property taxes assessed as of December 31 and the related property taxes are levied and become a lien on December 1. These taxes are billed on December 1st and are due February 15th. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

The State of Michigan utilizes 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

Belding Area Schools

Notes to Financial Statements

June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

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. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as revenue and expensed when received. 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.

The General Fund inventory also includes the construction cost of any unsold trade skills homes and street improvement costs allocated to unused building sites, which are held for sale by the district. The amount at June 30, 2012 is \$720,367.

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 government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one 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. Cost of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The school district does not have infrastructure type assets.

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

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

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.

Belding Area Schools

Notes to Financial Statements

June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

Compensated Absences – The liability for compensated absences reported in the government-wide statements consist of unpaid, accumulated annual vacation and sick pay balances. The liability has been calculated using the vesting method, 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.

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

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

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

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

Assigned – amounts intended to be used for specific purposes, as determined by the board of education. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature. \$764,973 has been assigned to balance next year's budget in the general fund.

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District's policy is to consider restricted funds spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the District's policy is to consider the funds to be spent in the following order: 1.) committed, 2) assigned, 3) unassigned.

Comparative Data/Reclassifications – Comparative data is not included in the district's financial statements.

Use of Estimates- The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Belding Area Schools

Notes to Financial Statements

June 30, 2012

Note 2 – Stewardship, Compliance and Accountability

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting 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. There were no significant amendments during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds – The school district did not have significant expenditure budget variances.

Note 3 – Deposits and Investments

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

Investment type	Fair Value	Weighted Average Maturity (years)	Standard & Poor's Rating	Portfolio %
Government Money Market funds	\$ 90,692	0.0027	AAAm	0.48%
Government National Mortgage Assoc (GNMA)	6,395,779	0.8961	AAAm	33.74%
Federal Home Loan Mortgage Corp Notes (FHLMC)	6,299,253	1.1172	AAAm	33.23%
Federal National Mortgage Assoc Notes (FNMA)	4,096,592	0.7333	AAAm	21.61%
United States Treasury Bonds	2,074,757	13.2965	AAA	10.94%
Total Fair Value	\$ 18,957,073			100.00%
Portfolio weighted average maturity		<u>2.28</u>		

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; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, 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.

Belding Area Schools

Notes to Financial Statements

June 30, 2012

Note 3 – Deposits and Investments (Continued)

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).

Concentration of credit risk. The District will minimize 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 investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk- deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2012, none of the School District's bank balance of \$4,453,698 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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 will minimize custodial control credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

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

Reconciliation of cash and investments:

Deposits-including Fiduciary Funds of \$228,888	\$ 1,666,384
Investments	18,957,073
Total	<u>\$ 20,623,457</u>

The above amounts are reported in the financial statements as follows:

Cash-Fiduciary Fund	\$ 228,888
Cash and investments-District Wide	20,394,569
Total	<u>\$ 20,623,457</u>

Belding Area Schools

Notes to Financial Statements

June 30, 2012

Note 4 – Receivables

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

	General Fund	Non-major and Other Funds	Total
Receivables:			
Various	\$ 15,911	\$ 50,462	\$ 66,373
Intergovernmental	3,278,130	8,893	3,287,023
Net Receivables	\$ 3,294,041	\$ 59,355	\$ 3,353,396

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>Unearned</u>
Payments received prior to meeting all eligibility requirements:	\$123,148

Note 5 – Capital Assets

Capital asset activity of the school district's Governmental activities was as follows:

	Balance June 30, 2011	Additions	Disposals and Adjustments	Balance June 30, 2012
Assets not being depreciated:				
Land	\$ 243,585	\$ 0	\$ 0	\$ 243,585
Work in Process	3,375,858	18,895,195	0	22,271,053
Subtotal	3,619,443	18,895,195	0	22,514,638
Capital assets being depreciated:				
Building and building improvements	25,936,681	14,321	162,882	25,788,120
Buses and other vehicles	1,357,453	323,946	210,424	1,470,975
Furniture and equipment	2,135,644	375,604	22,260	2,488,988
Subtotal	29,429,778	713,871	395,566	29,748,083
Accumulated depreciaton:				
Building and building improvements	11,082,574	791,161	162,882	11,710,853
Buses and other vehicles	1,016,011	42,643	210,424	848,230
Furniture and equipment	1,012,458	113,953	22,260	1,104,151
Subtotal	13,111,043	947,757	395,566	13,663,234
Net capital assets being depreciated	16,318,735	(233,886)	0	16,084,849
Net capital assets	\$ 19,938,178	\$ 18,661,309	\$ 0	\$ 38,599,487

Belding Area Schools

Notes to Financial Statements

June 30, 2012

Note 5 – Capital Assets (Continued)

Depreciation expense was charged to activities of the school as follows:

Governmental Activities

Instruction	\$	7,961
Support Services		274,186
Food Services		5,118
Unallocated		<u>660,492</u>
	\$	<u>947,757</u>

Note 6 – Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due From	Fund Due To		Total
	General Fund	Other Nonmajor Funds	
General Fund	\$ 4,991	\$ -	\$ 4,991
Capital Projects Fund	0	0	0
Other Nonmajor Funds	0	79,224	79,224
Total	<u>\$ 4,991</u>	<u>\$ 79,224</u>	<u>\$ 84,215</u>

	Transfer Out		Total
	General Fund	Food Service	
Transfer in:			
General Fund-Administration	\$ -	\$ 70,000	\$ 70,000
	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ 70,000</u>

Belding Area Schools
Notes to Financial Statements
June 30, 2012

Note 7 – Long-Term Debt

The school district issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school district. Other long-term obligations include severance pay, school bond loan fund payable and two leases.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds	\$ 55,632,612	\$ 0	\$ 1,798,884	\$ 53,833,728	\$ 2,018,728
Total bonds payable	55,632,612	0	1,798,884	53,833,728	2,018,728
School Bond Loan Fund	1,995,734	2,380,238	0	4,375,972	0
Compensated Absences	205,739	0	44,515	161,224	0
Total other obligation	2,201,473	2,380,238	44,515	4,537,196	0
Total	<u>\$ 57,834,085</u>	<u>\$ 2,380,238</u>	<u>\$ 1,843,399</u>	<u>\$ 58,370,924</u>	<u>\$ 2,018,728</u>

Annual debt service requirements, to maturity for the above bond obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2013	\$ 2,018,728	\$ 1,699,440	\$ 3,718,168
2014	2,045,000	1,602,767	3,647,767
2015	2,190,000	1,533,762	3,723,762
2016	1,995,000	1,452,134	3,447,134
2017	1,600,000	1,372,462	2,972,462
2018-2022	8,215,000	5,919,040	14,134,040
2023-2027	22,770,000	4,185,698	26,955,698
2028-2032	5,000,000	2,370,876	7,370,876
2033-2037	5,000,000	1,298,700	6,298,700
2038-2040	3,000,000	260,130	3,260,130
Total	<u>\$ 53,833,728</u>	<u>\$ 21,695,009</u>	<u>\$ 75,528,737</u>

Belding Area Schools
Notes to Financial Statements
June 30, 2012

Note 7 – Long-Term Debt (Continued)

General obligation bonds consist of:

\$9,370,000 bonded debt of February 19, 2008, due in annual installments of \$550,000 to \$1,090,000 through May 1, 2026, interest at 3.25% to 5.0%	\$ 9,370,000
\$3,725,000 bonded debt of March 2, 2006, due in annual installments of \$175,000 to \$295,000 through May 1, 2026; interest at 3.5% to 4.2%.	2,475,000
\$4,380,000 bonded debt of September 29, 2009, due in annual installments of \$170,000 to \$1,360,000 through May 1, 2016; interest at 1.38% to 4.29%.	3,085,000
\$15,000,000 bonded debt of May 13, 2010, due in annual installments of \$5,000,000 beginning May 1, 2025 through May 1, 2027; interest at 6.5% to 6.7%.	15,000,000
\$23,800,000 bonded debt of May 13, 2010, due in annual installments of \$700,000 to \$1,000,000 beginning May 1, 2016 through May 1, 2040; interest at 4.41% to 6.67%.	23,800,000
Durant School Improvement Bonds of 1999 due in annual installments of \$13,104 to \$103,728 through May, 2013; variable interest rate. The State of Michigan is the only revenue source for making the annual debt service payment on the bonds. On or about, May 10, 2007, the State of Michigan refinanced these bonds to eliminate the annual payments due May 2007 through May 2008. A lump sum payment of \$103,728 is now scheduled for 2013.	103,728
Subtotal - Bonds Payable	53,833,728
Plus: Premiums on bond issuances (net)	328,927
Subtotal - Bonds Payable	\$ 54,162,655

Durant Non-Plaintiff Bond – Included in Governmental Activities General Obligation Bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) of \$16,426 to \$103,728 associated with this Bond are funded by the State of Michigan via specifically appropriated State Aid and will not require any District debt levy or utilization of any other District financial resources.

Belding Area Schools

Notes to Financial Statements

June 30, 2012

Note 7 – Long-Term Debt (Continued)

Michigan School Bond Loans – The School District has borrowed on various occasions from the Michigan School Bond Loan Revolving Fund. Repayment is due when the School District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. During the year the interest rate was 3.0%. The School District borrowed \$2,304,642 in principal during the fiscal year. The balances at June 30, 2012 are as follows:

Principal balance	\$ 4,288,959
Interest balance	<u>87,013</u>
Total	<u>\$ 4,375,972</u>

Note 8 – Risk Management

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

Note 9 – Defined Benefit Pension Plan and Post Retirement Benefits

Plan Description – The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, 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 system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System 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 system at P.O. Box 30171, Lansing, MI 48909-7671.

Funding Policy – Employer contributions to the system result from the implementing 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 totaled 20.66 percent for the period from July 1, 2011 to September 30, 2010 and 24.66 percent from October 1, 2011 through June 30, 2012, for the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 6.4 percent of gross wages. The District's contributions to the MPSERS plan for the years ended June 30, 2012, 2011, and 2010 were \$2,319,942, \$2,118,336 and \$1,858,468, respectively.

Belding Area Schools

Notes to Financial Statements

June 30, 2012

Note 9 – Defined Benefit Pension Plan and Post Retirement Benefits (Continued)

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of MPSERS who became a member of MPSERS after June 30, 2010 is a pension plus member. The pension plus plan pairs a guaranteed retirement income (defined benefit pension) with a flexible and transferable retirement savings (defined contribution) account.

The contribution rate for the pension plus members is 1.5% less than the base plan rate. In addition, the District is required to match 50% up to 1% of the employee's contribution in the pension plus plan.

Post Employment Benefits – Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision overages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

Public Act 75 of 2010 requires each employed member of MPSERS after June 30, 2010 to contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees. This requirement has been eliminated by court order which is being appealed by the State of Michigan.

Note 10 – Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. 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 believes such amounts, if any to be minimal.

Note 11 – Subsequent Event

Subsequent to year end, the District entered into an agreement to borrow \$1,300,000 as a state aid note maturing August, 2012. This note matures August 20, 2012. The note is secured by the full faith and credit of the District as well as pledged state aid.

Note 12 – Capital Projects

The Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, the school district has complied with the applicable provisions of Sec. 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the Capital Projects Fund from the inception of the fund through the current fiscal year.

Revenue:	\$39,822,890
Expenditures:	\$24,962,145

Required Supplemental Information

Belding Area Schools
Required Supplemental Information
Budgetary Comparison Schedule- General Fund
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 1,922,000	\$ 1,907,075	\$ 1,855,480	\$ (51,595)
State sources	14,451,600	13,976,400	13,952,183	(24,217)
Federal sources	1,083,000	1,214,000	1,167,638	(46,362)
Other	406,000	445,000	445,323	323
Total revenues	17,862,600	17,542,475	17,420,624	(121,851)
Expenditures				
Instruction				
Basic programs	8,521,100	8,370,017	8,324,474	45,543
Added needs	3,101,300	3,178,033	3,067,541	110,492
Adult and continuing education	84,200	84,200	45,708	38,492
Support services				
Pupil	949,300	975,575	988,619	(13,044)
Instructional staff	605,900	648,200	569,283	78,917
General administration	374,400	370,300	343,388	26,912
School administration	1,192,900	1,185,900	1,159,455	26,445
Business and central services	3,326,300	3,267,262	3,171,304	95,958
Athletics	390,000	340,000	339,697	303
Community services	139,650	160,650	156,832	3,818
Other transactions	19,000	30,000	37,099	(7,099)
Total expenditures	18,704,050	18,610,137	18,203,400	406,737
Excess (deficiency) of revenues over expenditures	(841,450)	(1,067,662)	(782,776)	284,886
Other financing sources (uses)				
Operating transfers in	70,000	70,000	70,000	0
Total other financing sources (uses)	70,000	70,000	70,000	0
Excess (deficiency) of revenues over expenditures and other sources (uses)	\$ (771,450)	\$ (997,662)	(712,776)	\$ 284,886
Fund balances at beginning of year			3,463,374	
Fund balances at end of year			\$ 2,750,598	

See accompanying note to financial statements

Other Supplemental Information

Belding Area Schools
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue	Other Nonmajor Funds						Nonmajor Governmental Funds	
	Food Service	Durant	2006 Refunding Debt	2008 Refunding Debt	2009-A Refunding Debt	2009-B Refunding Debt	2010-A School & Site	2010-B School & Site	Total
Assets									
Cash and investments	\$ 136,014	\$ 0	\$ 1,202	27,269	\$ 0	\$ 0	2,168,397	47,029	\$ 2,379,911
Accounts Receivable	50,462	0	0	0	0	0	0	0	50,462
Accrued interest receivable	0	0	0	0	0	0	33,761	0	33,761
Due from other funds	4,991	0	0	0	0	0	0	0	4,991
Due from other governments	1,893	0	60	1,160	0	0	3,800	1,980	8,893
Inventory of supplies - at cost	15,880	0	0	0	0	0	0	0	15,880
Total Assets	\$ 209,240	\$ 0	\$ 1,262	\$ 28,429	\$ 0	\$ 0	\$ 2,205,958	\$ 49,009	\$ 2,493,898
Liabilities									
Accounts payable	\$ 81,441	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 81,441
Due to other funds	79,224	0	0	0	0	0	0	0	79,224
Salaries payable	1,687	0	0	0	0	0	0	0	1,687
Total Liabilities	162,352	0	0	0	0	0	0	0	162,352
Fund Balance									
Non-spendable-Inventory	15,880	0	0	0	0	0	0	0	15,880
Restricted	31,008	0	1,262	28,429	0	0	2,205,958	49,009	2,315,666
Total Fund Balance	46,888	0	1,262	28,429	0	0	2,205,958	49,009	2,331,546
Total Liabilities and Fund Balance	\$ 209,240	\$ 0	\$ 1,262	\$ 28,429	\$ 0	\$ 0	\$ 2,205,958	\$ 49,009	\$ 2,493,898

See accompanying notes to financial statements

Belding Area Schools
Other Supplemental Information
Combining Statement of Revenue, Expenditures
and changes in fund balances
Non Major Governmental Funds
Year Ended June 30, 2012

	Special Revenue	Other Nonmajor Funds							Total Nonmajor Governmental Funds
	Food Service	Durant	2006 Refunding Debt	2008 Refunding Debt	2009-A Refunding Debt	2009-B Refunding Debt	2010-A School and Site	2010-B School and Site	
Revenues									
Local sources									
Property taxes	\$ 0	\$ 0	\$ 27,026	\$ 54,770	\$ 121,688	\$ 176,672	\$ 1,155,945	\$ 602,470	\$ 2,138,571
Lunch sales	150,032	0	0	0	0	0	0	0	150,032
Investment earnings	413	0	0	0	0	0	1,111,664	517,261	1,629,338
Total Local Sources	150,445	0	27,026	54,770	121,688	176,672	2,267,609	1,119,731	3,917,941
Federal and state sources									
State aid-matching funds	74,638	20,725	0	0	0	0	0	0	95,363
Federal aid	637,233	0	0	0	0	0	0	0	637,233
Federal commodities	52,019	0	0	0	0	0	0	0	52,019
Total Federal and State Sources	763,890	20,725	0	0	0	0	0	0	784,615
Total Revenues	914,335	20,725	27,026	54,770	121,688	176,672	2,267,609	1,119,731	4,702,556
Expenditures									
Food & supplies	451,181	0	0	0	0	0	0	0	451,181
Salaries & wages	182,843	0	0	0	0	0	0	0	182,843
Fringe benefits	58,849	0	0	0	0	0	0	0	58,849
Repairs & capital outlay	28,034	0	0	0	0	0	0	0	28,034
Other	150,610	0	0	0	0	0	0	0	150,610
Debt Service									
Redemption of Serial Bonds	0	18,884	270,000	0	610,000	900,000	0	0	1,798,884
Interest	0	1,841	110,700	374,463	124,444	45,000	995,000	1,477,888	3,129,336
Other	0	0	225	650	0	0	650	650	2,175
Total Expenditures	871,517	20,725	380,925	375,113	734,444	945,000	995,650	1,478,538	5,801,912
Excess (deficiency) of revenues over expenditures	42,818	0	(353,899)	(320,343)	(612,756)	(768,328)	1,271,959	(358,807)	(1,099,356)
Other financing sources (uses)									
Proceeds from SLRF	0	0	278,973	236,769	612,756	768,328	0	407,816	2,304,642
Operating transfers in (out)	(70,000)	0	0	0	0	0	0	0	(70,000)
Total Other Financing Sources	(70,000)	0	278,973	236,769	612,756	768,328	0	407,816	2,234,642
Excess (deficiency) of revenues over expenditures & other sources (uses)	(27,182)	0	(74,926)	(83,574)	0	0	1,271,959	49,009	1,135,286
Fund balances at beginning of year	74,070	0	76,188	112,003	0	0	933,999	0	1,196,260
Fund balances at end of year	\$ 46,888	\$ 0	\$ 1,262	\$ 28,429	\$ 0	\$ 0	\$ 2,205,958	\$ 49,009	\$ 2,331,546

Belding Area Schools
Other Supplemental Information
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2012

	2012		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Local sources	\$ 1,907,075	\$ 1,855,480	\$ (51,595)
State sources	13,976,400	13,952,183	(24,217)
Federal sources	1,214,000	1,167,638	(46,362)
Other	445,000	445,323	323
Total revenues	17,542,475	17,420,624	(121,851)
Expenditures			
Instruction			
Basic programs	8,370,017	8,324,474	45,543
Added needs	3,178,033	3,067,541	110,492
Adult and continuing education	84,200	45,708	38,492
Support services			
Pupil	975,575	988,619	(13,044)
Instructional staff	648,200	569,283	78,917
General administration	370,300	343,388	26,912
School administration	1,185,900	1,159,455	26,445
Business and central services	3,267,262	3,171,304	95,958
Athletics	340,000	339,697	303
Community services	160,650	156,832	3,818
Other transactions	30,000	37,099	(7,099)
Total expenditures	18,610,137	18,203,400	406,737
Excess (deficiency) of revenues over expenditures	<u>(1,067,662)</u>	<u>(782,776)</u>	<u>284,886</u>
Other financing sources (uses)			
Operating transfers in	70,000	70,000	0
Total other financing sources (uses)	<u>70,000</u>	<u>70,000</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (997,662)</u>	<u>(712,776)</u>	<u>\$ 284,886</u>
Fund balances at beginning of year		<u>3,463,374</u>	
Fund balances at end of year		<u>\$ 2,750,598</u>	

See accompanying notes to financial statements

Belding Area Schools
Other Supplemental Information
Special Revenue Funds
Statement of Revenues, Expenditures, and
Changes in Fund Balance- Budget and Actual
Year Ended June 30, 2012

	Food Service		Difference
	Budget	Actual	
Revenues			
Local sources			
Lunch sales	\$ 200,000	\$ 150,032	\$ (49,968)
Interest	0	413	413
Total Local Sources	200,000	150,445	(49,555)
Federal and state sources			
State aid-matching funds	100,000	74,638	(25,362)
Federal aid	650,000	637,233	(12,767)
Federal commodities	60,000	52,019	(7,981)
Total Federal and State Sources	810,000	763,890	(46,110)
Total Revenues	1,010,000	914,335	(95,665)
Expenditures			
Food & supplies	510,000	451,181	58,819
Salaries & wages	200,000	182,843	17,157
Fringe benefits	65,000	58,849	6,151
Repairs & capital outlay	30,000	28,034	1,966
Other	155,000	150,610	4,390
Total Expenditures	960,000	871,517	88,483
Excess (deficiency) of revenues over expenditures	50,000	42,818	(7,182)
Other financing sources (uses)			
Operating transfers in(out)	(70,000)	(70,000)	0
Excess (deficiency) of revenues over expenditures & other sources (uses)	\$ (20,000)	(27,182)	\$ (7,182)
Fund balances at beginning of year		74,070	
Fund balances at end of year		\$ 46,888	

See accompanying notes to financial statements

Belding Area Schools
 Other Supplemental Information
 Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 Year Ended June 30, 2012

Student Activity Funds

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
Assets				
Cash And Cash Equivalents	<u>\$ 191,941</u>	<u>\$ 405,073</u>	<u>\$ 368,126</u>	<u>\$ 228,888</u>
Liabilities				
Due To Student Groups	<u>\$ 191,941</u>	<u>\$ 405,073</u>	<u>\$ 368,126</u>	<u>\$ 228,888</u>

See accompanying notes to financial statements

Belding Area Schools
Other Supplemental Information
Schedule of Bonded Debt
2006 Refunding Bonds
June 30, 2012

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2013	4.00%	\$ 280,000	\$ 49,950	\$ 49,950	\$ 379,900
2014	4.00%	295,000	44,350	44,350	383,700
2015	4.00%	180,000	38,450	38,450	256,900
2016	4.00%	170,000	34,850	34,850	239,700
2017	4.00%	170,000	31,450	31,450	232,900
2018	4.00%	165,000	28,050	28,050	221,100
2019	4.00%	165,000	24,750	24,750	214,500
2020	4.00%	150,000	21,450	21,450	192,900
2021	4.00%	150,000	18,450	18,450	186,900
2022	4.00%	150,000	15,450	15,450	180,900
2023	4.10%	150,000	12,450	12,450	174,900
2024	4.10%	150,000	9,375	9,375	168,750
2025	4.20%	150,000	6,300	6,300	162,600
2026	4.20%	150,000	3,150	3,150	156,300
	Total	<u>\$ 2,475,000</u>	<u>\$ 338,475</u>	<u>\$ 338,475</u>	<u>\$ 3,151,950</u>

Purpose- To refund the 1996 Bonds. The purpose of the 1996 bonds was to erect, furnish and equip a new elementary school and playgrounds; to erect, furnish and equip and addition or additions to and/or partially remodel, refurbish and re-equip the Ellis Elementary School and the High School; partially remodel for and install educational technology in school facilities; partially remodel, refurbish and re-equip the Hallpark School for an athletic facility; acquire additional land for site purposes; construct, develop and improve sites, playgrounds, outdoor physical education fields and athletic facilities and refunding all of the 1992 construction bonds.

Belding Area Schools
Other Supplemental Information
Schedule of Bonded Debt
2008 Refunding Bonds
June 30, 2012

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2013	4.90%	\$ 1,055,000	\$ 187,231	\$ 187,231	\$ 1,429,463
2014	4.95%	1,090,000	170,088	170,088	1,430,175
2015	5.00%	650,000	152,375	152,375	954,750
2016	5.00%	640,000	141,000	141,000	922,000
2017	5.00%	630,000	125,000	125,000	880,000
2018	5.00%	630,000	109,250	109,250	848,500
2019	5.00%	620,000	93,500	93,500	807,000
2020	5.00%	615,000	81,100	81,100	777,200
2021	5.00%	600,000	68,800	68,800	737,600
2022	5.00%	595,000	56,800	56,800	708,600
2023	5.00%	575,000	44,900	44,900	664,800
2024	5.00%	570,000	33,400	33,400	636,800
2025	5.00%	550,000	22,000	22,000	594,000
2026	5.00%	550,000	11,000	11,000	572,000
	Total	<u>\$ 9,370,000</u>	<u>\$ 1,296,444</u>	<u>\$ 1,296,444</u>	<u>\$ 11,962,888</u>

Purpose - Refunding the Schools District's 1998 Refunding Bonds dated February 28, 1998, which are callable on or after May 1, 2008, and are due and payable May 1, 2009 through May 1, 2014, inclusive, May 1, 2018 and May 1, 2026, and paying the costs of issuing the Bonds.

Belding Area Schools
 Other Supplemental Information
 Schedule of Bonded Debt
 2009 Refunding Bonds - Series A
 June 30, 2012

<u>Year Ended June 30</u>	<u>Interest Rate</u>	<u>Principal May 1</u>	<u>Interest</u>		<u>Total Debt Requirement</u>
			<u>November 1</u>	<u>May 1</u>	
2013	2.70%	\$ 580,000	\$ 54,963	\$ 54,963	\$ 689,926
2014	3.30%	660,000	47,133	47,133	754,266
2015	3.80%	1,360,000	36,243	36,243	1,432,486
2016	4.29%	<u>485,000</u>	<u>10,404</u>	<u>10,404</u>	<u>505,808</u>
	Total	<u>\$ 3,085,000</u>	<u>\$ 148,743</u>	<u>\$ 148,743</u>	<u>\$ 3,382,486</u>

Purpose - Refunding the Schools District's 1998 Refunding Bonds dated February 28, 1998, which are callable on or after May 1, 2008, and are due and payable May 1, 2009 through May 1, 2014, inclusive, May 1, 2018 and May 1, 2026, and paying the costs of issuing the Bonds.

Belding Area Schools
 Other Supplemental Information
 Schedule of Bonded Debt
 2010 School Building and Site Bonds - Series A
 June 30, 2012

Year Ended June 30	Interest Rate	Principal May 1	Interest November 1	Interest May 1	Total Debt Requirement
2013			\$ 497,500	\$ 497,500	\$ 995,000
2014			497,500	497,500	995,000
2015			497,500	497,500	995,000
2016			497,500	497,500	995,000
2017			497,500	497,500	995,000
2018			497,500	497,500	995,000
2019			497,500	497,500	995,000
2020			497,500	497,500	995,000
2021			497,500	497,500	995,000
2022			497,500	497,500	995,000
2023			497,500	497,500	995,000
2024			497,500	497,500	995,000
2025	6.50%	\$ 5,000,000	497,500	497,500	5,995,000
2026	6.70%	5,000,000	335,000	335,000	5,670,000
2027	6.70%	5,000,000	167,500	167,500	5,335,000
Total		<u>\$ 15,000,000</u>	<u>\$ 6,970,000</u>	<u>\$ 6,970,000</u>	<u>\$ 19,985,000</u>

Purpose - Refunding the Schools District's 1998 Refunding Bonds dated February 28, 1998, which are callable on or after May 1, 2008, and are due and payable May 1, 2009 through May 1, 2014, inclusive, May 1, 2018 and May 1, 2026, and paying the costs of issuing the Bonds.

Belding Area Schools
Other Supplemental Information
Schedule of Bonded Debt
2010 School Building and Site Bonds - Series B
June 30, 2012

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2013			\$ 738,944	\$ 738,944	\$ 1,477,888
2014			738,944	738,944	1,477,888
2015			738,944	738,944	1,477,888
2016	4.41%	\$ 700,000	738,944	738,944	2,177,888
2017	4.86%	800,000	723,509	723,509	2,247,018
2018	5.05%	825,000	704,069	704,069	2,233,138
2019	5.15%	850,000	683,237	683,237	2,216,474
2020	5.30%	875,000	661,350	661,350	2,197,700
2021	5.75%	900,000	638,162	638,162	2,176,324
2022	5.75%	925,000	612,287	612,287	2,149,574
2023	6.15%	950,000	585,694	585,694	2,121,388
2024	6.15%	975,000	556,481	556,481	2,087,962
2025	6.25%	1,000,000	526,500	526,500	2,053,000
2026	6.52%	1,000,000	495,250	495,250	1,990,500
2027	6.52%	1,000,000	462,650	462,650	1,925,300
2028	6.52%	1,000,000	430,050	430,050	1,860,100
2029	6.52%	1,000,000	397,450	397,450	1,794,900
2030	6.52%	1,000,000	364,850	364,850	1,729,700
2031	6.62%	1,000,000	332,250	332,250	1,664,500
2032	6.62%	1,000,000	299,150	299,150	1,598,300
2033	6.62%	1,000,000	266,050	266,050	1,532,100
2034	6.62%	1,000,000	232,950	232,950	1,465,900
2035	6.62%	1,000,000	199,850	199,850	1,399,700
2036	6.67%	1,000,000	166,750	166,750	1,333,500
2037	6.67%	1,000,000	133,400	133,400	1,266,800
2038	6.67%	1,000,000	100,050	100,050	1,200,100
2039	6.67%	1,000,000	66,700	66,700	1,133,400
2040	6.67%	1,000,000	33,350	33,350	1,066,700
	Total	<u>\$ 23,800,000</u>	<u>\$ 12,627,815</u>	<u>\$ 12,627,815</u>	<u>\$ 49,055,630</u>

Purpose - Refunding the Schools District's 1998 Refunding Bonds dated February 28, 1998, which are callable on or after May 1, 2008, and are due and payable May 1, 2009 through May 1, 2014, inclusive, May 1, 2018 and May 1, 2026, and paying the costs of issuing the Bonds.

Belding Area Schools
 Other Supplemental Information
 Schedule of Bonded Debt
 Durant Issue
 June 30, 2012

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Requirement</u>
5/15/2013	\$ 103,728	\$ 35,525	\$ 139,253
	<u>\$ 103,728</u>	<u>\$ 35,525</u>	<u>\$ 139,253</u>

Purpose - For the purchase of two general use school buses, one special ed lift bus, roof replacement at Ellis Elementary and administration building, air conditioning for elementary computer lab, Middle school and high school time-out rooms, high school parking lot repair and gymnasium floor refurbishing, Washington carpet replacement and soffitt repair.

Federal Programs

INDEPENDENT AUDITOR'S 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
Belding Area Schools
Belding, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belding Area Schools, as of and for the year ended June 30, 2012, which collectively comprise the Belding Area Schools basic financial statements and have issued our report thereon dated November 13, 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 Belding Area 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 Belding Area Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Belding Area Schools' 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 a combination of deficiencies, in internal control such that there is a 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
Belding Area Schools

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Belding Area 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, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Biggs, Hausserman, Thompson & Dickinson, P.C.

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants

November 13, 2012

REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT OR MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Belding Area Schools
Belding, Michigan

Compliance

We have audited the compliance of Belding Area Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Belding Area Schools' major federal programs for the year ended June 30, 2012. Belding Area Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Belding Area Schools' management. Our responsibility is to express an opinion on Belding Area Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Belding Area Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Belding Area Schools' compliance with those requirements.

In our opinion, Belding Area Schools complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Belding Area Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Belding Area Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Belding Area Schools' internal control over compliance.

Board of Education
Belding Area Schools

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Biggs, Hausserman, Thompson & Dickinson, P.C.

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants

November 13, 2012

Belding Area Schools
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Belding Area Schools.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's 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.
3. No instances of noncompliance material to the financial statements of Belding Area Schools, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal award programs is reported in the Independent Auditor's Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Belding Area Schools expresses an unqualified opinion on all major programs.
6. Audit findings that are required to be reported in accordance with OMB Circular A-133 are reported in Part C of this Schedule. There are no findings for the year ended June 30, 2012.
7. The program tested as a major program include: CFDA #10.559, #10.555 and #10.553. Total expenditures were \$644,015.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Belding Area Schools was determined to be a low-risk auditee.

B. Findings--Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

Belding Area Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at July 1, 2011	(Memo Only) Prior Year Expenditures	Current-Year Expenditures	Current-Year Federal Revenue Received	Accrued or (Deferred) Revenue at June 30, 2012	Adjustments
U.S. Department of Agriculture								
Child Nutrition Cluster								
Passed through the Michigan Department of Education National School Lunch/Breakfast/Summer Program								
Summer	10.559	*						
Project number 110900		\$ 20,990	\$ 4,528	\$ 4,528	\$ 16,462	\$ 20,990	\$ 0	\$ 0
Project number 111900		2,214	28	28	2,186	2,214	0	0
Project number 121900		1,554	0	0	115	0	115	0
Project number 120900		19,586	0	0	1,768	0	1,768	0
Total Summer		44,344	4,556	4,556	20,531	23,204	1,883	0
Lunch-Cash	10.555	*						
Project number 111960		327,954	0	283,940	44,014	44,014	0	0
Project number 121960		342,047	0	0	342,047	342,047	0	0
Total Lunch-Cash		670,001	0	283,940	386,061	386,061	0	0
Lunch-commodities								
Entitlement		49,342	0	0	49,342	49,342	0	0
Bonus		2,677	0	0	2,677	2,677	0	0
Total Commodities		52,019	0	0	52,019	52,019	0	0
Total lunch		722,020	0	283,940	438,080	438,080	0	0
Breakfast	10.553	*						
Project number 111970		217,363	0	196,399	20,964	20,964	0	0
Project number 121970		164,440	0	0	164,440	164,440	0	0
Total Breakfast		381,803	0	196,399	185,404	185,404	0	0
Total Child Nutrition Cluster		1,148,167	4,556	484,895	644,015	646,688	1,883	0
Child Care Food Program	10.558							
Project number 111920		11,519	0	9,005	2,442	2,442	0	0
Project number 121920		21,161	0	0	21,161	21,161	0	0
Project number 112010		605	72	541	137	209	0	0
Project number 122010		1,196	0	0	1,196	1,196	0	0
Total Child Care Food		34,481	72	9,546	24,936	25,008	0	0
Total U.S. Department of Agriculture		1,182,648	4,628	494,441	668,951	671,696	1,883	0
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I, Part A Cluster								
Title I	84.010							
Project number 111530-1011		489,799	22,901	453,095	0	22,901	0	0
Project number 121530-1112		553,645	0	0	495,830	353,276	142,554	0
Total Title 1, Part A Cluster		1,043,444	22,901	453,095	495,830	376,177	142,554	0
Passed through Ionia ISD								
Special Education Cluster(IDEA)								
IDEA - ARRA	84.391							
Project number 100455		404,000	25,338	404,000	0	25,338	0	0
Total Special Education Cluster(IDEA)		404,000	25,338	404,000	0	25,338	0	0

Belding Area Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at July 1, 2011	(Memo Only) Prior Year Expenditures	Current-Year Expenditures	Current-Year Federal Revenue Received	Accrued or (Deferred) Revenue at June 30, 2012	Adjustments
Title 1 - Migrant	84.011							
Project number 111830-2010		150,692	26,847	26,847	123,845	150,681	11	0
Project number 121830-1112		143,597	0	0	45,607	0	45,607	0
Project number 111890-1011		281,652	31,214	250,457	0	31,214	0	0
Project number 121890-1112		215,325	0	0	210,033	131,905	78,128	0
Total Title 1 - Migrant		<u>791,266</u>	<u>58,061</u>	<u>277,304</u>	<u>379,485</u>	<u>313,800</u>	<u>123,746</u>	<u>0</u>
Title III LEP	84.365							
Project number 120580-1112		63,370	0	0	54,612	44,566	10,046	0
Project number 110580-1011		54,063	7,504	41,838	0	7,504	0	0
Total Title III LEP		<u>117,433</u>	<u>7,504</u>	<u>41,838</u>	<u>54,612</u>	<u>52,070</u>	<u>10,046</u>	<u>0</u>
Title IIA - Improving Teacher Quality	84.367							
Project number 110520-1011		143,168	16,717	104,824	0	16,717	0	0
Project number 120520-1112		163,019	0	0	153,724	93,936	59,788	0
Total Title IIA		<u>306,187</u>	<u>16,717</u>	<u>104,824</u>	<u>153,724</u>	<u>110,653</u>	<u>59,788</u>	<u>0</u>
Adult Education-State Administerer	84.002							
Project number 111130-111913		43,575	10,250	43,575	0	10,250	0	0
Project number 121130-121913		41,251	0	0	41,251	28,532	12,719	0
Total Adult Education		<u>84,826</u>	<u>10,250</u>	<u>43,575</u>	<u>41,251</u>	<u>38,782</u>	<u>12,719</u>	<u>0</u>
Education Jobs Fund	84.410							
Project number 112545-1112		37,736	0	0	37,736	37,736	0	0
Total Education Jobs Fund		<u>37,736</u>	<u>0</u>	<u>0</u>	<u>37,736</u>	<u>37,736</u>	<u>0</u>	<u>0</u>
Total U.S. Department of Education		<u>2,784,892</u>	<u>140,771</u>	<u>1,324,636</u>	<u>1,162,638</u>	<u>954,556</u>	<u>348,853</u>	<u>0</u>
Corporation for National and Community Service Passed through Michigan Department of Human Services Learn and Serve Grant	94.004							
MSBF 11-34252		20,000	1,245	15,000	5,000	6,245	0	0
Total Learn and Serve		<u>20,000</u>	<u>1,245</u>	<u>15,000</u>	<u>5,000</u>	<u>6,245</u>	<u>0</u>	<u>0</u>
Total Corporation for National and Community Service		<u>20,000</u>	<u>1,245</u>	<u>15,000</u>	<u>5,000</u>	<u>6,245</u>	<u>0</u>	<u>0</u>
U.S. Department of Health and Human Services Passed through Michigan Department of Community Health Communities Putting Prevention to Work -ARRA Schools Implementing Nutrition Standards	93.723							
		40,000	(7,801)	19,699	20,301	12,500	0	0
Total U.S. Department of Health and Human Services		<u>40,000</u>	<u>(7,801)</u>	<u>19,699</u>	<u>20,301</u>	<u>12,500</u>	<u>-</u>	<u>0</u>
Total federal financial assistance		<u>\$ 4,027,540</u>	<u>\$ 138,843</u>	<u>\$ 1,853,776</u>	<u>\$ 1,856,890</u>	<u>\$ 1,644,997</u>	<u>\$ 350,736</u>	<u>\$ 0</u>

* = Major program

Belding Area Schools
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

NOTE A: *Designates a major program.

NOTE B: The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

NOTE C: Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to these amounts reported in the annual or final cost reports.

NOTE D: Management has utilized the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards. Some timing differences occurred between amounts reported on the Form R7120 and the actual receipt of funds.

NOTE E: U.S.D.A. commodities are recorded as revenues and expenditures when received. Amounts are based on U.S.D.A. value for donated food commodities. Reported commodity receipts values were computed using the Recipient Entitlement Balance Report and other district records. Spoilage or pilferage, if any, is included in expenditures.

Belding Area Schools
Schedule of Prior Audit Findings
June 30, 2012

Prior Audit Findings

None

To the Board of Education
Belding Area Schools
Belding, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belding Area Schools for the year ended June 30, 2012, and have issued our report thereon dated November 13, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated April 26, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Belding Area Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Belding Area Schools' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our conversations about planning matters on August 1, 2012.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Belding Area Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were management's estimated lives of capital assets and their estimate of the liability of the payout of employee compensated absences. We evaluated the key factors and assumptions used to develop the estimated life span of capital assets and the estimated value of compensated absences in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 13, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and management of Belding Area Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Biggs, Hausserman, Thompson & Dickinson, P.C.

Biggs, Hausserman, Thompson & Dickinson, P.C.
Certified Public Accountants
November 13, 2012