Breckenridge Community School District

Financial Statements
With Supplemental Information
June 30, 2014

Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

525 WEST WARWICK DRIVE, SUITE A, ALMA, MICHIGAN 48801

Breckenridge Community School District
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June 30, 2014

RPC
Roslund Prestage & Company
Certified Public Accountants

Independent Auditor's Report

To the Board of Education
Breckenridge Community School District

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Breckenridge Community School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2014, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.
Certified Public Accountants

September 25, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Breckenridge Community School District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2014. Please read this discussion and analysis in conjunction with the District's financial statement beginning on page 1.

I. Description of the Basic Financial Statements

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities on pages 1 and 2 provide information concerning the operation of the District as a whole. This reporting model takes into consideration the cost of capital assets of the district, as well as, reflects the District's operations on the accrual basis of accounting similar to that used in the private sector. Most notable is the fact that capital assets are not recorded as an expense at the time of purchase. Instead, under this model, capital assets are depreciated over their expected life. Accumulated depreciation is recorded as an offset to capital assets. This reporting model is intended to present a clearer picture of the cost of utilizing capital assets in the District's operations. This model generally has a long-term focus.

Fund Financial Statements

The Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance on pages 3 and 5 provide financial information for the individual governmental funds. The focus of this presentation is to present resources available at the beginning of the year, the receipt and use of resources during the year, and the balance of resources available at year-end to be used in future years. This model is referred to as modified accrual and is focused on available spendable resources. This model generally has a short-term focus.

Reconciliation

The statements on pages 4 and 6 reconcile the differences between the District-Wide Financial Statements and the Fund Financial Statements.

Trust and Agency Funds

The Statement of Net Position - Fiduciary Fund present the resource held for the benefit of other individuals and/or entities. These amounts are not reflected in the Government-Wide Financial Statements because these resources are not intended to be used to finance the operations of the District.

II. Condensed Government-Wide Financial Information

The change in assets, liabilities, and net position from the previous year for the government-wide financial statements were significant.

Current assets decreased by $3,068,378 because cash held for the 2012 bond issue was being expended as bond projects were completed. The reduction in cash of $3,068,378 was offset by the capitalization of bond construction projects as shown by an increase in Capital Assets of $2,557,263.

The increase in capital assets net of depreciation is a result of the capitalization of bond related projects. Capital assets purchased during the year totaled $2,881,210 while current year depreciation was $323,947. Capital assets with a book value of $1,005,726 (with a net book value of zero) were retired/scrapped during the year.

The current liabilities decreased significantly from the previous year as Accounts Payable decreased by $206,562 due to timely receipt and payment of June invoices.

The net decrease in noncurrent liabilities is comprised primarily of the reclassification of long-term debt to short-term debt at year end to reflect the principal on the bond issues that will be due and payable during the year of $705,000.

Total net position for governmental activities increased by 1.27% for the period.

All information presented in Table 1 relates to governmental activities. The District does not have any business-type activities.

Table 1
Comparative Summary of Assets, Liabilities, and Net Position
At June 30, 2013 and 2014

	2014	2013	Difference
Current Assets	$ 3,852,947	$ 6,921,325	$ -3,068,378
Noncurrent Assets	8,188,399	5,631,136	2,557,263
Total Assets	$ 12,041,346	$ 12,552,461	$ -511,115
Current Liabilities	$ 3,492,954	$ 3,719,128	$ -226,174
Noncurrent Liabilities	6,363,298	7,116,914	-753,616
Total Liabilities	$ 9,856,252	$ 10,836,042	$ -979,790
Investment in Capital Assets			
(Net of Related Debt)	$ 1,408,409	$ 1,091,387	$ 317,022
Restricted	611,974	3,514,902	-2,902,928
Unrestricted	164,711	2,889,870	2,725,159
Total Net Position	$ 2,185,094	$ 1,716,419	$ 468,675

Total revenues reported on the Statement of Activities varied slightly from the previous year.

Charges for Services decreased minimally.

Operating Grants and Contributions increased by $345,555 due to the expansion of the Great Start Readiness Program, which increased grant revenue by $134,671. The district also received new Vocational Educational revenues from intermediate school district of $109,295 as well as MPSERS 147c revenue increase of $113,221.

Property taxes increased by $81,484 as a result of a minimal increase in the tax base within the district.

Table 2
Comparative Summary of Program, General, and Total Revenues
Years Ended June 30, 2014 and 2013

	2014	2013	Difference
Charges for Services	$ 98,997	$ 107,648	-$ 8,651
Operating Grants and Contributions	1,582,408	1,236,853	345,555
Total Program Revenues	$ 1,681,405	$ 1,344,501	$ 336,904
Property Taxes	$1,897,457	$1,815,973	$ 81,484
State Aid Not Restricted to Specific Purposes	4,555,098	4,902,420	-347,322
Unrestricted Interest and Investment Earnings	3,929	4,058	-129
Restricted Interest and Investment Earnings	6,449	11,028	-4,579
Other	98,128	114,884	-16,756
Total General Revenues	$6,561,061	$6,848,363	-$287,302
Total Revenues	$8,242,466	$8,192,864	$49,602

A number of the components of total expenses varied significantly from the previous year. Some of these components increased significantly while other decreased.

Instruction costs increased significantly from the previous year due to a substantial increase in expenditures for the Great Start Readiness grant due to an increase in the number of slots granted in 2014 (slot allocation doubled from the prior year).

The cost of **Support Services** decreased during the year due to the reclassification of expenditures within the budget, including the reallocation of payroll for the Dean of Students to Athletics. The Dean of Students went from a .67 FTE in 2013 to a .19 FTE in 2014 (corresponding increase in Athletics).

Athletics related expenditures increased moderately from the previous year due to the reallocation of payroll for the Athletic Director. The Athletic Director went from a .33 FTE in 2013 to a .67 FTE in 2014 (corresponding reduction in Dean of Students under Support Services).

Food Service costs increased slightly from the previous year.

Community Services costs decreased during the year due to a slight decrease in After School salaries/fringes.

Other expenses decreased dramatically due to the completion of the building demolition under the Bond project, for which expenditures for we classified under Other Expenditures.

Table 3
Comparative Summary of Program Expenses by Function and Total Expenses
Years Ended June 30, 2014 and 2013

	2014	2013	Difference
Instruction	$4,635,393	$4,421,477	213,916
Support Services	2,032,614	2,216,408	-183,794
Athletics	213,998	139,487	74,511
Food Service	287,076	280,074	7,002
Community Services	10,999	15,701	-4,702
Interest and Fees on Long-term Debt	205,861	224,693	-18,832
Other	63,903	442,540	-378,637
Depreciation – Unallocated	323,947	306,318	17,629
Total Expenses	$7,773,791	$8,046,698	-$272,907

III. Analysis of the Overall Financial Position and Results of Operations for Governmental Activities

Governmental Activities

The net position and changes in net position are presented in table 4 below. Since the District does not have any business-type activities, this change is entirely comprised of governmental type activities.

Table 4
Comparative Summary of Net Position and Changes in Net Position
Years Ended June 30, 2014 and 2013

	2014	2013	Difference
Net Position – Beginning	$1,716,419	$1,554,245	
Increase (Decrease) in Net Position	468,675	162,174	306,501
Net Position – Ending	$2,185,094	$1,716,419	

The District operates under the philosophy that it should maintain or grow fund balance from one year to the next based on the Fund Financial Statements (modified accrual). Most business officials contend that 12% to 18% fund balance is the optimal target for a district. With slight increases in funding, the district strives to break even while maintaining current programs and maintaining a fund balance above 5%.

The increase in Net Position is a function of the difference between the District-Wide Financial Statements and the Fund Financial Statements. The reconciliation between these two methods is presented on page 6. The main difference between the two models is the accounting for purchases of capital assets of $2,881,210. These purchases are recorded as assets on the District-Wide Financial Statements and as expenditures on the Fund Financial Statements. Other differences include the payment of principal on outstanding bonds ($709,180), and depreciation of fixed assets ($323,947).

Statement of Activities

The Statement of Activities on page 2 is significantly different from the Statement of Revenues, Expenditures, and Changes in Fund Balance. This statement is organized by program listing the expenses in the first column, charges for services in the second column, grants/contributions in the third column, and net expense/revenue in the fourth column. This manner of presentation illustrates the expenses each program generates as well as the corresponding revenues. The net expense/revenue indicates the portion of that program that must be financed with general revenues of the district.

To help the user better understand this statement, the significant program revenues have been identified as follows:

Instruction:

Basic Instruction	Drivers education tuition and Breckenridge Education Foundation donations.
Added Needs	State Special Education funding, At Risk grant, Title I, A grant, Title II, A grant, Medicaid revenues and county special education tax levy from intermediate school district.

Support Services:

Pupil Services	State Special Education funding, county special education tax levy and vocational education revenue from intermediate school district and Technology Infrastructure grant.
Instructional Staff	Title I, A grant, Title II A grant, county special education tax levy from intermediate school district and Technology Infrastructure grant.
Operations and Maintenance	Universal Service Funds and Miscellaneous revenue.
Pupil Transportation	Special Education funding, sale of used buses, county special education tax levy from and vocational transportation revenue from intermediate school district.
Central	State Headlee Obligation for Data Collection grant.
Athletics	Gate receipts, tournament fees and UDIM Milk grant.

All other revenues are considered General Revenues and are listed at the bottom of the Statement of Activities.

IV. Significant Transactions and Changes in Individual Funds

The overall financial position of the individual governmental funds of the District changed significantly from the previous year for the General Fund and the Capital Projects Fund.

The General Fund realized a significant increase in fund equity due to a growth in property tax revenues and the increased amount charged to other funds for services provided.

The Capital Projects Fund incurred a loss as a result of a transfer to the debt service fund to make a payment on the outstanding bond issue.

A comparison of the change in fund balance to the revenues and other financing sources for each of the governmental funds is as follows:

Percent Change in

	Revenues and Other Financing Sources	Net Change in Fund Balance From Prior Year	Fund Balance as a Percent of Revenues and Other Financing Sources
General	$7,028,057	$ 105,160	1.50%
Food Service	289,355	2,279	0.79%
Debt Service	1,036,370	123,472	11.91%
Capital Projects	6,227	-117,543	> 100.00%

General Fund

Approximately 74% of the General Fund budget is spent on salaries and benefits. As this is a large portion of the budget, every attempt is made to settle bargaining agreements. Bargaining units operated without a contract during 2013-14, awaiting the financial outcome of the fiscal year before solidifying an agreement. The Board is committed to small class size and therefore committed to keeping staffing at current levels.

Food Service Fund

The Food Service program for the District has not required any contribution from the General Fund in recent years because it has been operating at a profit or small loss. The District regularly builds fund equity in the Food Service Fund to set aside funds necessary to replace large equipment. During the 2013-14 fiscal year, the District replaced some equipment and upgraded computer systems at a cost of $17,666.

Debt Service Fund

The Debt Service Fund collects property taxes and receives interest earnings on bank deposits to finance the payment of interest and principal on bonds issued to construct and upgrade facilities and technology throughout the district. The tax rate is set each year at a level to pay the current year principal and interest payments on the bond issue with a maximum levy of 2.8 mills. The maximum levy generates sufficient revenues to pay the principal and interest payment of the 2008, 2010 and 2012 bond issues.

Capital Projects

The District had significant capital expenditures related to the 2012 Bond Issue during the year. All projects were substantially completed as of March 31, 2014.

V. Changes to Budget and Comparison to Actual Results

It is required by State law to adopt the original budget before the beginning of the fiscal year. For the fiscal year ended June 30, 2014 the original budget was adopted on June 17, 2013. The original budget is adopted before the enrollment is known, some grants are awarded, and some staff is hired. Many assumptions are therefore made in constructing the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. The significant variances for the fiscal year ended June 30, 2014 are as follows:

General Fund

Changes from Original Budget to Final Budget

Local Sources – The district received additional tax dollars from Gratiot County due to a taxable value correction made, in relation to wind turbines.

State Sources – The original budget was based upon enrollment of 816 students and final student enrollment was 791 students. The loss of state aid revenues of $344,938 were offset by the expansion of the Great Start Readiness program, which resulted in an increase in grant revenue of $169,210, the award of Best Practice revenue of $41,132, additional Vocational Education revenue of $20,853, At Risk Carryover of $18,990 and MPSERS 147a/147c additional revenue of $15,033.

Federal Sources – The original budget was amended to include 2013 Carryover in the Title grants.

Other Sources – The original budget was amended to account for additional revenues received from the intermediate school district in relation to the passage of its vocational education millage.

Basic Programs – The original budget was amended to include the additional expenses ($127,584) associated with the expansion of the Great Start Readiness program, offset by other, normal budget increases and decreases.

Instructional Staff – The most significant change is the reclassification of expenditures within the budget. The Vocational FTE Payout budget line was originally under Transfers and Other and the expense was reclassified under Instructional Staff in compliance with the State of Michigan 1022 Manual.

General Administration – The original budget was amended to include the reduction in costs associated with the Superintendents contract and retirement costs presumed would have to be paid in the original budget. Also, the elimination of PPACA mandated health insurance costs due to the Federal government extension in providing health insurance to employees who average thirty or more hours per week.

School Administration – A decrease in expenditures was recognized in the Final Budget due to the reallocation of payroll for the Dean of Students to Athletics. The Dean of Students went from a .67 FTE in 2013 to a .19 FTE in 2014 (corresponding increase in Athletics).
Operations and Maintenance – The original budget was amended to include additional salaries and associated fringes for custodial staff, as well as contracted maintenance expense.
Athletics – An increase in expenditures was recognized in the final budget due to the reallocation of payroll for the Athletic Director. The Athletic Director went from a .33 FTE in 2013 to a .67 FTE in 2014 (corresponding reduction in Dean of Students under School Administration).
Transfers & Other – The original budget was amended to include the decrease for the Vocational FTE Payout budget line was reclassified to the Instructional Staff portion of the budget, in compliance with the State of Michigan 1022 Manual.

Variances between Final Budget and Actual Amounts

State Sources – At Risk grant of $44,194 was not recognized as those funds were not spent by year end. Additional State Aid Foundation of $28,624.
Federal Sources – Federal grants of $30,903 were not recognized as those funds were not spent by year end.
Other Sources – Additional Special Education dollars from the intermediate school district of $29,344.
Basic Programs – Great Start Readiness grant did not fully spend the allocated budget by $31,359, insurance was less than expected by $35,914 and retirement expense was greater than expected due to MPSERS UAAL adjustment of $9,942.
Added Needs – Title grants ($30,903) and At Risk grant (32,808) did not spend the full 2013-14 allocation.

Food Service Fund

Changes from Original Budget to Final Budget

Local Sources – The original budget was amended to more closely reflect actual student lunch sales.
State Sources – No significant variances.
Federal Sources – The original budget was amended to reflect additional Federal reimbursement revenue in the school lunch program.

Food Service – The original budget was amended to reflect the additional expense associated with equipment and technology purchases.

Variances between Final Budget and Actual Amounts

Food Service – The actual revenues were slightly higher than budgeted and actual expenditures were slightly higher than budgeted resulting in an additional $3,539 being added to Fund Balance at the end of the year.

VI. Capital Assets and Long-Term Debt Activity during the Year

Capital Assets

A summary of the changes in the District's capital assets is presented on page 15. The significant additions and disposals are described as follows:

Buildings and Additions – Building renovations and improvements as outlined in the 2012 Bond Issue.
Equipment – Some old equipment was scrapped during the year.

Furniture – Old furniture was scrapped during the year.

Long-Term Debt

A summary of the changes in long-term debt is presented on page 17. Detailed notes for these long-term debts are on page 16 and 17.

VII. Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations.

One of the most significant factors facing Breckenridge Community School District continues to be the economic condition of the State of Michigan. With state funding the primary source of revenue, the district monitors the state's periodic revenue-estimating conference in order to project revenue for the upcoming fiscal year's budget. In addition, local student enrollment is another revenue producing factor that the district monitors. The state foundation is based on a blended student count. This count is taken in October and February of each fiscal year. The blended count consists of 90% of count taken in October and 10% of the count taken in February. In addition to the state required count days, the district conducts monthly enrollment updates in order to monitor this important revenue source. For budgeting purposes, an estimated student count is used based on the district's enrollment history and Middle Cities enrollment projection.

The District along with other schools throughout Michigan are faced with significant budget challenges as the State of Michigan continues to struggle to determine an effective method to provide adequate funding for public education. Districts must continue to provide quality educational services to their students while effectively managing their resources within the ever changing financial landscape for Michigan Schools.

The budget prepared for the 2014-15 school year was based on a $175 per student state funding increase and a decline in student enrollment of 21 students, projecting a modest increase in the district's fund balance.

Request for Information

This financial report is designed to provide our stakeholders with a general overview of the district's finances and to show the district's accountability for the funding it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Breckenridge Community School District, Central Office, 700 Wright Street, Breckenridge, MI 48615.

DISTRICT-WIDE
FINANCIAL STATEMENTS

Breckenridge Community School District
Statement of Net Position
June 30, 2014

Assets	
Current assets	
Cash and cash equivalents	$ 2,608,715
Accounts receivable	1,151
Due from other governmental units	1,183,081
Prepaid expenses	60,000
Total current assets	3,852,947
Noncurrent assets	
Capital assets less accumulated depreciation	8,188,399
Total assets	12,041,346
Liabilities	
Current liabilities	
Accounts payable	18,441
Salaries payable	277,565
Accrued interest on short-term note payable	21,587
Accrued interest on long-term debt	33,631
Payroll deductions and other withholdings	154,290
Unearned revenue	54,633
Short-term note payable	2,100,000
Bonds payable - due within one year	705,000
Loans payable - due within one year	24,990
Compensated absences - due within one year	17,817
Retirement incentive - due within one year	85,000
Total current liabilities	3,492,954
Noncurrent liabilities	
Long-term portion of bonds payable	6,050,000
Long-term portion of compensated absences	100,982
Long-term portion of premium on bonds, less accumulated amortization	123,156
Long-term portion of retirement incentive	89,160
Total noncurrent liabilities	6,363,298
Total liabilities	9,856,252
Net position	
Net investment in capital assets	1,408,409
Restricted for:	
Capital projects	142,968
Debt service	396,569
Food service	72,437
Unrestricted	164,711
Total net position	$ 2,185,094

The notes to the financial statements are an integral part of this statement.

Breckenridge Community School District
Statement of Activities
For the Year Ended June 30, 2014

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes Net Position
Governmental activities:				
Instruction	$ 4,635,393	$ -	$ 1,348,392	$ (3,287,001)
Support services	2,032,614	-	-	(2,032,614)
Athletics	213,998	36,511	-	(177,487)
Food service	287,076	55,012	234,016	1,952
Community services	10,999	7,474	-	(3,525)
Interest and fees on long-term debt	205,861	-	-	(205,861)
Other expenses	63,903	-	-	(63,903)
Depreciation - unallocated	323,947	-	-	(323,947)
Total governmental activities	$ 7,773,791	$ 98,997	$ 1,582,408	(6,092,386)
General revenues:				
Property taxes				1,897,457
State sources				4,555,098
Unrestricted interest and investment earnings				3,929
Restricted interest and investment earnings				6,449
Miscellaneous				98,128
Total general revenues				6,561,061
Change in net position				468,675
Net position - beginning				1,716,419
Net position - ending				$ 2,185,094

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

Breckenridge Community School District
Balance Sheet
Governmental Funds
June 30, 2014

	Major Funds				
	General	Food Service	Debt Service	Capital Projects	Totals
Assets					
Cash and cash equivalents	$ 1,991,964	$ 75,494	$ 279,026	$ 262,231	$ 2,608,715
Accounts receivable	1,151	-	-	-	1,151
Due from other funds	-	-	270,890	-	270,890
Due from other governmental units	1,181,492	1,589	-	-	1,183,081
Prepaid expenses	60,000	-	-	-	60,000
Total assets	3,234,607	77,083	549,916	262,231	4,123,837
Liabilities					
Accounts payable	$ 12,075	$ 4,646	$ -	$ 1,720	$ 18,441
Due to other funds	-	-	153,347	117,543	270,890
Accrued interest	21,587	-	-	-	21,587
Salaries payable	277,565	-	-	-	277,565
Payroll deductions and other withholdings	154,290	-	-	-	154,290
Unearned revenue	54,633	-	-	-	54,633
Short term note payable	2,100,000	-	-	-	2,100,000
Total liabilities	2,620,150	4,646	153,347	119,263	2,897,406
Fund balances					
Nonspendable	60,000	-	-	-	60,000
Restricted for:					
Food service	-	72,437	-	-	72,437
Debt service	-	-	396,569	-	396,569
Capital projects	-	-	-	142,968	142,968
Unassigned	554,457	-	-	-	554,457
Total fund balances	614,457	72,437	396,569	142,968	1,226,431
Total liabilities, deferred inflows of resources and fund balance	$ 3,234,607	$ 77,083	$ 549,916	$ 262,231	$ 4,123,837

Breckenridge Community School District
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Position of Governmental Activities on the Statement of Net Position
For the Year Ended June 30, 2014

Total fund balance - governmental funds			$ 1,226,431
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
Add:	Cost of capital assets	$ 13,924,260	
Deduct:	Accumulated depreciation	(5,735,861)	
			8,188,399
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:			
Deduct:	2008 Refunding Bonds	(2,125,000)	
Deduct:	2010 Bonds	(1,090,000)	
Deduct:	2012 Bonds	(3,540,000)	
Deduct:	Compensated absences payable	(118,799)	
Deduct:	Commercial Controls	(24,990)	
Deduct:	Retirement incentive payable	(174,160)	
Deduct:	Accrued interest on long-term liabilities	(33,631)	
			(7,106,580)
Other amounts reported in the statement of activities that do not require current financial resources:			
Deduct:	Premium on bonds (net of amortization) - 2008 bonds		(48,365)
Deduct:	Premium on bonds (net of amortization) - 2012 bonds		(74,791)
Total net position - governmental activities			$ 2,185,094

The notes to the financial statements are an integral part of this statement.

Breckenridge Community School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	Major Funds				
	General	Food Service	Debt Service	Capital Projects	Totals
Revenues					
Local sources	$ 1,095,496	$55,339	$ 918,827	$ 6,227	$ 2,075,889
State sources	5,303,430	12,959	-	-	5,316,389
Federal sources	252,421	221,057	-	-	473,478
Other sources	376,710	-	-	-	376,710
Total revenues	7,028,057	$289,355	918,827	6,227	8,242,466
Expenditures					
Instruction					
Basic programs	3,676,371	-	-	-	3,676,371
Added needs	737,871	-	-	-	737,871
Adult / continuing education	129,129	-	-	-	129,129
Total instruction	4,543,371	-	-	-	4,543,371
Support services					
Pupil	240,996	-	-	-	240,996
Instructional staff	187,391	-	-	-	187,391
General administration	182,366	-	-	-	182,366
School administration	403,940	-	-	-	403,940
Business services	118,893	-	-	-	118,893
Operation and maintenance	638,847	-	-	-	638,847
Pupil transportation	340,257	-	-	-	340,257
Central	9,631	-	-	-	9,631
Other support services	5,283	-	-	-	5,283
Athletics	213,998	-	-	-	213,998
Total support services	2,341,602	-	-	-	2,341,602
Food service	-	287,076	-	-	287,076
Community services	10,999	-	-	-	10,999
Debt service					
Principal payments	-	-	690,000	-	690,000
Interest, fees and other	-	-	222,073	-	222,073
Capital assets	-	-	-	2,881,210	2,881,210
Other expenditures	26,925	-	825	36,153	63,903
Total expenditures	6,922,897	287,076	912,898	2,917,363	11,040,234
Revenues over (under) expenditures	105,160	2,279	5,929	(2,911,136)	(2,797,768)
Other financing sources (uses)					
Transfers in (out)	-	-	117,543	(117,543)	-
Revenues and other financing sources over (under) expenditures and other financing sources	105,160	2,279	123,472	(3,028,679)	(2,797,768)
Fund balances - beginning	509,297	70,158	273,097	3,171,647	4,024,199
Fund balances - ending	$ 614,457	$ 72,437	$ 396,569	$ 142,968	$ 1,226,431

The notes to the financial statements are an integral part of this statement.

Breckenridge Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds		$	(2,797,768)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Add:	Capital asset purchases		2,881,210
Deduct:	Depreciation expense		(323,947)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.			
Add:	Decrease in accrual for compensated absences		2,378
Add:	Decrease in accrued interest on long term debt		3,381
Payment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).			
Add:	2008 bonds		315,000
Add:	2010 bonds		75,000
Add:	2012 bonds		300,000
Add:	Commercial control systems debt		24,990
Add:	Early retirement incentive		70,000
Other amounts reported in the statement of activities that do not require current financial resources			
Deduct:	Increase in early retirement incentive		(94,400)
Add:	Amortization of premium		12,831
Change in net position - governmental activities		$	468,675

Breckenridge Community School District
Fiduciary Funds - Statement of Net Position
For the Years Ended June 30, 2014

Agency Fund

Assets		
Cash and cash equivalents	$	89,011
Liabilities		
Due to student and other groups		89,011
Net Position	$	-

-

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Breckenridge Community School District (the District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the District.

Reporting Entity

The District is governed by a seven member Board of Education which has responsibility and control over all activities related to public school education within the District. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

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

The District receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities.

District-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items, including taxes and intergovernmental payments, not properly included among program revenues, are reported instead as general revenues.

Net position is restricted when constraints placed on it are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide Financial Statements **-** The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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.

Fund Financial Statements **-** The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. 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.

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

The District reports the following major governmental funds:

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

- The debt service fund is used to record tax, interest and other revenue for payment of principal and other expenditures on the long-term debt.

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The school service funds are special revenue funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of these funds. The school service funds maintained by the District are the food service fund and the capital projects fund.

Additionally, the District reports the following fund types:

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

- The District presently maintains a student activity fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

Budgetary Data

Budgets are adopted by the District for the general and special revenue funds. The budgets are adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level and control is exercised at the activity level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The District's deposits are in accordance with statutory authority.

Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Due from other governmental entities consist primarily of amounts due from the State of Michigan.

Property Tax Revenue

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and interest and penalties may be assessed by the collecting entity.

The District levied 18.0 mills for school general operations on the non-homestead taxable value. The District also levied an additional 2.8 mills on all property in the District for the purpose of debt service.

State Aid Revenue

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

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental column in the District-wide financial statements. Capital assets are defined by the District as individual assets with an initial cost equal to or 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 value at the date of donation.

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

The District does not have infrastructure-type assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the District-wide financial statements.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings & Improvements	10-50
Furniture & Equipment	5-20
Vehicles	5-8
Computer & Related Equipment	5

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Compensated Absences

The District's policy allows full time, non-teacher employees to accumulate an unlimited amount of vacation days, and to carry the accumulation for an indefinite time into the future. Amounts accumulated are to be paid to the employee and recognized as an expense when vacation days are actually taken. Upon termination, no more than one year's accumulation will be paid to an employee and recognized as an expense. The vacation pay liability at June 30, 2014 is $33,109.

Sick pay is accumulated at a rate of ten (10) days per year (maximum of 130 days) for teachers, administrators and twelve-month employees. Other employees accumulate sick days at a rate of nine (9) days per year. Amounts accumulated are to be paid to the employee and recognized as an expense when sick leave is actually taken. Upon termination of employment, all sick leave benefits are forfeited. Upon retirement, providing that notice is given to the Board of Directors by May 1st of the year in which retirement is planned, teachers with a minimum of twelve (12) years of service in the Breckenridge School District, and who are eligible to receive retirement benefits from MPSERS, are paid sick leave at a rate of $80 for each unused sick day. The sick pay liability at June 30, 2014 is $85,690.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

Long-Term Obligations

In the District-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the statement of net position.

Governmental Fund – Fund Balance

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.

- Restricted fund balance—amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District's Capital Projects and Debt Service fund balances are considered restricted.

  The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

- Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

- Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.

- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Unemployment Compensation

The District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method the District must reimburse the Employment Commission for all benefits charged against the District for the year. No provision has been made for possible future claims.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

Budgets are adopted at the functional level and on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is not employed in governmental funds.

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

- The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- Management is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
- The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2014. The District does not consider these amendments to be significant.

During the year the District incurred expenditures in excess of amounts appropriated as shown in the back of this report.

DETAIL NOTES

NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30, 2014, the carrying amount of the District's cash and cash equivalents was:

Cash and Cash Equivalents	Amount
Petty Cash	$ 1,449
Deposits With Financial Institutions: Interest Bearing Checking, Savings, and Money Market Accounts	2,344,090
Certificates of Deposit	263,176
Totals	$ 2,608,715

At year-end, the carrying amount of the District's deposits was $2,607,266 and the bank balance was $2,660,835. Of the bank balance, $250,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

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.

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, it is the risk that in the event of a bank failure, the District's deposits may not be returned to it. See above for amount of deposits held by the District that are exposed to custodial credit risk because it is uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, it 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 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 prequalifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

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

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

As of June 30th, due from other governmental units is comprised of the following amounts:

Due From	Amount
General Fund:	
State of Michigan – State Aid	$ 940,549
Title II, Part A	26,554
Title I, Part A	44,898
Gratiot Isabella RESD	109,295
Midland ESA	60,196
Hot Lunch Fund:	
State of Michigan – State Aid	1,589
Totals	$ 1,183,081

NOTE 5 - ACCOUNTS RECEIVABLE

These receivables consist of various amounts owed to the District that are due from non-governmental units.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at year-end were comprised of the following amounts:

Fund	Due To	Due From
Debt Service Fund – 2008 Bond	$ 153,347	$ -
Debt Service Fund – 2010 Bond	-	30,893
Debt Service Fund – 2012 Bond	-	239,997
Capital Projects Fund – 2012 Bond, Proposal 2	117,543	-
Totals	$ 270,890	$ 270,890

NOTE 7 - PREPAIDS

Prepaid expenses represent payments for agreements that will benefit future periods.

NOTE 8 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

Capital Assets	Beginning Balance	Additions/ Adjustments	Disposals	Ending Balance
Buildings & Improvements	$9,550,050	$ 2,876,210	($ 390,292)	$ 12,035,968
Computer & Related Equipment	546,719	-	(442,709)	104,010
Furniture & Equipment	1,155,272	-	(172,725)	982,547
Vehicles	796,735	5,000	-	801,735
Total Capital Assets	12,048,776	2,881,210	(1,005,726)	13,924,260
Accumulated Depreciation				
Buildings & Improvements	(4,365,281)	(237,518)	390,292	(4,212,507)
Computer & Related Equipment	(546,719)	-	442,709	(104,010)
Furniture & Equipment	(968,171)	(34,462)	172,725	(829,908)
Vehicles	(537,469)	(51,967)	-	(589,436)
Total Accumulated Depreciation	(6,417,640)	(323,947)	1,005,726	(5,735,861)
Net Capital Assets	$ 5,631,136	$ 2,557,263	$ -	$ 8,188,399

Depreciation for the year ended June 30, 2014 totaled $323,947. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 9 - ACCRUED WAGES

Accrued wages as of June 30th consist mainly of the remaining balance owed on teacher contracts to be paid during the summer months. This also includes amounts earned by other employees as of year-end but not paid until after year-end.

NOTE 10 - SHORT-TERM NOTE PAYABLE

STATE AID LOAN

On August 20, 2013, the District borrowed $2,100,000 in two notes from the Municipal Bond Authority in the form of State Aid Anticipation Notes for the purpose of providing funds for school operations. The interest rates were stated at 1.378% and 1.050%. These notes are payable at maturity on August 20, 2014. The remaining balance on these notes is shown as a current liability in the General Fund.

On August 20, 2014 (after the end of the current fiscal year), the District borrowed $1,900,000 in two notes from the Municipal Bond Authority in the form of State Aid Anticipation Notes for the purpose of providing funds for school operations. The interest rates are stated at 1.235% and 1.050%. These notes are payable at maturity on August 20, 2015. These loans were acquired after the end of the fiscal year and, therefore, are not shown as current liabilities in the General Fund.

NOTE 11 - LONG-TERM DEBT

The District issues bonds, notes and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds and refunding bonds are direct obligations and pledge the full faith and credit of the District. Other long-term obligations include compensated absences.

<u>2008 REFUNDING BONDS</u>

During the fiscal year ended June 30, 2008, the District advance refunded a general obligation bond issue with a general obligation bond refunding. The District issued $4,055,000 of general obligation refunding bonds for the purpose of advance refunding a portion of the District's outstanding 1998 bonds and paying costs associated with the issuance of the bonds. The proceeds of the bonds, together with funds on hand, will be used to establish an escrow fund to provide for payment of principal and interest and redemption premiums on the prior bonds being refunded. The escrow fund will consist of cash and direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

The bonds are a full faith and credit unlimited tax general obligation of the District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the District without limitation as to rate or amount. The bonds are dated March 27, 2008.

See payment schedule in the back of this report.

<u>2010 BONDS</u>

During the fiscal year ended June 30, 2010, the District issued a general obligation bond in the amount of $1,300,000. The bonds are a full faith and credit unlimited tax general obligation of the District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the District without limitation as to rate or amount. The bonds are dated February 24, 2010.

See payment schedule in the back of this report.

<u>2012 BONDS</u>

During the fiscal year ended June 30, 2013, the District issued a general obligation bond in the amount of $4,135,000. The bonds are a full faith and credit unlimited tax general obligation of the District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the District without limitation as to rate or amount. The bonds are dated November 28, 2012.

See payment schedule in the back of this report.

INSTALLMENT PURCHASE

On November 13, 2007, the District entered into a contract with Commercial Controls, Inc. for the purchase, installation and maintenance of a temperature control system. The total cost of the contract was $199,920. The terms of the contract call for an initial payment of $24,990 due upon acceptance of the contract and seven annual payments of $24,990. There was no stated interest rate.

See payment schedule in the back of this report.

RETIREMENT INCENTIVE PAYABLE

Ten individuals are currently participating in the early retirement incentive program offered by the District. Under this program, the individuals will receive annual payments ranging from $1,760 to $15,000 each through the year 2018.

For additional information see the payment schedule included in the back of this report.

CHANGES TO LONG-TERM DEBT

The changes in long-term debt during the year ended June 30th are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year	Total due after one year
2008 Bonds	$ 2,440,000	$ -	($ 315,000)	$ 2,125,000	$ 320,000	$ 1,805,000
2010 Bonds	1,165,000	-	(75,000)	1,090,000	85,000	1,005,000
2012 Bonds	3,840,000	-	(300,000)	3,540,000	300,000	3,240,000
Early Retirement Inc.	149,760	94,400	(70,000)	174,160	85,000	89,160
Commercial Controls	49,980	-	(24,990)	24,990	24,990	-
Compensated Abs.	121,177	-	(2,378)	118,799	17,817	100,982
Total	$ 7,765,917	$ 94,400	($ 787,368)	$ 7,072,949	$ 832,807	$ 6,240,142

NOTE 12 - EMPLOYEE RETIREMENT SYSTEM

Plan Description

The District participates in the statewide Michigan Public School Employees' Retirement System (System) which is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111. It is also available at http://www.michigan.gov/orsschools. The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget.

Introduction

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members. A DB member or Pension Plus hybrid plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Pension Reform

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members a voluntary election regarding their pension if they first became a member before July 1, 2010 and earned service credit in the 12 months ending September 3, 2012. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012, subsequently amended to February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

Option 1
Members voluntarily elected to increase their contributions to the pension fund and retain the 1.5% pension factor in their pension formula. Basic Plan members were to contribute 4% and MIP (Fixed, Graded and Plus) members were to contribute 7%. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

Option 2
Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3
Members voluntarily elected maintain their current level of contribution to the pension fund and therefore not increase their contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4
Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution (DC) plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their *total* years of service), they would also receive a pension (calculated based on years of service and Final Average Compensation as of the day before their transition date and a 1.5% pension factor).

Non-electing Members
Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

New Members
Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus hybrid plan described above and a Defined Contribution (DC) plan that provides a 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period to elect to opt out of the Pension Plus hybrid plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus hybrid plan. If they elect to opt out of the Pension Plus hybrid plan, their participation in the DC plan will be retroactive to their date of hire.

Member Contributions

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first $5,000; 3.6% of $5,001 through $15,000; 4.3% of all wages over $15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first $5,000; 3.6% of $5,001 through $15,000; 6.4% of all wages over $15,000.

Basic Plan members make no contributions. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member’s accumulated contributions plus interest, if any, are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

Employer Contributions

Each school district or reporting entity 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. For the period October 1 through September 30, the District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("MPSERS"), which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the table below of the employees' wages. In addition, the District is required to match 50% up to 1% of the employee's contribution in the Pension Plus plan. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS were equal to the required contribution for those years.

The District's contributions to MPSERS were $1,033,408 for the year ending June 30, 2014, $957,213 for the year ending June 30, 2013 and $843,227 for the year ending June 30, 2012.

Included in the amounts paid above, the District received $230,461 of section 147(c) State Aid for the sole purpose of making supplemental payments to MPSERS. The District has recorded this amount as state revenue and additional pension expenditures/expenses for the year ended June 30, 2014.

Other Postemployment Benefits

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, is currently funded on a cash disbursement basis. Beginning fiscal year 2013, it will be funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees. Dependents are eligible for health care coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

The District is not responsible for the payment of retirement or post-retirement benefits which is the responsibility of the State of Michigan.

NOTE 13 - RISK MANAGEMENT

The 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 District participates in the SET/SEG risk pool for claims relating to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The District has purchased commercial insurance for medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 14 - JOINT VENTURE

During the year ended June 30, 1999 the District elected to join the Middle Michigan Network for Educational Telecommunications (MMNET). As a member of MMNET, the District was required to purchase a 12.5% undivided interest in various communication equipment and services as well as pay for annual administrative cost incurred by Gratiot-Isabella RESD, the administrative agent. Information regarding the purchase of equipment and services is shown in the above notes.

The MMNET Consortium was established by a previously approved inter local Consortium Agreement among the following entities: Beal City Public Schools, Breckenridge Community Schools, Clinton County RESA, Central Montcalm Public Schools, DeWitt Public Schools, Fulton Schools, Gratiot-Isabella RESD, Ovid-Elsie Area Schools, and St. Johns Public Schools.

The purpose of MMNET is to provide for interactive voice/video/data interconnections and services required for, or useful in, the instruction and training of students and other persons utilizing the participant services, the conducting of research, or the administrative operations of the participants; and to enable the participants to cooperatively share their resources for the ownership, financing, installation, administration and operation of MMNET.

Additional information on MMNET, including separate financial statements, is available by contacting the fiscal agent at:

Gratiot-Isabella Regional Education Service District
1131 East Center Street
Ithaca, Michigan 48847
Phone: 989-875-5101

NOTE 15. UPCOMING ACCOUNTING PRONOUNCEMENT

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued by the GASB in June 2012 and will be effective for the District's 2015 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

Breckenridge Community School District
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Local sources	$ 955,745	$ 1,110,555	$ 1,095,496	$ (15,059)
State sources	5,423,084	5,343,928	5,303,430	(40,498)
Federal sources	241,350	283,324	252,421	(30,903)
Other sources	243,000	348,431	376,710	28,279
Total revenues	6,863,179	7,086,238	7,028,057	(58,181)
Expenditures				
Instruction				
Basic programs	3,699,206	3,731,120	3,676,371	54,749
Added needs	697,834	839,716	737,871	101,845
Adult / continuing education	94,077	90,921	129,129	(38,208)
Total instruction	4,491,117	4,661,757	4,543,371	118,386
Support services				
Pupil	241,019	241,772	240,996	776
Instructional staff	156,762	188,845	187,391	1,454
General administration	289,282	188,009	182,366	5,643
School administration	460,739	405,058	403,940	1,118
Business services	91,200	116,967	118,893	(1,926)
Operation and maintenance	595,935	648,944	638,847	10,097
Pupil transportation	389,280	352,877	340,257	12,620
Central	16,900	10,225	9,631	594
Other support services/athletics	174,608	222,753	219,281	3,472
Total support services	2,415,725	2,375,450	2,341,602	33,848
Community services	20,684	14,190	10,999	3,191
Other	95,495	38,672	26,925	11,747
Total expenditures	7,023,021	7,090,069	6,922,897	167,172
Revenues over (under) expenditures	(159,842)	(3,831)	105,160	108,991
Fund balances - beginning	509,297	509,297	509,297	-
Fund balances - ending	$ 349,455	$ 505,466	$ 614,457	$ 108,991

The notes to the financial statements are an integral part of this statement.

Breckenridge Community School District
Budgetary Comparison Schedule for the Food Service Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Local sources	$ 67,120	$ 53,795	$ 55,339	$ 1,544
State sources	13,000	12,936	12,959	23
Federal sources	186,500	218,100	221,057	2,957
Total revenues	266,620	284,831	289,355	4,524
Expenditures				
Food service	274,655	286,091	287,076	(985)
Total expenditures	274,655	286,091	287,076	(985)
Revenues over (under) expenditures	(8,035)	(1,260)	2,279	3,539
Fund balances - beginning	70,158	70,158	70,158	-
Fund balances - ending	$ 62,123	$ 68,898	$ 72,437	$ 3,539

The notes to the financial statements are an integral part of this statement.

OTHER SUPPLEMENTAL INFORMATION

Breckenridge Community School District
General Fund
Statement of Revenues
For the Year Ended June 30, 2014

Local sources	
Property taxes	$ 978,814
Interest	3,929
After school program	7,474
Other local revenues	105,279
Total local sources	1,095,496
State sources	
General state aid	4,555,098
Categorical:	
Special education	125,037
Vocational education	22,217
At risk	142,991
School readiness	178,045
Other State revenues	280,042
Total state sources	5,303,430
Federal sources	
Title I	176,096
Medicaid	2,078
Improving teacher quality	73,486
Homeless grant	761
Total federal sources	252,421
Other sources	
Other governmental units	
County special education tax	238,344
Vocational education tax	109,295
Other	29,071
Total other sources	376,710
Total general fund revenues	$ 7,028,057

The notes to the financial statements are an integral part of this statement.

Instruction	
Basic programs	
Elementary	
Salaries	$ 953,535
Employee benefits	598,036
Purchased services	50,247
Supplies, materials and other	28,131
Total elementary	1,629,949
Middle/junior high	
Salaries	511,093
Employee benefits	329,648
Purchased services	6,296
Supplies, materials and other	2,733
Total middle school	849,770
High school	
Salaries	512,589
Employee benefits	342,360
Purchased services	161,015
Supplies, materials and other	42,272
Total high school	1,058,236
Readiness program	
Salaries	16,223
Employee benefits	5,896
Purchased services	89,584
Supplies, materials and other	26,713
Total readiness program	138,416
Total basic programs	3,676,371
Added needs	
Special education	
Salaries	186,785
Employee benefits	97,215
Purchased services	14,243
Supplies, materials and other	580
Total special education	298,823

Instruction (continued)	
Added needs (continued)	
Title I	
Salaries	$ 175,872
Employee benefits	84,627
Supplies, materials and other	103
Total Title I	260,602
Vocational education	
Salaries	55,805
Employee benefits	26,071
Supplies, materials and other	96,570
Total vocational education	178,446
Total added needs	737,871
Adult / continuing education	
AIM program	
Salaries	68,556
Employee benefits	42,772
Purchased services	16,982
Supplies, materials and other	819
Total adult / continuing education	129,129
Total instruction	4,543,371
Support services	
Pupil services	
Guidance services	
Salaries	34,650
Employee benefits	27,794
Total guidance services	62,444

Breckenridge Community School District
General Fund
Statement of Expenditures
For the Year Ended June 30, 2014

Support services	
Speech Pathology	
Salaries	$ 56,246
Employee benefits	35,723
Supplies, materials and other	134
Total speech pathology	92,103
Other pupil services	
Salaries	62,772
Employee benefits	23,677
Total other pupil services	86,449
Total pupil services	240,996
Instructional staff	
Improvement of Instruction	
Purchased services	5,089
Educational media services	
Salaries	56,159
Employee benefits	25,649
Purchased services	9,548
Supplies, materials and other	4,723
Total educational media services	96,079
Instruction related technology	
Salaries	15,047
Employee benefits	7,002
Purchased services	44,278
Supplies, materials and other	11,654
Total technology assisted instruction	77,981
Supervision of Instructional Staff	
Salaries	5,692
Employee benefits	2,550
Total supervision of instructional staff	8,242
Total instructional staff	187,391

Breckenridge Community School District
General Fund
Statement of Expenditures
For the Year Ended June 30, 2014

Support services (continued)	
General administration	
Board of education	
Purchased services	$ 30,365
Supplies, materials and other	15,621
Total board of education	45,986
Executive administration	
Salaries	83,350
Employee benefits	28,946
Purchased services	16,667
Supplies, materials and other	7,417
Total executive administration	136,380
Total general administration	182,366
School administration	
Offices of the principals	
Salaries	237,713
Employee benefits	139,844
Purchased services	952
Supplies, materials and other	14,471
Total offices of the principals	392,980
Other school administration	
Salaries	7,737
Employee benefits	3,223
Total other school administration	10,960
Total school administration	403,940
Business services	
Fiscal services	
Supplies, materials and other	35,000

Support services (continued)		
Business services		
Other business services		
Workmen's compensation	$	6,648
Unemployment compensation		1,724
Interest		47,819
Dues/fees		975
Health fees/taxes		20,288
Taxes abated and written off		6,439
Total other business services		83,893
Total business services		118,893
Operation and maintenance		
Salaries		178,502
Employee benefits		128,086
Purchased services		167,438
Supplies, materials and other		164,821
Total operation and maintenance		638,847
Pupil transportation		
Salaries		145,080
Employee benefits		61,952
Purchased services		51,736
Supplies, materials and other		81,489
Capital outlay		-
Total pupil transportation		340,257
Central		
Communication services		
Purchased services		4,145
Non-instructional technology services		
Purchased services		5,486
Total central		9,631

Support services (continued)	
Other support services	
Purchased services	$ 3,960
Athletics	
Salaries	80,477
Employee benefits	40,853
Purchased services	68,829
Supplies, materials and other	23,839
Total athletics	213,998
Food services	
Supplies, materials and other	1,323
Total other support services	219,281
Total support services	2,341,602
Community services	
Community direction	
Supplies, materials and other	655
Community recreation	
Salaries	6,594
Employee benefits	2,488
Supplies, materials and other	1,262
Total recreation	10,344
Total community services	10,999
Other transactions	
Leases	17,673
MMNET	7,104
Other expenditures	2,148
Total other transactions	26,925
Total general fund expenditures	$ 6,922,897

Breckenridge Community School District
Food Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2014

Revenues	
Local sources	
Student lunches	$ 41,126
Adult lunches	817
Ala-carte	13,069
Interest	38
Miscellaneous	289
Total local sources	55,339
State sources	
School lunch program	12,959
Total state sources	12,959
Federal sources	
National school lunch program	202,474
USDA donated commodities	18,583
Total federal sources	221,057
Total revenues	289,355
Expenditures	
Salaries	46,102
Benefits	17,398
Purchased services	36,409
Supplies, materials and other	185,481
Indirect cost recovery	1,686
Total expenditures	287,076
Excess (deficiency) of revenues over expenditures	2,279
Fund balances - beginning	70,158
Fund balances - ending	$ 72,437

The notes to the financial statements are an integral part of this statement.

Breckenridge Community School District
Debt Service Funds
Combining Balance Sheet
June 30, 2014

	2008 Bond	2010 Bond	2012 Bond	Totals
Assets				
Cash and investments	$ 279,026	$ -	$ -	$ 279,026
Due from other funds	-	30,893	239,997	270,890
Total assets	$ 279,026	$ 30,893	$ 239,997	$ 549,916
Liabilities				
Due to other funds	$ 153,347	$ -	$ -	$ 153,347
Total liabilities	153,347	-	-	153,347
Fund Balance				
Reserved for debt service	125,679	30,893	239,997	396,569
Total liabilities and fund balance	$ 279,026	$ 30,893	$ 239,997	$ 549,916

Breckenridge Community School District
Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For The Year Ended June 30, 2014

	2008 Bond	2010 Bond	2012 Bond	Totals
Revenues				
Local sources				
Property tax levy	$ 360,896	$ 131,233	$ 426,514	$ 918,643
Interest on investments	184	-	-	184
Total revenues	361,080	131,233	426,514	918,827
Expenditures				
Bond principal	315,000	75,000	300,000	690,000
Bond interest	97,600	37,610	86,863	222,073
Other fees	750	-	75	825
Total expenditures	413,350	112,610	386,938	912,898
Revenues over (under) expenditures	(52,270)	18,623	39,576	5,929
Other financing sources (uses)				
Transfers in (out)	-	-	117,543	117,543
Revenues and other financing sources over (under) expenditures and other financing uses	(52,270)	18,623	157,119	123,472
Fund balance, beginning of year	177,949	12,270	82,878	273,097
Fund balance, end of year	$ 125,679	$ 30,893	$ 239,997	$ 396,569

Breckenridge Community School District
Capital Projects Funds
Combining Balance Sheet
June 30, 2014

	2012 Bond Proposal 1	2012 Bond Proposal 2	Totals
Assets			
Cash and investments	$ 144,688	$ 117,543	$ 262,231
Total assets	$ 144,688	$ 117,543	$ 262,231
Liabilities			
Accounts payable	$ 1,720	$ -	$ 1,720
Due to other funds	-	117,543	117,543
Total liabilities	1,720	117,543	119,263
Fund Balance			
Reserved for debt service	142,968	-	142,968
Total liabilities and fund balance	$ 144,688	$ 117,543	$ 262,231

Breckenridge Community School District
Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For The Year Ended June 30, 2014

	2012 Bond Proposal 1	2012 Bond Proposal 2	Totals
Revenues			
Local sources			
Interest on investments	$ 5,555	$ 672	$ 6,227
Total revenues	5,555	672	6,227
Expenditures			
Purchased services	-	139	139
Supplies, materials and other	-	36,014	36,014
Capital outlay	2,881,210	-	2,881,210
Total expenditures	2,881,210	36,153	2,917,363
Revenues over (under) expenditures	(2,875,655)	(35,481)	(2,911,136)
Other financing sources (uses)			
transfers in (out)	-	(117,543)	(117,543)
Revenues and other financing sources over (under) expenditures and other financing uses	(2,875,655)	(153,024)	(3,028,679)
Fund balance, beginning of year	3,018,623	153,024	3,171,647
Fund balance, end of year	$ 142,968	$ -	$ 142,968

Breckenridge Community School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2014

Fiscal Year	Interest Rate (%)	Annual Principal Due	Interest Due November	Interest Due May	Total
2008 Refunding Bonds - $4,055,000					
2015	4.00	$ 320,000	$ 42,500	$ 42,500	$ 405,000
2016	4.00	315,000	36,100	36,100	387,200
2017	4.00	310,000	29,800	29,800	369,600
2018	4.00	305,000	23,600	23,600	352,200
2019	4.00	300,000	17,500	17,500	335,000
2020	4.00	290,000	11,500	11,500	313,000
2021	4.00	285,000	5,700	5,700	296,400
Total 2008 Refunding Bonds		$ 2,125,000	$ 166,700	$ 166,700	$ 2,458,400
2010 Bonds - $1,300,000					
2015	2.50	$ 85,000	$ 17,961	$ 17,961	$ 120,922
2016	3.00	105,000	16,899	16,899	138,798
2017	3.00	130,000	15,324	15,324	160,648
2018	3.20	155,000	13,374	13,374	181,748
2019	3.40	180,000	10,894	10,894	201,788
2020	3.55	210,000	7,834	7,834	225,668
2021	3.65	225,000	4,106	4,106	233,212
Total 2010 Bonds		$ 1,090,000	$ 86,392	$ 86,392	$ 1,262,784
2012 Bonds - $4,135,000					
2015	2.00	$ 300,000	$ 40,431	$ 40,431	$ 380,862
2016	2.00	270,000	37,431	37,431	344,862
2017	2.00	230,000	34,731	34,731	299,462
2018	2.00	205,000	32,431	32,431	269,862
2019	2.00	185,000	30,381	30,381	245,762
2020	2.25	170,000	28,532	28,532	227,064
2021	2.25	170,000	26,619	26,619	223,238
2022	2.25	335,000	24,706	24,706	384,412
2023	2.50	335,000	20,937	20,937	376,874
2024	2.50	335,000	16,750	16,750	368,500
2025	2.50	335,000	12,563	12,563	360,126
2026	2.50	335,000	8,375	8,375	351,750
2027	2.50	335,000	4,188	4,188	343,376
Total 2012 Bonds		$ 3,540,000	$ 318,075	$ 318,075	$ 4,176,150

Breckenridge Community School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2014

Fiscal Year	Interest Rate (%)	Annual Principal Due	Interest Due November	Interest Due May	Total
Commercial Controls - $199,920					
2015	-	$ 24,990	$ -	$ -	$ 24,990
Total Commercial Controls		$ 24,990	$ -	$ -	$ 24,990
Early Retirement Incentive					
2015	-	$ 85,000	$ -	$ -	$ 85,000
2016	-	53,000	-	-	53,000
2017	-	31,760	-	-	31,760
2018	-	4,400	-	-	4,400
Total Retirement Incentive		$ 174,160	$ -	$ -	$ 174,160

	DEBT SUMMARY				
	2015	$ 814,990	$ 100,892	$ 100,892	$ 1,016,774
	2016	743,000	90,430	90,430	923,860
	2017	701,760	79,855	79,855	861,470
	2018	669,400	69,405	69,405	808,210
	2019	665,000	58,775	58,775	782,550
	2020	670,000	47,866	47,866	765,732
	2021	680,000	36,425	36,425	752,850
	2022	335,000	24,706	24,706	384,412
	2023	335,000	20,937	20,937	376,874
	2024	335,000	16,750	16,750	368,500
	2025	335,000	12,563	12,563	360,126
	2026	335,000	8,375	8,375	351,750
	2027	335,000	4,188	4,188	343,376
		$ 6,954,150	$ 571,167	$ 571,167	$ 8,096,484

	5 YEAR GROUPINGS				
	1st year	$ 814,990	$ 100,892	$ 100,892	$ 1,016,774
	2nd year	743,000	90,430	90,430	923,860
	3rd year	701,760	79,855	79,855	861,470
	4th year	669,400	69,405	69,405	808,210
	5th year	665,000	58,775	58,775	782,550
	2nd 5 years	2,355,000	146,684	146,684	2,648,368
	3rd 5 years	1,005,000	25,126	25,126	1,055,252
		$ 6,954,150	$ 571,167	$ 571,167	$ 8,096,484

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*

To the Board of Education
Breckenridge Community School District

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Breckenridge Community School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
September 25, 2014

RPC
Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Education
Breckenridge Community School District

We have audited the accompanying balance sheet and the statement of revenues, expenditures, and changes in fund balance of the 2012 School Building & Site Bond Issue Capital Projects Fund of the Breckenridge Community School District (the "District") for the nineteen month and three day period ended June 30, 2014. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these 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 these statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in these 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.

The accompanying statements were prepared for the purpose of complying with the provisions of the Revised School Code, Public Act 451 of 1976 as described in the notes to the financial statements. The presentation is not intended to be a presentation of the District's total revenues and expenditures.

In our opinion, the statements referred to above present fairly, in all material respects, the financial position of the 2012 School Building & Site Bond Issue Capital Projects Fund of the District as of June 30, 2014, and the revenues and expenditures for the sixteen month and three day period 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 a report dated September 25, 2014, on our consideration of the District's internal control structure over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

September 25, 2014

Breckenridge Community School District
2012 School Building & Site Bond Issue Capital Projects Fund
Balance Sheet
June 30, 2014

Assets	
Cash	$ 262,231
Total assets	262,231
Liabilities	
Accounts payable	1,720
Due to Debt Service Fund	$ 117,543
Total liabilities	119,263
Fund Balance	
Restricted	142,968
Total fund balance	$ 142,968

See accompanying notes to the financial statements.

Breckenridge Community School District
2012 School Building & Site Bond Issue Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Nineteen Month and Three Day Period Ended June 30, 2014

Revenues	
Investment Income	$ 17,000
Expenditures	
Capital Outlay	
Building improvements	3,063,294
Equipment and Furniture	654,137
Buses	168,624
Other	17,636
Bond costs and fees	74,096
Total expenditures	3,977,787
Excess (deficiency) of revenues and other sources over expenditures	(3,960,787)
Other financing sources (uses)	
Bond proceeds	4,135,000
Premium on bonds	86,298
Transfer to debt fund	(117,543)
Total other financing sources (uses)	4,103,755
Excess (deficiency) of revenues and other sources over expenditures and other uses	142,968
Fund balances - beginning	-
Fund balances - ending	$ 142,968

Note 1 – Reporting Entity

The District is governed by a Board of Education which has responsibility and control over all activities related to public school education within the District. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. This report includes only the balance sheet and statement of revenues, expenditures and changes in fund balance of the 2012 School Building & Site Bond Issue Capital Projects Fund of the District. Its activities are considered to be part of the School District and controlled by the Board of Education.

Note 2 – Bond Description

General

During the fiscal year ended June 30, 2013, the District issued a general obligation bond in the amount of $4,135,000. The bonds are a full faith and credit unlimited tax general obligation of the District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the District without limitation as to rate or amount.

The bond proceeds in the amount of $3,746,805, plus interest income earned on those proceeds, were used for the purpose of remodeling, equipping and re-equipping and furnishing and refurnishing school buildings; acquiring and installing educational technology in school buildings; acquiring buses; and developing and improving athletic facilities and the middle and high school sites; and for paying a portion of the cost of issuing the Bonds.

Bond proceeds in the amount of $474,493, plus interest income earned on those proceeds, were used for the purpose of demolishing the alternative education building, developing and improving the site, and for paying a portion of the cost of issuing the Bonds.

Basis of Presentation

The accompanying statements have been prepared based on the modified accrual basis of accounting, in accordance with generally accepted accounting principles. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e. both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

The Revised School Code, Public Act 451 of 1976, Section 1351a requires that an independent audit be performed on certain operating results and compliance tests performed related to specified bond activities.

The accompanying statements reflect the activity of the 2012 School Building & Site Bond Issue, recorded in the District's Capital Project Fund, from the date of the bond issue, November 28, 2012, through project completion, June 30, 2014. The project completion date of March 31, 2014, as indicated on the Certificate of Substantial Completion, was extended to June 30, 2014 by the Michigan Department of Treasury.

Breckenridge Community School District
Financial Statements
June 30, 2014