



# WEINLANDER FITZHUGH

BEAVERTON RURAL SCHOOLS  
BEAVERTON, MICHIGAN

FINANCIAL STATEMENTS  
JUNE 30, 2013

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# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

ROBERT E. LIST, CPA  
STEWART J. REID, CPA  
MICHAEL L. HANISKO, CPA  
DAVID D. QUIMBY, CPA  
KATHLYN M. ENGELHARDT, CPA  
AMY L. RODRIGUEZ, CPA  
SHANNON L. WILSON, CPA

## Independent Auditor's Report

September 12, 2013

Board of Education  
Beaverton Rural Schools  
Beaverton, Michigan

### 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 Beaverton Rural Schools (School District), as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards 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.

601 BEECH STREET  
POST OFFICE BOX 297  
CLARE, MI 48617  
989-386-3481  
FAX 989-386-3462  
www.wf-cpas.com  
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE,  
GLADWIN AND WEST BRANCH



# WEINLANDER FITZHUGH

Board of Education  
Beaverton Rural Schools  
September 12, 2013

## *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 School District as of June 30, 2013 and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## *Emphasis of Matter*

As discussed in Note 11 to the financial statements, the School District has implemented Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis and budgetary comparison information as noted in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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.



# WEINLANDER FITZHUGH

Board of Education  
Beaverton Rural Schools  
September 12, 2013

## *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining nonmajor fund financial statements and schedules of bonded indebtedness are presented for purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and schedules of bonded indebtedness and the schedule of expenditures of federal awards are the responsibility of management and were 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 U.S. generally accepted auditing standards. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are 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 12, 2013, on our consideration of the School 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 School District's internal control over financial reporting and compliance.

*Weinlander Fitzhugh*

**BEAVERTON RURAL SCHOOLS**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

Our discussion and analysis of Beaverton Rural Schools' (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2013.

**Financial Highlights**

The School District's net position increased by \$213,033 or 3%. Program revenues were \$2,901,949 or 22% of total revenues and general revenues were \$10,097,437 or 78%.

The General Fund reported a positive fund balance of \$667,723.

**Using this Annual Financial Report**

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and Debt Service 1996 Issue with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students. The following summarizes the presentation included in this annual financial report.

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

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

**BEAVERTON RURAL SCHOOLS**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

**Reporting the District as a Whole**

*The Statement of Net Position and Statement of Activities*

One of the most important questions asked about the School District's finances is: "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net position as a way to measure the School District's financial position. The change in net position provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, student enrollment growth and facility conditions in arriving at their conclusion regarding the overall health of the School District.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

*Governmental Funds*

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

*Fiduciary Funds*

The School District is the trustee, or fiduciary, for its student activity funds and scholarship funds. All of the School District's fiduciary activities are reported in separate statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**BEAVERTON RURAL SCHOOLS**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2013

**District-wide Financial Analysis**

The statement of net position provides the perspective of the School District as a whole. Exhibit A provides a summary of the School District's net position as of June 30, 2013 and 2012:

<b>Exhibit A</b>	<u>Governmental Activities</u>	
	<u>2013</u>	<u>Restated 2012</u>
<b>Assets</b>		
Current and other assets	\$ 3,233,444	\$ 3,265,520
Capital assets - net of accumulated depreciation	<u>9,846,702</u>	<u>10,341,022</u>
Total assets	<u>13,080,146</u>	<u>13,606,542</u>
<b>Liabilities</b>		
Current liabilities	2,654,263	2,362,995
Long-term liabilities	<u>2,777,250</u>	<u>3,862,947</u>
Total liabilities	<u>5,431,513</u>	<u>6,225,942</u>
<b>Net Position</b>		
Net investment in capital assets	6,111,230	5,461,970
Restricted	1,125,410	1,169,169
Unrestricted	<u>411,993</u>	<u>804,461</u>
Total net position	<u>\$ 7,648,633</u>	<u>\$ 7,435,600</u>

This analysis focuses on net position (see Exhibit A). The School District's net position was \$7,648,633 at June 30, 2013. Net investment in capital assets totaling \$6,111,230, compares the original costs less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use those net position for day-to-day operations.

The \$411,993 in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

**BEAVERTON RURAL SCHOOLS**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2013

The results of this year's operations for the School District as a whole are reported in the statement of activities. Exhibit B provides a summary of the changes in net position for the years ended June 30, 2013 and 2012.

**Exhibit B**

	Governmental Activities	
	2013	Restated 2012
<b>Revenues</b>		
Program revenue:		
Charges for services	\$ 384,137	\$ 424,884
Grants and categoricals	2,517,812	2,453,982
Capital contributions	0	24,267
General revenue:		
Property taxes	3,372,896	3,314,665
State foundation allowance	6,603,368	6,549,979
Other	121,173	206,352
Total revenues	12,999,386	12,974,129
<b>Function/Program Expenses</b>		
Instruction	6,969,970	7,063,161
Support	4,244,801	3,636,780
Community services	14,968	10,288
Facilities, acquisition, construction and improvements	22,680	0
Athletics	188,485	175,619
Food services	695,217	667,003
Interest and other	121,518	138,751
Depreciation (unallocated)	528,714	457,197
Total expenses	12,786,353	12,148,799
<b>Increase in Net Position</b>	<b>\$ 213,033</b>	<b>\$ 825,330</b>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$12,786,353. Certain activities were partially funded from those who benefited from the programs, \$384,137 or by the other governments and organizations that subsidized certain programs with grants and categoricals of \$2,517,812. We paid for the remaining "public benefit" portion of our governmental activities with \$3,372,896 in taxes, \$6,603,368 in state foundation allowance and with our other revenues, such as interest and entitlements.

The School District had an increase in net position of \$213,033. The major reasons were the classification of bond payments as a reduction in liabilities and the capitalization of equipment from the current year expenditures to an increase in capital assets. The increase in net position differs from the change in fund balance and a reconciliation appears in the financial statements.

**BEAVERTON RURAL SCHOOLS**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2013

**The School District's Funds**

The School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and other provide to it and may provide more insight into the School District's overall financial health.

The School District's governmental funds reported a combined fund balance of \$1,819,048, which is below last year's total of \$2,205,857. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2013 and 2012.

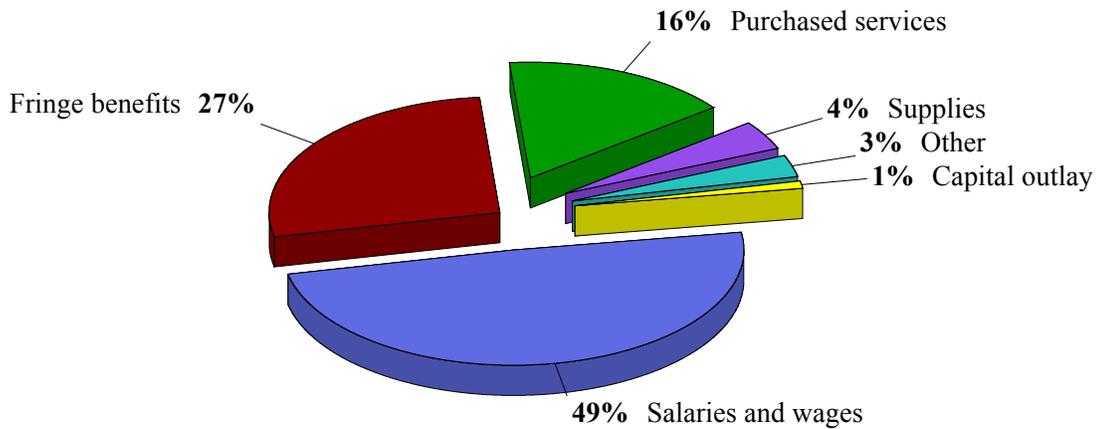
	<u>Fund Balance</u> <u>6/30/2013</u>	<u>Fund Balance</u> <u>6/30/2012</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 667,723	\$ 939,679	\$ (271,956)
Debt Service 1996 Issue	960,531	1,047,442	(86,911)
Special Revenue	190,794	218,736	(27,942)
	<u>\$ 1,819,048</u>	<u>\$ 2,205,857</u>	<u>\$ (386,809)</u>

- Our General Fund decrease is mainly attributable to prior year capitalized items purchased including busses and energy upgrades.
- Our Debt Service Funds decreased due to current year payments of principal and interest.
- Our Food Service Fund increased due to a decrease in sales to students.

**BEAVERTON RURAL SCHOOLS**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2013

As the graph below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The School District by nature is a labor intensive organization.

### Expenditures



Expenditures by Object:	2013	2012
Salaries and wages	\$ 5,705,350	\$ 5,708,649
Fringe benefits	3,108,206	3,070,833
Purchased services	1,853,694	1,430,696
Supplies	477,554	569,082
Capital outlay	153,548	419,577
Other	348,005	197,178
Total	\$ 11,646,357	\$ 11,396,015

Expenditures have increased by \$250,342 from the prior year mainly due to fringe benefit cost increases including retirement and increased cost of service contracts. Supply purchases were lower compared to the previous year as were capital outlays while other costs increased when compare to the prior year.

**BEAVERTON RURAL SCHOOLS**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2013

**General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased from the original budget by \$339,891. This was due to an increase in state aid revenue, federal grants and sales of fixed assets.
- Budgeted expenditures increased from the original budget by \$586,450. This was mainly due to an increase in executive administration costs, online and dual enrollment fees and debt service costs.
- Actual revenues were \$64,890 more than the final budget. This was due to an increase in property taxes, other local sources and interdistrict sources of revenue. These increases were offset by decreases in federal revenues..
- Actual expenditures were \$190,738 less than the final budget. This was due to added needs, school administrative, operations and maintenance and transportation costs being less than anticipated.

**Capital Assets**

At June 30, 2013, the School District had \$9,846,702 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions and disposals) of 5% from last year.

	2013	2012
Land	\$ 58,610	\$ 58,610
Buildings and improvements	15,978,552	15,978,552
Buses and other vehicles	1,210,330	1,210,330
Furniture and equipment	629,392	1,032,491
Total capital assets	17,876,884	18,279,983
Less accumulated depreciation	8,030,182	7,938,961
Net capital assets	\$ 9,846,702	\$ 10,341,022

This year's additions of \$34,394 were for a generator and convection oven for the kitchen.

We anticipate capital additions will continue with the upgrading of buses, roofs and building systems. We present more detailed information about our capital assets in the notes to the financial statements.

**BEAVERTON RURAL SCHOOLS**  
**Management's Discussion and Analysis**  
For the Year Ended June 30, 2013

**Debt**

At the end of this year, the School District had \$3,466,189 in bonds outstanding versus \$4,561,665 in the previous year - a decrease of 24%.

	<u>2013</u>	<u>2012</u>
2003 General Obligation Refunding Bonds	\$ 1,870,000	\$ 2,805,000
Durant Bonds	0	13,460
2007 Energy Conservation Bonds	1,596,189	1,743,205
	<u>\$ 3,466,189</u>	<u>\$ 4,561,665</u>

**Factors Expected to have an Effect on Future Operations**

Our elected Board of Education and administration consider many factors when setting the School District's 2014 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2014 fiscal year budget was adopted in June 2013, based on an estimate of students that will be enrolled in September 2013. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2013-2014 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2014 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation until 2013-2014.

**Requests for Information**

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

Office of the Superintendent  
 Beaverton Rural School District  
 468 S. Ross Street  
 Beaverton, MI 48612

BEAVERTON RURAL SCHOOLS  
Statement of Net Position  
June 30, 2013

	Governmental Activities
<u>Assets</u>	
Cash and investments	\$ 1,337,834
Receivables - net:	
Accounts receivable	23,849
Due from other governmental units	1,700,305
Inventories	13,097
Prepaid expenses	158,359
Capital assets less accumulated depreciation \$8,030,182	9,846,702
Total assets	13,080,146
<u>Liabilities</u>	
Accounts payable	276,934
Accrued payroll and payroll taxes	1,137,462
Accrued interest payable	25,915
Long-term liabilities:	
Due within one year	1,213,952
Due in more than one year	2,777,250
Total liabilities	5,431,513
<u>Net Position</u>	
Net investment in capital assets	6,111,230
Restricted for debt service	934,616
Restricted for food service	190,794
Unrestricted	411,993
Total net position	\$ 7,648,633

See accompanying notes to financial statements.

BEAVERTON RURAL SCHOOLS  
Statement of Activities  
For the Year Ended June 30, 2013

	Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position	
<u>Functions/Programs</u>				
Primary government -				
Governmental activities:				
Instruction	\$ 6,969,970	\$ 47,155	\$ 1,938,406	\$ (4,984,409)
Support	4,244,801	110,135	49,872	(4,084,794)
Community services	14,968	0	0	(14,968)
Facilities, acquisition, construction and improvements	22,680	0	0	(22,680)
Athletics	188,485	67,668	0	(120,817)
Food services	695,217	159,179	515,432	(20,606)
Interest and other	121,518	0	14,102	(107,416)
Depreciation (unallocated)	528,714	0	0	(528,714)
Total governmental activities	<u>\$ 12,786,353</u>	<u>\$ 384,137</u>	<u>\$ 2,517,812</u>	<u>(9,884,404)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				2,437,777
Property taxes, levied for debt services				935,119
State aid				6,603,368
Interest and investment earnings				2,230
Other				118,943
			Total general revenues	10,097,437
			Change in net position	213,033
			Net position - beginning of year as previously stated	7,488,741
			Prior period adjustment	55,000
			Change in accounting principle	(108,141)
			Net position - beginning of year, restated	7,435,600
			Net position - end of year	\$ 7,648,633

See accompanying notes to financial statements.

BEAVERTON RURAL SCHOOLS  
Governmental Funds  
Balance Sheet  
June 30, 2013

	General	Debt Service 1996 Issue	Other Nonmajor Governmental Funds	Total
<u>Assets</u>				
Cash and investments	\$ 253,830	\$ 960,531	\$ 123,473	\$ 1,337,834
Receivables - net:				
Accounts receivable	21,364	0	2,485	23,849
Due from other governmental units	1,685,775	0	14,530	1,700,305
Inventories	0	0	13,097	13,097
Prepaid expenditures	103,359	0	55,000	158,359
Total assets	\$ 2,064,328	\$ 960,531	\$ 208,585	\$ 3,233,444
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts payable	\$ 259,143	\$ 0	\$ 17,791	\$ 276,934
Accrued payroll and payroll taxes	1,137,462	0	0	1,137,462
Total liabilities	1,396,605	0	17,791	1,414,396
<u>Fund Balance</u>				
Nonspendable - inventory	0	0	13,097	13,097
Nonspendable - prepaid	103,359	0	55,000	158,359
Restricted for debt service	0	960,531	0	960,531
Restricted for food service	0	0	122,697	122,697
Unassigned	564,364	0	0	564,364
Total fund balance	667,723	960,531	190,794	1,819,048
Total liabilities and fund balance	\$ 2,064,328	\$ 960,531	\$ 208,585	\$ 3,233,444

See accompanying notes to financial statements.

**BEAVERTON RURAL SCHOOLS**  
**Reconciliation of Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
June 30, 2013

Total fund balance - governmental funds	\$ 1,819,048
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and are not reported in the funds</p>	
Cost of the capital assets	17,876,884
Accumulated depreciation	(8,030,182)
<p>Long-term liabilities are not due and payable in the current period and are not reported in the funds:</p>	
Bonds payable	(3,466,189)
Compensated absences	(255,730)
Capital lease	(269,283)
Accrued interest payable is included as a liability in governmental activities	<u>(25,915)</u>
Total net position - governmental activities	<u>\$ 7,648,633</u>

See accompanying notes to financial statements.

BEAVERTON RURAL SCHOOLS  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended June 30, 2013

	General	Debt Service 1996 Issue	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>				
Local sources				
Property taxes	\$ 2,437,777	\$ 935,119	\$ 0	\$ 3,372,896
Other local sources	179,912	1,578	159,247	340,737
State sources	7,581,544	0	24,554	7,606,098
Federal sources	995,391	0	504,980	1,500,371
Interdistrict and other sources	179,777	0	260	180,037
Total revenues	<u>11,374,401</u>	<u>936,697</u>	<u>689,041</u>	<u>13,000,139</u>
<u>Expenditures</u>				
Current:				
Instruction	6,922,954	0	0	6,922,954
Support services	4,185,418	0	0	4,185,418
Community services	14,968	0	0	14,968
Facilities, acquisition, construction and improvements	22,680	0	0	22,680
Athletics	188,485	0	0	188,485
Food services	0	0	702,127	702,127
Debt service:				
Principal	273,367	935,000	13,461	1,221,828
Interest and other	38,485	88,608	641	127,734
Total expenditures	<u>11,646,357</u>	<u>1,023,608</u>	<u>716,229</u>	<u>13,386,194</u>
Excess (deficiency) of revenues over expenditures	(271,956)	(86,911)	(27,188)	(386,055)
<u>Other Financing Sources (Uses)</u>				
Adjustment to prior period revenue accounts	0	0	(754)	(754)
Net change in fund balance	(271,956)	(86,911)	(27,942)	(386,809)
Fund balance - beginning of year as previously stated	939,679	1,047,442	163,736	2,150,857
Prior period adjustment	0	0	55,000	55,000
Fund balance - beginning of year, restated	<u>939,679</u>	<u>1,047,442</u>	<u>218,736</u>	<u>2,205,857</u>
Fund balance - end of year	<u>\$ 667,723</u>	<u>\$ 960,531</u>	<u>\$ 190,794</u>	<u>\$ 1,819,048</u>

See accompanying notes to financial statements.

BEAVERTON RURAL SCHOOLS  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2013

Net change in fund balance - total governmental funds	\$ (386,809)
<p>Amounts reported for governmental activities in the statements of activities are different because:</p>	
<p style="padding-left: 20px;">Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation</p>	
Depreciation expense	(528,714)
Capital outlay	34,394
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Other costs related to debt issuance and retirement use governmental fund resources but recognize them as expenses through amortization on the statement of activities</p>	
Repayment of bonds	1,095,476
<p>Increases in compensated absences are reported as an addition in expenditures when financial resources are used in the governmental fund in accordance with GASB Interpretation No. 6</p>	
	(55,635)
<p>Interest expense is reported as a reduction in expenditures on the statement of activities</p>	
	6,217
<p>Repayment of loans are an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)</p>	
	126,352
<p>Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability.</p>	
	<u>(78,248)</u>
Change in net position of governmental activities	<u>\$ 213,033</u>

See accompanying notes to financial statements.

BEAVERTON RURAL SCHOOLS  
 Fiduciary Funds  
 Statement of Fiduciary Net Position  
June 30, 2013

	<u>Agency Funds</u>	<u>Private Purpose Trusts</u>
<u>Assets</u>		
Cash and investments	\$ <u>140,271</u>	\$ <u>25,689</u>
<u>Liabilities</u>		
Due to student groups	\$ <u>140,271</u>	<u>0</u>
Held in trust for scholarships		<u>\$ 25,689</u>

BEAVERTON RURAL SCHOOLS  
 Fiduciary Funds  
 Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2013

<u>Additions</u>	
Contributions and investment income	\$ 3,197
<u>Deductions</u>	
Scholarships	<u>2,000</u>
Change in net position	1,197
Net position - beginning of year	<u>24,492</u>
Net position - end of year	<u>\$ 25,689</u>

See accompanying notes to financial statements.

**BEAVERTON RURAL SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Beaverton Rural Schools (School District) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

**Reporting Entity**

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

**District-wide 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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

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

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.

BEAVERTON RURAL SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

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

**Fund-based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

**General Fund** - The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

**Debt Service Fund (1996 Issue)** - The Debt Service Fund for the 1996 issue is used to record and keep separate activities relating to this debt issue.

BEAVERTON RURAL SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Position or Equity**

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

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

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid items in both district-wide and fund financial statements.

**Capital Assets** - Capital assets, which include land, buildings, equipment and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any asset susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

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

Buildings and improvements	10-45 years
Buses and other vehicles	8 years
Furniture and equipment	5-20 years

**Compensated Absences** - The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

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

BEAVERTON RURAL SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Equity** - The fund balance classifications are reported on the extent to which a government is bound to observe constraints imposed on the use of the resources in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. The School District's nonspendable fund balance represents inventories and prepaid expenditures. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the School District for a particular purpose. The use of committed funds would be approved by the Board of Education through the budget process or official board action.

Assigned fund balance would represent tentative management plans that are subject to change which at the present time the School District does not have any assigned fund balance. The School District's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Deferred Outflows and 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 and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School 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*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has no items that qualify for reporting in this category.

**Use of Estimates** - The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Property taxes** - For the taxpayers of School District, properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

**BEAVERTON RURAL SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**State Aid** - For the fiscal year ended June 30, 2013, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2013, the foundation allowance was based on the average pupil membership counts taken in February and September of 2012.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2012 - August 2013. The local revenue is recognized as outlined in Note 1. Amounts receivable from the State of Michigan at June 30, 2013 relating to state aid is \$1,466,622.

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

**Events Occurring After Reporting Date** - Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

BEAVERTON RURAL SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2013

**NOTE 2 - BUDGETS**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

Beaverton Rural Schools follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board of Education a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

During the year ended June 30, 2013, the School District recognized revenues and expenditures in certain budgetary funds which were unfavorable variances in amounts estimated as follows:

<u>Fund/Function</u>	<u>Total</u> <u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
General Fund:			
State sources	\$ 7,583,289	\$ 7,581,544	\$ (1,745)
Federal sources	1,007,095	995,391	(11,704)
Expenditures:			
General Fund:			
Pupil	728,915	729,909	(994)
Other central support services	272,162	277,441	(5,279)

BEAVERTON RURAL SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2013

**NOTE 3 - CASH AND INVESTMENTS**

Some statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and Investments	\$ 1,337,834	\$ 165,960	\$ 1,503,794

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

Deposits (checking and savings accounts, certificates of deposit)	\$ 337,090
Investment in interlocal agreement investment pools (i.e. MILAF) with a weighted average maturity not to exceed 60 days	1,166,454
Petty cash and cash on hand	250
Total	\$ 1,503,794

Interest Rate Risk

In accordance with its investment policy, the School 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.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2013, the School District's investment in the investment pool was rated AAA by Standard & Poor's.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2013, \$1,286,352 of the School District's bank balance of \$1,536,352 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The balance of the sweep accounts was used to purchase short-term federal debt securities.

**BEAVERTON RURAL SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2013**

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in governmental capital assets follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2013</u>
Assets not being depreciated:				
Land	\$ 58,610	\$ 0	\$ 0	\$ 58,610
Capital assets being depreciated:				
Buildings and improvements	15,978,552	0	0	15,978,552
Buses and other vehicles	1,210,330	0	0	1,210,330
Furniture and equipment	1,032,491	34,394	(437,493)	629,392
Subtotal	<u>18,221,373</u>	<u>34,394</u>	<u>(437,493)</u>	<u>17,818,274</u>
Accumulated depreciation:				
Buildings and improvements	6,345,862	413,648	0	6,759,510
Buses and other vehicles	793,341	79,945	0	873,286
Furniture and equipment	799,758	35,121	(437,493)	397,386
Subtotal	<u>7,938,961</u>	<u>528,714</u>	<u>(437,493)</u>	<u>8,030,182</u>
Net capital assets being depreciated	<u>10,282,412</u>	<u>(494,320)</u>	<u>0</u>	<u>9,788,092</u>
Net capital assets	<u>\$ 10,341,022</u>	<u>\$ (494,320)</u>	<u>\$ 0</u>	<u>\$ 9,846,702</u>

Depreciation expense for fiscal year ended June 30, 2013 was \$528,714. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2013 consist of accounts (fees), intergovernmental grants and interest.

A summary of the intergovernmental receivables (due from other governmental units) follows:

State aid and grants	\$ 1,466,622
Federal grants	228,012
Clare-Gladwin RESD	5,671
	<u>\$ 1,700,305</u>

**BEAVERTON RURAL SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2013**

**NOTE 6 - LONG-TERM DEBT**

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2013:

	Balance <u>June 30, 2012</u>	<u>Additions</u>	Retirements and Payments	Balance <u>June 30, 2013</u>	Amount Due Within One Year
Bonds	\$ 4,561,665	\$ 0	\$ 1,095,476	\$ 3,466,189	\$ 1,084,207
Compensated absences	200,095	55,635	0	255,730	0
Capital lease	<u>317,387</u>	<u>78,248</u>	<u>126,352</u>	<u>269,283</u>	<u>129,745</u>
	<u>\$ 5,079,147</u>	<u>\$ 133,883</u>	<u>\$ 1,221,828</u>	<u>\$ 3,991,202</u>	<u>\$ 1,213,952</u>

Bonds payable at June 30, 2013 is comprised of the following issues:

\$7,800,000 General Obligation Refunding due in annual installments of \$60,000 to \$935,000 through May 1, 2015, interest at 2.00% to 3.25%	\$ 1,870,000
\$2,310,000 Energy Conservation and building improvements bonds due in annual installments of \$138,571 to \$170,450 through October 25, 2022, interest at 1.49%	<u>1,596,189</u>
	<u>\$ 3,466,189</u>

Under the terms of the present contracts between the Board of Education of Beaverton Rural Schools and the various employee groups, including teachers, administration, bus drivers and extra support personnel, the School District is contingently liable for compensated absences (sick and personal pay). The amount of compensated absences, calculated based on number of years of service, amounts to \$255,730 at June 30, 2013.

School District has entered into a long-term lease agreement for school buses and copiers. Depreciation of these buses and copiers is included in depreciation expense. The following is a schedule by years of future minimum lease payments under capital leases as of June 30, 2013:

2014	\$ 140,274
2015	110,100
2016	22,404
2017	<u>14,936</u>
	287,714
Amount representing interest	<u>18,431</u>
	<u>\$ 269,283</u>

BEAVERTON RURAL SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2013

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

The annual requirements to amortize bonds outstanding as of June 30, 2013 including interest payments are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,084,207	\$ 83,623	\$ 1,167,830
2015	1,086,430	51,947	1,138,377
2016	153,686	19,304	172,990
2017	155,976	17,014	172,990
2018	158,300	14,690	172,990
2019 - 2023	827,590	37,358	864,948
	<u>\$ 3,466,189</u>	<u>\$ 223,936</u>	<u>\$ 3,690,125</u>

**NOTE 7 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

**NOTE 8 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**

**Plan Description** - The School 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>.

BEAVERTON RURAL SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2013

**NOTE 8 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director who serves as Executive Secretary to the System's Board, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

**Benefit Provisions - Pension**

***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 2010***

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 (MPERS) who became a member of MPERS 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.

***Pension Reform 2012***

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. 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.

BEAVERTON RURAL SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2013

**NOTE 8 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

Option 1 - members voluntarily elected to increase their contributions to the pension fund as noted below, 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 terminate public school employment.

- Basic Plan members: 4% contribution
- MIP-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

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 and when 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 MDP-Fixed, up to 4.3% for MEP-Graded, or up to 6.4% for MEP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of 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 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).

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.

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.

BEAVERTON RURAL SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2013

**NOTE 8 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

**Funding Policy**

***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. For a limited period ending December 31, 1992, an active Basic Plan Member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. 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 choose 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.

BEAVERTON RURAL SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2013

**NOTE 8 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

**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 School 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 School District is required to match 50% up to 1% of the employees contribution in the Pension Plus plan. The contribution requirements of plan members and the School District are established and may be amended by the MPSERS Board of Trustees. The School District contributions to MPSERS were equal to the required contribution for those years.

The School District's contributions to MPSERS are as follows:

Fiscal Year Ending June 30,	Contributions to MPSERS
2013	\$ 1,466,274
2012	\$ 1,331,984
2011	\$ 1,157,666

Included in the amounts paid above, the School District received \$107,016 of section 147(c) State Aid for the sole purpose of making supplemental payments to MPSERS. The School District has recorded this amount as state revenue and additional pension expenditures/expenses for the year ended June 30, 2013.

PA 464 Retirees Returning to Work, effective December 27, 2012 also requires applicable employer contributions to the defined benefit and defined contribution plans. These amounts if any are included in the amounts paid above.

**BEAVERTON RURAL SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2013**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS (CONTINUED)**

Public School Employee Pension Rates (FYE Sept. 30th)	<b>Fiscal Year 2013</b>						
	<b>Effective February 1, 2013</b>						
	Basic MIP	Pension Plus	Pension Plus PHF - First worked after 9/3/12	Pension Plus to FC with PHF First worked after 9/3/12	Basic MIP DB to DC with DB Health	Basic MP DB to DC with PHF	Basic MIP with PHF
	<b>DB Contributions</b>						
Pension Normal Costs	2.43 %	2.24 %	2.24 %	0.00 %	0.00 %	0.00 %	2.43 %
Pension UAL	11.42 %	11.42 %	11.42 %	11.42 %	11.42 %	11.42 %	11.42 %
Pension Early Retirement Incentive	1.36 %	1.36 %	1.36 %	1.36 %	1.36 %	1.36 %	0.00 %
<b>Pension Contributions - Total Rate</b>	<b>15.21 %</b>	<b>15.02 %</b>	<b>15.02 %</b>	<b>12.78 %</b>	<b>12.78 %</b>	<b>12.78 %</b>	<b>13.85 %</b>
Health Normal Cost	0.93 %	0.93 %	0.00 %	0.00 %	0.93 %	0.00 %	0.00 %
Health UAL	8.18 %	8.18 %	8.18 %	8.18 %	8.18 %	8.18 %	8.18 %
<b>Health Contributions - Total Rate</b>	<b>9.11 %</b>	<b>9.11 %</b>	<b>8.18 %</b>	<b>8.18 %</b>	<b>9.11 %</b>	<b>8.18 %</b>	<b>8.18 %</b>
<b>Total</b>	<b>24.32 %</b>	<b>24.13 %</b>	<b>23.20 %</b>	<b>20.96 %</b>	<b>21.89 %</b>	<b>20.96 %</b>	<b>22.03 %</b>
	<b>DC Contributions</b>						
DC Employer Contributions	0.00 %	1.00 %	1.00 %	3.00 %	4.00 %	4.00 %	0.00 %
Personal Healthcare Fund	0.00 %	0.00 %	2.00 %	2.00 %	0.00 %	2.00 %	2.00 %
<b>Total</b>	<b>0.00 %</b>	<b>1.00 %</b>	<b>3.00 %</b>	<b>5.00 %</b>	<b>4.00 %</b>	<b>6.00 %</b>	<b>2.00 %</b>

Public School Employee Pension Rates (FYE Sept. 30th)	<b>Fiscal Year 2013</b>				<b>Fiscal Years 2012 and 2011</b>					
	4 months ended 1/31/2013				FY 2011 - 2012		Eleven months ended 9/30/11		One month ended 10/31/2010	
	First worked before 7/1/10	First worked between 6/30/10 and 9/3/12	Pension Plus and First worked after 9/3/12	Elected DC and First worked after 9/3/12	First worked before 7/1/10	First worked after 6/30/10	First worked before 7/1/10	First worked after 6/30/10	First worked before 7/1/10	First worked after 6/30/10
Pension Normal Cost (Prefunded)	3.47 %	2.24 %	2.24 %	0.00 %	3.47 %	2.24 %	3.74 %	2.24 %	3.74 %	2.24 %
Pension Unfunded Accrued Liability	11.42 %	11.42 %	11.42 %	11.42 %	12.49 %	12.49 %	8.42 %	8.42 %	8.42 %	8.42 %
Early Retirement Incentive Program	1.36 %	1.36 %	1.36 %	1.36 %	0.00 %	0.00 %	N/A	N/A	N/A	N/A
<b>Pension Total Rate</b>	<b>16.25 %</b>	<b>15.02 %</b>	<b>15.02 %</b>	<b>12.78 %</b>	<b>15.96 %</b>	<b>14.73 %</b>	<b>12.16 %</b>	<b>10.66 %</b>	<b>12.16 %</b>	<b>10.66 %</b>
Retiree Health Care Contribution (Cash basis)	0.93 %	0.93 %	0.00 %	0.00 %	5.50 %	5.50 %	5.50 %	5.50 %	7.25 %	7.25 %
Surcharge due to Injunction	8.18 %	8.18 %	8.18 %	8.18 %	3.00 %	3.00 %	3.00 %	3.00 %	N/A	N/A
<b>Health Total Rate</b>	<b>9.11 %</b>	<b>9.11 %</b>	<b>8.18 %</b>	<b>8.18 %</b>	<b>8.50 %</b>	<b>8.50 %</b>	<b>8.50 %</b>	<b>8.50 %</b>	<b>7.25 %</b>	<b>7.25 %</b>
<b>Total</b>	<b>25.36 %</b>	<b>24.13 %</b>	<b>23.20 %</b>	<b>20.96 %</b>	<b>24.46 %</b>	<b>23.23 %</b>	<b>20.66 %</b>	<b>19.16 %</b>	<b>19.41 %</b>	<b>17.91 %</b>

**BEAVERTON RURAL SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2013**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

**Benefit Provisions - Other Postemployment**

***Introduction***

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.

***Retiree Healthcare Reform of 2012***

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit 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.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

**BEAVERTON RURAL SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2013**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

Members who did not make an election before the deadline retain the subsidy benefit and continue making the 3% contribution toward retiree healthcare. Deferred or nonvested members on September 3, 2012 who are rehired on or after September 4, 2012, will contribute 3% contribution to retiree healthcare and will retain the subsidy benefit. Returning members who made the retirement healthcare election will retain whichever option they chose.

Those who elected to retain the premium subsidy continue to annually contribute 3% of compensation into the health care funding account. A member or former member age 60 or older, who made the 3% healthcare contributions but who does not meet eligibility requirements may request a refund of their contributions. Similarly, if a retiree dies before the total value of the insurance subsidy paid equals the total value of the contributions the member made, and there are no eligible dependents, the beneficiary may request a refund of unused funds. Refunds of member contributions to the healthcare funding account are issued as a supplemental benefit paid out over a 60 month period.

1. Retirees with at least 21 years of service, who terminate employment after October 31, 1980, with vested deferred benefits, are eligible for subsidized employer paid health benefit coverage.
2. A delayed subsidy applies to retirees who became a member of the retirement system before July 1, 2008 and who purchased service credit on or after July 1, 2008. Such individuals are eligible for premium subsidy benefits at age 60 or when they would have been eligible to retire without having made a service purchase, whichever comes first. They may enroll in the insurances earlier, but are responsible for the full premium until the premium subsidy begins.

Under Public Act 300 of 2012, the state no longer offers an insurance premium subsidy in retirement for public school employees who first work on or after September 4, 2012. Instead, all new employees will be placed into the Personal Healthcare Fund where they will have support saving for retirement healthcare costs in the following ways:

- They will be automatically enrolled in a 2% employee contribution into a 457 account as of their date of hire, earning them a 2% employer match into a 401(k) account.
- They will receive a credit into a Health Reimbursement Account (HRA) at termination if they have at least 10 years of service at termination. The credit will be \$2,000 for participants who are at least 60 years of age at termination or \$1,000 for participants who are less than 60 years of age at termination.

**BEAVERTON RURAL SCHOOLS**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2013**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**  
**(CONTINUED)**

Participants in the Personal Healthcare Fund, who become disabled for any reason, are not eligible for any employer funded health insurance premium subsidy. If a PHF participant suffers a non-duty related death, his or her health benefit dependents are not eligible to participate in any employer funded health insurance premium subsidy. If a PHF participant suffers a duty death, the state will pay the maximum health premium allowed by statute for the surviving spouse and health benefit dependents. The spouses' insurance subsidy may continue until his or her death, the dependents' subsidy may continue until their eligibility ends (through marriage, age, or other event). Upon eligibility for a duty death benefit, the 2% employer matching contributions and related earnings in the PHF 401(k) are forfeited and the state will pay for the subsidy payments. The beneficiaries receive the member's personal contributions and related earnings in the PHF 457 account.

**Other Information**

On June 28, 2010, the Michigan Court of Claims issued an injunction in response to a challenge to the authority of the State to require employees who began working before July 1, 2010, to contribute 3% of reportable wages to the retiree health care trust at MPSERS. As a result, the State has adjusted the contribution rate due on employees' wages paid between November 1, 2010 and September 30, 2011 to 20.66% for members who first worked prior to July 1, 2010 and 19.16% for Pension Plus members. In March 2011, the Court of Claims granted the plaintiffs' motions for summary disposition finding that the mandatory 3% contribution violated both the U.S. and Michigan constitutions. The State appealed the ruling to the Michigan Court of Appeals. The Court of Appeals accepted the appeal and ordered an expedited review. The Court of Appeals also granted the State's motion for a stay of proceedings and ordered that the 3% deduction continue to be collected and placed into an escrow account until further order of the Court.

On August 16, 2012 the State of Michigan Court of Appeals affirmed the trial court's orders granting summary dispositions in favor of the plaintiffs in each of the cases before it, terminating the stay ordered by this Court on March 18, 2011. The State of Michigan has appealed the decision to the Michigan Supreme Court. The Office of Retirement Services is instructing Michigan public school employers to continue withholding the 3% contribution. Should the plaintiffs prevail, the escrowed funds will be returned to the employees.

**NOTE 9 - GRANTS**

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

BEAVERTON RURAL SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2013

**NOTE 10 - ECONOMIC DEPENDENCY**

The School District received approximately 67% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

**NOTE 11 - NEW ACCOUNTING STANDARDS**

For the year end June 30, 2013 the School District implemented the following new pronouncements:

GASB Statements 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65 *Items previously reported as Assets and Liabilities*.

**Summary:**

These Statements provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The restatement of the beginning of the year net position follows:

	Governmental activities
Net position (deficit) as previously stated, July 1, 2012	\$ <u>7,488,741</u>
Bond issuance costs	(225,075)
Accumulated amortization	<u>116,934</u>
	<u>(108,141)</u>
Net position (deficit) as restated, July 1, 2012	\$ <u><u>7,380,600</u></u>

BEAVERTON RURAL SCHOOLS  
Notes to Financial Statements  
For the Year Ended June 30, 2013

**NOTE 12 - 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 School 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.

**NOTE 13 - PRIOR PERIOD ADJUSTMENT**

A prior period adjustment has been reflected in the financial statements to adjust the Food Service Fund in the amount of \$55,000 for prepaid expenditures.

BEAVERTON RURAL SCHOOLS  
 Required Supplemental Information  
 Budgetary Comparison Schedule - General Fund  
 For the Year Ended June 30, 2013

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Local sources				
Property taxes	\$ 2,408,998	\$ 2,419,852	\$ 2,437,777	\$ 17,925
Other local sources	129,500	146,955	179,912	32,957
State sources	7,334,425	7,583,289	7,581,544	(1,745)
Federal sources	987,280	1,007,095	995,391	(11,704)
Interdistrict and other sources	109,417	152,320	179,777	27,457
Total revenues	<u>10,969,620</u>	<u>11,309,511</u>	<u>11,374,401</u>	<u>64,890</u>
<u>Expenditures</u>				
Instruction:				
Basic programs	4,766,842	4,772,277	4,766,290	5,987
Added needs	1,983,227	2,180,743	2,156,664	24,079
Support services:				
Pupil	692,536	728,915	729,909	(994)
Instructional staff	334,753	333,958	322,625	11,333
General administrative	289,596	453,648	437,836	15,812
School administrative	667,011	681,331	659,530	21,801
Business services	227,461	235,909	214,085	21,824
Operations and maintenance	1,051,903	918,593	885,717	32,876
Transportation	745,140	692,391	658,275	34,116
Other central support services	290,788	272,162	277,441	(5,279)
Community services	13,285	17,965	14,968	2,997
Facilities, acquisition, construction and improvements	0	31,600	22,680	8,920
Athletics	188,103	205,751	188,485	17,266
Debt service	0	311,852	311,852	0
Total expenditures	<u>11,250,645</u>	<u>11,837,095</u>	<u>11,646,357</u>	<u>190,738</u>
Net change in fund balance	(281,025)	(527,584)	(271,956)	255,628
Fund balance - beginning of year	<u>939,679</u>	<u>939,679</u>	<u>939,679</u>	<u>0</u>
Fund balance - end of year	<u>\$ 658,654</u>	<u>\$ 412,095</u>	<u>\$ 667,723</u>	<u>\$ 255,628</u>

BEAVERTON RURAL SCHOOLS  
 Other Supplemental Information  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
June 30, 2013

	Special Revenue Fund	Debt Service Fund	
	Food Services	Durant Issue	Total
<u>Assets</u>			
Cash and investments	\$ 123,473	\$ 0	\$ 123,473
Receivables - net:			
Accounts receivable	2,485	0	2,485
Due from other governmental units	14,530	0	14,530
Inventories	13,097	0	13,097
Prepaid expenditures	55,000	0	55,000
Total assets	\$ 208,585	\$ 0	\$ 208,585
<u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Accounts payable	\$ 17,791	\$ 0	\$ 17,791
Total liabilities	17,791	0	17,791
<u>Fund Balance</u>			
Non-spendable - inventory	13,097	0	13,097
Non-spendable - prepaid	55,000	0	55,000
Restricted for food service	122,697	0	122,697
Total fund balance	190,794	0	190,794
Total liabilities and fund balance	\$ 208,585	\$ 0	\$ 208,585

**BEAVERTON RURAL SCHOOLS**  
**Other Supplemental Information**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2013**

	Special Revenue Fund Food Services	Debt Service Fund Durant Issue	Total
<u>Revenues</u>			
Local sources			
Other local sources	\$ 159,247	\$ 0	\$ 159,247
State sources	10,452	14,102	24,554
Federal sources	504,980	0	504,980
Interdistrict and other sources	260	0	260
Total revenues	674,939	14,102	689,041
<u>Expenditures</u>			
Current:			
Food services	702,127	0	702,127
Debt service:			
Principal	0	13,461	13,461
Interest and other	0	641	641
Total expenditures	702,127	14,102	716,229
Excess (deficiency) of revenues over expenditures	(27,188)	0	(27,188)
<u>Other Financing Sources (Uses)</u>			
Adjustment to prior period revenue accounts	(754)	0	(754)
Net change in fund balance	(27,942)	0	(27,942)
Fund balance - beginning of year	163,736	0	163,736
Prior period adjustment	55,000	0	55,000
Fund balance - beginning of year, restated	218,736	0	218,736
Fund balance - end of year	\$ 190,794	\$ 0	\$ 190,794

BEAVERTON RURAL SCHOOLS  
 Other Supplemental Information  
 Schedule of Bonded Indebtedness  
 For the Year Ended June 30, 2013

PURPOSE

The bonds were issued to refund the 1996 general obligation bonds, which were for the purpose of erecting, furnishing and equipping a new high school; erecting, furnishing and equipping additions to two existing school buildings, acquiring and installing educational technology for the high school; and developing and improving sites.

DATE OF ISSUE

June 12, 2003

AMOUNT OF ISSUE

\$ 7,800,000

AMOUNT OF REDEEMED

During prior years	\$ 4,995,000	
During current year	935,000	5,930,000

BALANCE OUTSTANDING - June 30, 2013

\$ 1,870,000

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	3.05%	\$ 935,000	\$ 59,840	\$ 994,840
2015	3.15%	935,000	30,387	965,387
		\$ 1,870,000	\$ 90,227	\$ 1,960,227

BEAVERTON RURAL SCHOOLS  
 Other Supplemental Information  
 Schedule of Bonded Indebtedness  
 For the Year Ended June 30, 2013

PURPOSE

The Energy Bonds were issued for the purpose of constructing energy conservation improvements to school facilities.

DATE OF ISSUE

October 8, 2007

AMOUNT OF ISSUE

\$ 2,310,000

AMOUNT OF REDEEMED

During prior years  
 During current year

\$ 566,795  
147,016      713,811

BALANCE OUTSTANDING - June 30, 2013

\$ 1,596,189

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	1.49%	\$ 149,207	\$ 23,783	\$ 172,990
2015	1.49%	151,430	21,560	172,990
2016	1.49%	153,686	19,304	172,990
2017	1.49%	155,976	17,014	172,990
2018	1.49%	158,300	14,690	172,990
2019	1.49%	160,659	12,331	172,990
2020	1.49%	163,052	9,937	172,989
2021	1.49%	165,482	7,508	172,990
2022	1.49%	167,948	5,042	172,990
2023	1.49%	<u>170,449</u>	<u>2,540</u>	<u>172,989</u>
		<u>\$ 1,596,189</u>	<u>\$ 133,709</u>	<u>\$ 1,729,898</u>

BEAVERTON RURAL SCHOOLS  
 Other Supplemental Information  
 Schedule of Bonded Indebtedness  
For the Year Ended June 30, 2013

PURPOSE

DATE OF ISSUE

November 24, 1998

AMOUNT OF ISSUE

\$ 200,824

AMOUNT OF REDEEMED

During prior years  
 During current year

\$ 187,364  
 13,460

200,824

BALANCE OUTSTANDING - June 30, 2013

\$ 0



# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

ROBERT E. LIST, CPA  
STEWART J. REID, CPA  
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DAVID D. QUIMBY, CPA  
KATHLYN M. ENGELHARDT, CPA  
AMY L. RODRIGUEZ, CPA  
SHANNON L. WILSON, CPA

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

Independent Auditor's Report

September 12, 2013

Board of Education  
Beaverton Rural Schools  
Beaverton, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards 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 Beaverton Rural Schools (School District), as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise Beaverton Rural Schools' basic financial statements and have issued our report thereon dated September 12, 2013.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Beaverton Rural Schools' 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 Beaverton Rural Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Beaverton Rural Schools' 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 School District'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.

601 BEECH STREET  
POST OFFICE BOX 297  
CLARE, MI 48617  
989-386-3481  
FAX 989-386-3462  
www.wf-cpas.com  
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE,  
GLADWIN AND WEST BRANCH



# WEINLANDER FITZHUGH

Board of Education  
Beaverton Rural Schools  
September 12, 2013

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 Beaverton Rural Schools' 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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Weinlander Fitzhugh*



# WEINLANDER FITZHUGH

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## REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

### Independent Auditor's Report

September 12, 2013

Board of Education  
Beaverton Rural Schools  
Beaverton, Michigan

### Report on Compliance for Each Major Federal Program

We have audited Beaverton Rural Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Beaverton Rural Schools' major federal programs for the year ended June 30, 2013. Beaverton Rural Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Beaverton Rural Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Beaverton Rural Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Beaverton Rural Schools' compliance.

601 BEECH STREET  
POST OFFICE BOX 297  
CLARE, MI 48617  
989-386-3481  
FAX 989-386-3462  
www.wf-cpas.com  
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE,  
GLADWIN AND WEST BRANCH



# WEINLANDER FITZHUGH

Board of Education  
Beaverton Rural Schools  
September 12, 2013

## ***Opinion on Each Major Federal Program***

In our opinion, Beaverton Rural Schools, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## **Report on Internal Control Over Compliance**

Management of Beaverton Rural Schools, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Beaverton Rural Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Beaverton Rural Schools' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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



# WEINLANDER FITZHUGH

Board of Education  
Beaverton Rural Schools  
September 12, 2013

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Weinlander Fitzhugh*

BEAVERTON RURAL SCHOOLS  
 Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

**SECTION 1 - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:

Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified?  YES  NO
- Significant deficiency(ies) identified?  YES  NONE REPORTED

Noncompliance material to financial statements noted?

YES  NO

**Federal Awards**

Internal Control over major programs:

- Material weakness(es) identified?  YES  NO
- Significant deficiency(ies) identified?  YES  NONE REPORTED

Type of auditor's report issued on compliance of major programs:

Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133?

YES  NO

Identification of major programs:

CFDA Number(s)  
84.010

Name of Federal Program or Cluster  
Title I

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?

YES  NO

**SECTION II - Financial Statement Findings**

There are no matters reported.

**SECTION III - Federal Award Findings and Questioned Costs**

There are no matters reported.

**BEAVERTON RURAL SCHOOLS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue June 30, 2012	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2013
<u>U.S. Department of Education</u>								
Passed through Michigan Department of Education:								
ECIA Title I Cluster								
ECIA Title I								
	84.010							
Project 121530-1112		506,922	\$ 466,402	\$ 161,373	\$ 0	\$ 161,373	\$ 0	\$ 0
Project 131530-1213		497,057	0	0	0	385,348	478,263	92,915
			<u>466,402</u>	<u>161,373</u>	<u>0</u>	<u>546,721</u>	<u>478,263</u>	<u>92,915</u>
Rural Education Initiative								
	84.358B							
Project 130660-1213		25,644	0	0	0	16,000	21,064	5,064
			<u>0</u>	<u>0</u>	<u>0</u>	<u>16,000</u>	<u>21,064</u>	<u>5,064</u>
Improving Teacher Quality								
	84.367							
Project 120520-1112		167,118	127,227	43,299	0	43,299	0	0
Project 130520-1213		154,870	0	0	0	117,066	147,725	30,659
			<u>127,227</u>	<u>43,299</u>	<u>0</u>	<u>160,365</u>	<u>147,725</u>	<u>30,659</u>
Passed through Clare Gladwin RESD:								
Handicapped Preschool and School Program, IDEA								
	84.027							
Project 130450-1213		341,241	0	0	0	254,790	341,241	86,451
			<u>0</u>	<u>0</u>	<u>0</u>	<u>254,790</u>	<u>341,241</u>	<u>86,451</u>
Education for Homeless Children and Youth								
	84.196							
Project 132320-1213		2,755	0	0	0	2,225	2,755	530
			<u>0</u>	<u>0</u>	<u>0</u>	<u>2,225</u>	<u>2,755</u>	<u>530</u>
Total U.S. Department of Education			<u>593,629</u>	<u>204,672</u>	<u>0</u>	<u>980,101</u>	<u>991,048</u>	<u>215,619</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

**BEAVERTON RURAL SCHOOLS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue June 30, 2012	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2013
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education:								
Child Nutrition Cluster								
Non-Cash Assistance: (Commodities)								
National School Lunch - Entitlement	10.555	26,562	\$ 0	\$ 0	\$ 0	\$ 26,562	\$ 26,562	\$ 0
Cash Assistance								
Breakfast								
Project 121970	10.553	129,466	114,836	0	0	14,630	14,630	0
Project 131970		119,284	0	0	0	119,284	119,284	0
			<u>114,836</u>	<u>0</u>	<u>0</u>	<u>133,914</u>	<u>133,914</u>	<u>0</u>
Free and Reduced Lunches								
Project 121960	10.555	288,405	253,693	0	0	34,712	34,712	0
Project 131960		265,707	0	0	0	260,465	265,707	5,242
			<u>253,693</u>	<u>0</u>	<u>0</u>	<u>295,177</u>	<u>300,419</u>	<u>5,242</u>
Summer Food								
Project 120900	10.559	32,796	21,962	5,564	0	9,917	10,834	6,481
Project 121900		3,378	2,261	572	0	1,019	1,117	670
			<u>24,223</u>	<u>6,136</u>	<u>0</u>	<u>10,936</u>	<u>11,951</u>	<u>7,151</u>
Total Child Nutrition Cluster			<u>392,752</u>	<u>6,136</u>	<u>0</u>	<u>466,589</u>	<u>472,846</u>	<u>12,393</u>
CACFP Meals								
Project 131920	10.558	30,260	0	0	0	30,260	30,260	0
Project 132010		1,874	0	0	0	1,874	1,874	0
			<u>0</u>	<u>0</u>	<u>0</u>	<u>32,134</u>	<u>32,134</u>	<u>0</u>
Total U.S. Department of Agriculture			<u>392,752</u>	<u>6,136</u>	<u>0</u>	<u>498,723</u>	<u>504,980</u>	<u>12,393</u>
<u>U.S. Department of Health and Human Services</u>								
Passed through Clare Gladwin RESD:								
Medicaid Administration Outreach	93.778							
2012-2013		4,343	0	0	0	4,343	4,343	0
Total U.S. Department of Health and Human Services			<u>0</u>	<u>0</u>	<u>0</u>	<u>4,343</u>	<u>4,343</u>	<u>0</u>
			<u>\$ 986,381</u>	<u>\$ 210,808</u>	<u>\$ 0</u>	<u>\$ 1,483,167</u>	<u>\$ 1,500,371</u>	<u>\$ 228,012</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

**BEAVERTON RURAL SCHOOLS**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

**NOTE 1 - BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Beaverton Rural Schools under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Beaverton Rural Schools, it is not intended to and does not present the financial position or changes in net position of Beaverton Rural Schools.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures.

**NOTE 3 - OTHER DISCLOSURES**

Management has utilized the Cash Management System Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.



# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

ROBERT E. LIST, CPA  
STEWART J. REID, CPA  
MICHAEL L. HANISKO, CPA  
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September 12, 2013

Board of Education  
Beaverton Rural Schools

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Beaverton Rural Schools (School District) for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards, Government Auditing Standards and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 19, 2013. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant Audit Findings**

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Beaverton Rural Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of depreciation is based on the estimated useful life of fixed assets. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

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

601 BEECH STREET  
POST OFFICE BOX 297  
CLARE, MI 48617  
989-386-3481  
FAX 989-386-3462  
www.wf-cpas.com  
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE,  
GLADWIN AND WEST BRANCH



# WEINLANDER FITZHUGH

Board of Education  
Beaverton Rural Schools  
September 12, 2013  
Page 2

## *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

## *Disagreements with Management*

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

## *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 12, 2013.

## *Management Consultations with Other Independent Accountants*

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

## *Other Audit Findings or Issues*

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



# WEINLANDER FITZHUGH

Board of Education  
Beaverton Rural Schools  
September 12, 2013  
Page 3

## **Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,

*Weinlander Fitzhugh*