

Bronson Community Schools

Financial Report
With Supplemental Information

Year Ended June 30, 2011

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Independent Auditors' Report

Board of Education
Bronson Community Schools
Bronson, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bronson Community Schools, as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bronson Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bronson Community Schools as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated July 13, 2011, on our consideration of the School District's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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Board of Education
Bronson Community Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bronson Community Schools' financial statements as a whole. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

July 13, 2011

Bronson Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2011

As administration of Bronson Community Schools, Counties of Branch and St. Joseph, State of Michigan, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$5,448,571 (net assets). Of this amount, \$2,106,480 (unrestricted net assets) may be used to meet the District's ongoing obligations to taxpayers, students, and creditors.
- The District's total net assets increased by \$274,738. The increase represents an increase in ongoing revenues and small decreases in ongoing expenditures.
- As of the close of the current fiscal year, the District's aggregated fund balance for the District's governmental funds was \$2,106,480 or 21.15 percent of the total expenditures of these funds.
- The general fund had a net change in fund balance of \$407,269. At the end of the year, the total fund balance for the general fund was \$1,931,137 or 20.66 percent of the total general fund expenditures and outgoing transfers.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the 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 financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. 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 provide information about the School District's most significant fund – the General Fund.

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities – One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by private-sector corporations. However, the School District's goal is to provide services to our students, not to generate profits, as private-sector corporations do. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The statement of net assets and statement of activities present information about the following:

Governmental Activities – All of the District's basic services are considered to be governmental activities, including instruction, support services, community services, athletics, food services, and transfers to other local districts. Property taxes, intergovernmental revenues, (unrestricted and restricted State Aid), and charges for services finance most of these activities.

Bronson Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2011

These two statements report the District's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions at the State Capitol, student enrollment growth, birth rates, and facility conditions in arriving at their conclusion regarding the overall health of the District.

The district-wide financial statements can be found on pages 1- 2 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements – The fund financial statements provide detailed information about the most significant funds – not the District as a whole. The fund financial statements begin on page 3 and provide detailed information about the most significant funds. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The District's two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

Governmental Funds – Most of the 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 District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

Fiduciary Funds – The District is the fiduciary for various student group activities and scholarships. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets.

The basic fiduciary fund financial statements can be found on page 7-8 of this report.

Additional Information – The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9 – 18 of this report.

Government-Wide Financial Analysis

The government-wide financial analysis focuses on the net assets and changes in net assets of the District's governmental activities. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Bronson Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2011

The following is a summary of the School District's net assets as of June 30, 2011 and 2010:

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Current Assets	\$3,974,698	\$3,644,812
Non-Current Assets	<u>3,353,923</u>	<u>3,519,139</u>
Total Assets	<u>7,328,621</u>	<u>7,163,951</u>
Current Liabilities	1,876,673	1,978,286
Non-current Liabilities	<u>3,377</u>	<u>11,832</u>
Total Liabilities	<u>1,880,050</u>	<u>1,990,118</u>
Net assets:		
Invested in capital assets – net of related debt	3,342,091	3,504,230
Restricted	-	-
Unrestricted	<u>2,106,480</u>	<u>1,669,603</u>
Total net assets	<u>\$5,448,571</u>	<u>\$5,173,833</u>

The above analysis focuses on the net assets. The change in net assets of the School District's governmental activities is discussed below. The net assets differ from fund balances and the reconciliation appears on page 4.

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

Typically, one portion of the District's net assets, the *restricted* portion, represents resources that are subject to external restrictions on how they may be used. In the case of the School District, we have no amounts that have to be restricted for debt service and capital projects. At this time we have no debt which needs to be repaid from voter approved property taxes collected as the debt service comes due. The remaining balance of \$2,106,480, which is *unrestricted* net assets, may be used to meet the District's ongoing obligations to citizens and creditors.

The results of this year's operations for the School District as a whole are reported in the statement of activities which show the changes in net assets for fiscal year 2011.

Bronson Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2011

The following is a summary of the change in net assets for the year ended June 30, 2011:

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 313,010	\$ 408,419
Operating grants	1,287,517	1,352,065
General revenues:		
Property taxes	706,631	735,067
Grants and state aid	8,069,815	7,931,646
Other	19,400	74,809
Total revenues	<u>10,396,373</u>	<u>10,502,006</u>
Functions/Program Expenses:		
Instruction	5,701,280	6,143,839
Support services	3,591,904	3,410,227
Food service activities	609,827	655,874
Athletic activities	-	350,138
Other	6,132	6,086
Depreciation (unallocated)	212,492	291,450
Total expenses	<u>10,121,635</u>	<u>10,857,614</u>
Increase in net assets	<u>\$ 274,738</u>	<u>\$ (355,608)</u>

The District's net assets increased by \$274,738 during the current fiscal year. The increase in net assets differs from the change in fund balances and the reconciliation appears on page 6.

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

General Fund Budgeting and Operating Highlights

The School District's budgets are prepared according to Michigan Law. The most significant budgeted funds are the General Fund and the non-major governmental funds for Food Service and Athletics.

During the fiscal year ended June 30, 2011, the School District amended the budgets of these governmental funds twice. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's General Fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The General Fund actual revenue and other financing sources was \$9,753,400. That amount is above the amended budget estimate of \$9,728,644. The variance (0.25%) was due in most part to small year-end adjustments in local revenues from collection of delinquent taxes and increased federal revenues.

Bronson Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2011

The actual expenditures and other financing uses of the general fund were \$9,346,131, which is below the amended budget estimate of \$9,445,063. The \$98,932 variance (1.04%) was due to mid-year changes in discretionary expenditures at the District level in response to the changes in anticipated revenues. More detail of these changes may be found in the district budget amendment resolutions.

The General Fund had total revenues of \$9,753,400 and total expenditures of \$9,346,131 with a net change in fund balance of \$407,269 and an ending fund balance of \$1,931,137. The current year net increase was due to a couple of items. The first is the number of snow days in this fiscal year which had an impact on salaries and retirement. The second item is the accounting change made by the auditors that changed the way that we handle claims for our partially self-funded insurance plan. The accounting only allowed us to included ten months of claims in this fiscal year.

There were no significant differences between the final budget and actual amounts.

Capital Asset and Debt Administration

Capital Assets – At the end of the fiscal year 2011, the School District had \$10,183,963 invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$6,892,243 in depreciation has been taken over the years. We currently have a net book value of \$3,353,920.

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 62,200	\$ 62,200
Buildings and improvements	5,812,657	5,812,657
Furniture and equipment	3,554,962	3,507,686
Buses and other vehicles	<u>816,346</u>	<u>816,346</u>
Total capital assets	<u>10,246,165</u>	<u>10,198,889</u>
Less accumulated depreciation	<u>6,892,242</u>	<u>6,679,750</u>
Net capital assets	<u>\$ 3,353,923</u>	<u>\$ 3,519,139</u>

Major capital asset events during the current fiscal year included the following:

Purchase of one new convection oven at Ryan Elementary (\$6,601), new bus video systems for the fleet (\$20,256) and replacement of the maintenance tractor (\$20,419).

Long-Term Debt – At June 30, 2011, the District had total debt outstanding of \$11,832, consisting of Durant Resolution Bonds that are a legal obligation of the School District, but an annual State of Michigan appropriation is the only revenue source making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the District is under no obligation for payment.

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Installment Purchase Agreement	\$ -	\$ -
Durant Resolution Bonds	<u>11,832</u>	<u>14,909</u>
Total	<u>\$ 11,832</u>	<u>\$ 14,909</u>

The District's total debt decreased by \$3,077 during the current fiscal year. There was no new borrowing this year other than state aid notes to meet cash flow needs.

Bronson Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2011

State statutes limit the amount of general obligation debt that a school district may issue to 15 percent of its total assessed valuation (State Equalized Value). The current outstanding general obligation debt for Bronson Community Schools is significantly below the current debt limitation.

Additional information on the District's long-term debt can be found in Note 7 on page 16 of this report.

Economic Factors and Next Year's Budgets and Rates

On March 15, 1994, the electors of the State of Michigan approved a ballot proposition to amend the State Constitution of 1963, in part, to increase the State sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in order to reduce reliance on local property taxes for school operating purposes and to equalize the per pupil finance resource disparities among school districts. The State Aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation guarantee beginning in fiscal year 1994-1995. The foundation allowance has been established for 2011-2012 as \$6846. The foundation guarantee consists of the locally raised property taxes plus State Aid. The source of revenues for the State's contribution to the foundation allowance is derived from a mix of taxing sources, including but not limited to, a statewide property tax of six mills on all property (homestead and non-homestead), a State sales and use tax, a real estate transfer tax and a cigarette tax. One additional factor for Bronson Community Schools is the loss of revenue due to a "Headlee Rollback." This occurs when the revenue generated by the increase in taxable values of property in the district outstrips the rate of inflation. This has caused the district to rollback the millage it may levy on all non-homestead property to 17.7264 mills instead of the 18 mills that have been voter approved. Consequently, the district has lost over \$93,016 in revenue since '04-'05. The loss will be approximately \$10,000 per year. If the state does not receive enough revenue to support enacted State School Aid Budgets we could have our state aid payments reduced during the year which has happened in the past.

Increases in the costs for the retirement contribution for employees along with increases in the cost of providing health insurance for employees are putting an ever growing strain on school budgets, ours included. We hope to mitigate this problem by careful staffing decisions, acute awareness of opportunities to cut costs, and attempting to enhance our revenues when possible. Our buildings continue to show the signs of aging and this will need to be addressed in the near future. Although we were able to add to the fund balance this fiscal year, it was due to unusual circumstance and should not be expected to continue for future years.

The following factors were considered in preparing the District's budgets for the 2011-2012 fiscal year:

- Foundation allowance of approximately \$6,846 per pupil – a decrease of \$300 per pupil from '10-'11
- Student enrollment slightly lower than in 2010-2011
- State aid membership based on a 90-10 percent blended count
- Elimination of Federal Grant allocations such as ARRA stimulus funds and Edujobs funds
- Staff maintained at '10-'11 levels with minor exceptions
- Retirement rate increased from 20.66% to 24.46%

Additional detail is available through analyzing district budgets and supporting documents for '11-'12.

Requests for Information

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

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Bronson Community Schools
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 2,146,504
Investments - restricted for State Aid Loan	185,000
Receivables	5,633
Due from other governmental units	1,532,168
Inventories	29,248
Prepaid expenditures	<u>76,145</u>
Capital assets:	
Cost of capital assets	10,246,165
Less: accumulated depreciation	<u>(6,892,242)</u>
Net capital assets	<u>3,353,923</u>
Total assets	<u>7,328,621</u>
Liabilities:	
Accounts payable and accrued expenses	882,218
State aid anticipation notes	985,000
Deferred revenue	1,000
Long-term liabilities:	
Due within one year	
Bonds, capital leases and contracts	8,455
Due in more than one year	
Bonds, capital leases and contracts	<u>3,377</u>
Total liabilities	<u>1,880,050</u>
Net Assets:	
Invested in capital assets, net of related debt	3,342,091
Unrestricted	<u>2,106,480</u>
Total net assets	<u>\$ 5,448,571</u>

Bronson Community Schools
Statement of Activities
Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Program Revenue</u>			<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Change in Net Assets</u>
Primary government				
Governmental activities:				
Instruction	\$ 5,701,280	\$ 125	\$ 829,027	\$ (4,872,128)
Support services	3,591,904	128,402	-	(3,463,502)
Food service activities	609,827	184,483	454,952	29,608
Community services	5,671	-	-	(5,671)
Interest on long-term debt	461	-	3,538	3,077
Depreciation (unallocated)	212,492	-	-	(212,492)
Total governmental activities	<u>\$ 10,121,635</u>	<u>\$ 313,010</u>	<u>\$ 1,287,517</u>	<u>(8,521,108)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				706,631
State aid not restricted to specific purposes				7,663,989
Federal grants not restricted to specific purposes				405,826
Unrestricted investment earnings				6,924
Other				12,476
Total general revenues				<u>8,795,846</u>
Change in Net Assets				274,738
Net Assets - Beginning of Year				<u>5,173,833</u>
Net Assets - End of Year				<u>\$ 5,448,571</u>

Bronson Community Schools
 Balance Sheet
 Governmental Funds
 June 30, 2011

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Durant Debt Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and investments	\$ 2,027,973	\$ 118,531	\$ -	\$ 2,146,504
Investments - restricted for State Aid Loan	185,000	-	-	185,000
Taxes receivable, net	-	-	-	-
Due from other funds	-	-	-	-
Receivable from other governments	1,532,168	-	-	1,532,168
Other receivables	-	5,633	-	5,633
Inventories	-	29,248	-	29,248
Prepaid expenditures	36,145	40,000	-	76,145
Total assets	<u>\$ 3,781,286</u>	<u>\$ 193,412</u>	<u>-</u>	<u>\$ 3,974,698</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 29,966	\$ 18,069	-	\$ 48,035
State aid anticipation notes	985,000	-	-	985,000
Deferred revenue	1,000	-	-	1,000
Salaries payable	578,114	-	-	578,114
Accrued expenditures	256,069	-	-	256,069
Total liabilities	<u>1,850,149</u>	<u>18,069</u>	<u>-</u>	<u>1,868,218</u>
 Fund Balances:				
Nonspendable:				
Inventories	-	29,248	-	29,248
Prepaid expenses	36,145	40,000	-	76,145
Restricted	-	106,095	-	106,095
Unassigned	1,894,992	-	-	1,894,992
Total fund balances	<u>1,931,137</u>	<u>175,343</u>	<u>-</u>	<u>2,106,480</u>
Total liabilities and fund balances	<u>\$ 3,781,286</u>	<u>\$ 193,412</u>	<u>\$ -</u>	<u>\$ 3,974,698</u>

Bronson Community Schools
Reconciliation of Fund Balances on the Balance Sheet of Governmental Funds to
Net Assets of Governmental Activities on the Statement of Net Assets
June 30, 2011

Total Fund Balances - Governmental Funds \$ 2,106,480

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds 3,353,923

Long-term liabilities (bonds payable) not due and payable in the current period and not reported in the funds (11,832)

Total Net Assets - Governmental Activities \$ 5,448,571

Bronson Community Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011

	<u>General Fund</u>	<u>Food Services Fund</u>	<u>Durant Debt Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Local sources	\$ 854,558	\$ 184,483	\$ -	\$ 1,039,041
State sources	7,983,582	33,830	3,538	8,020,950
Federal sources	915,260	421,122	-	1,336,382
Interdistrict and other	-	-	-	-
Total revenues	<u>9,753,400</u>	<u>639,435</u>	<u>3,538</u>	<u>10,396,373</u>
Expenditures:				
Instruction	5,701,280	-	-	5,701,280
Support services	3,639,180	-	-	3,639,180
Food service activities	-	609,827	-	609,827
Community services	5,671	-	-	5,671
Debt service:				-
Principal	-	-	3,077	3,077
Interest and other charges	-	-	461	461
Total expenditures	<u>9,346,131</u>	<u>609,827</u>	<u>3,538</u>	<u>9,959,496</u>
Net Changes in Fund Balance	407,269	29,608	-	436,877
Fund Balances - Beginning of Year	<u>1,523,868</u>	<u>145,735</u>	<u>-</u>	<u>1,669,603</u>
Fund Balances - End of Year	<u>\$ 1,931,137</u>	<u>\$ 175,343</u>	<u>\$ -</u>	<u>\$ 2,106,480</u>

Bronson Community Schools

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 436,877

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.

The amount by which depreciation \$212,492 exceeded capital expenditures \$47,276 in the current period. (165,216)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds. 3,077

Change in Net Assets of Governmental Activities \$ 274,738

Bronson Community Schools
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust Fund	Agency Fund
Assets:		
Cash and cash equivalents	\$ 81,567	\$ 169,093
Liabilities:		
Due to student groups	-	169,093
Net Assets:		
Held in trust for benefits and other purposes	\$ 81,567	

Bronson Community Schools
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2011

	Private Purpose Trust Funds
Additions:	
Interest	\$ 724
Contributions	8,052
Total additions	8,776
Deductions:	
Scholarships awarded	35,720
Total deductions	35,720
Change in Net Assets	(26,944)
Net Assets - Beginning of Year	108,511
Net Assets - End of Year	\$ 81,567

Bronson Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of Bronson Community Schools (the "School District" or "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board 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 District. Based on the application of the criteria, the District does not contain any component units.

District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. 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 segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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

Bronson Community Schools
Notes to Financial Statements

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.

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

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

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

The School District reports the following major governmental funds:

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

Food Service Fund – This Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for the specified purposes of food service activity for the District.

Durant Debt Fund – The Debt Fund is used to record taxes, interest, and other revenue for payment of principal and other expenditures thereof on a particular bond issue.

Additionally, the District reports the following fund type:

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the district-wide statements.

Bronson Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Fiduciary Funds (Continued) - The agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school-related purposes. The funds are segregated and held in trust for the students and parents.

The private purpose trust fund is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where interest payments may be spent. These funds are not reported on the District financial statements.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

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

For the year ended June 30, 2011, the District levied the following amounts per \$1,000 of assessed valuation:

General Fund – Non-principal residence exemption (PRE)	17.7264
General Fund – Commercial personal property	5.7264

Bronson Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

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

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The District has determined the uncollectible amounts are immaterial and no provision has been recorded.

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

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

Inventories and Prepaid Items – Inventories are valued at cost on a first-in, first-out basis. 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 are 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. The government defines capital assets as assets with an initial individual cost of \$5,000 or greater and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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 additions	50 years
Site improvements	20 years
Buses and other vehicles	5-10 years
Furniture and equipment	5-20 years

Compensated Absences - The District does not report a liability for compensated absences. Sick leave can be accumulated up to 120 days, but at retirement or termination, accumulated sick pay is forfeited. Vacation leave cannot be carried over from year to year. Any unused leave at year-end is forfeited.

Bronson Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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 Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with this guidance, fund balances of governmental funds are now categorized according to five defined categories of fund balance. These categories consist of nonspendable amounts which are legally or contractually required to be maintained intact, restricted amounts that are constrained for specific purposes set by external parties or law, committed amounts that are constraints set by the highest decision making authority and may only be removed by those individuals, assigned amounts that have an intended but no formal specific purpose, and unassigned amounts which are the residual of the other categories and have no specific purpose.

It is the District's policy to generally use fund balance in order according to the hierarchy of fund balance categories, from restricted down to unassigned.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Note 2 – Stewardship, Compliance, and Accountability

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriations lapse at fiscal year-end.

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

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

Bronson Community Schools
Notes to Financial Statements

Note 2 – Stewardship, Compliance, and Accountability (Continued)

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the *Uniform Budgeting and Accounting Act* (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of budgeted estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any, for the General Fund and Food Service Fund are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditures functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2011. The School District does not consider these amendments to be significant.

Note 3 – Deposits and Investments

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	<u>\$2,146,504</u>	<u>\$ 250,660</u>	<u>\$2,397,164</u>

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

Deposits (checking and savings accounts, certificates of deposit)	\$1,602,164
Investments in pooled investments	794,800
Petty cash and cash on hand	<u>200</u>
Total	<u>\$2,397,164</u>

The District's cash and investments are subject to several types of risk, which are examined in more detail below.

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District requires that financial institutions be evaluated and only those with an acceptable risk level are used for the District's deposits for custodial credit risk. At year-end, the District's deposit balance of \$1,612,000 had \$1,362,000 of bank deposits that were uninsured and uncollateralized.

Investments – Investments under the interlocal agreement (MILAF) in the amount of \$794,800 are regulated by the Urban Cooperation Act. The fair value of the position in the interlocal agreement pools is the same as the value of the pool shares. The interlocal agreement (MILAF) is rated at AAA according to Standard and Poor's.

Bronson Community Schools
Notes to Financial Statements

Note 4 – Receivables

Receivables at June 30, 2011 consist of amounts due from other governmental units, primarily the Michigan Department of Education, plus other miscellaneous receivables. Total receivables are \$1,537,801.

Note 5 – Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Year-End Balance</u>
Assets not being depreciated – land	\$ 62,200	\$ -	\$ -	\$ 62,200
Capital assets being depreciated:				
Buildings and improvements	5,519,555	-	-	5,519,555
Site improvements	293,102	-	-	293,102
Buses and other vehicles	816,346	-	-	816,346
Furniture and equipment	<u>3,507,686</u>	<u>47,276</u>	<u>-</u>	<u>3,554,962</u>
Subtotal	<u>10,136,689</u>	<u>47,276</u>	<u>-</u>	<u>10,183,965</u>
Accumulated depreciation:				
Buildings and improvements	2,787,820	76,904	-	2,864,724
Site improvements	143,903	13,458	-	157,361
Buses and other vehicles	451,834	61,101	-	512,935
Furniture and equipment	<u>3,296,193</u>	<u>61,029</u>	<u>-</u>	<u>3,357,222</u>
Subtotal	<u>6,679,750</u>	<u>212,492</u>	<u>-</u>	<u>6,892,242</u>
Net capital assets being depreciated	<u>3,456,939</u>	<u>(165,216)</u>	<u>-</u>	<u>3,291,723</u>
Net capital assets	<u>\$ 3,519,139</u>	<u>\$ (165,216)</u>	<u>\$ -</u>	<u>\$ 3,353,923</u>

Depreciation for the fiscal year ended June 30, 2011 totaled \$212,492. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Note 6 – Notes Payable

At June 30, 2011, the School District has State Aid anticipation notes outstanding of \$800,000 and \$185,000 maturing August 20, 2011 with respective interest rates of 0.40% and 0.80%. The District has \$185,000 of funds on deposit with a financial institution, which are included in investments on the General Fund balance sheet, to be applied against the outstanding balance. The notes are secured by the full faith and credit of the District as well as pledged State Aid.

<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2011</u>
<u>\$1,000,000</u>	<u>\$ 985,000</u>	<u>\$1,000,000</u>	<u>\$ 985,000</u>

The District has also approved the issuance of State Aid anticipation notes in the amount of \$300,000 and \$675,000 with respective interest rates of approximately .6% and .3% with a one-year maturity due August 20, 2012 for the 2011-12 school year.

Bronson Community Schools
Notes to Financial Statements

Note 7 – Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

Long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Durant Bonds	\$ 14,909	\$ -	\$ 3,077	\$ 11,832	\$ 8,455
Total governmental activities	<u>\$ 14,909</u>	<u>\$ -</u>	<u>\$ 3,077</u>	<u>\$ 11,832</u>	<u>\$ 8,455</u>

Annual debt service requirements to maturity on the above governmental debt obligations are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 8,455	\$ 2,158	\$ 10,613
2013	<u>3,377</u>	<u>161</u>	<u>3,538</u>
Total	<u>\$ 11,832</u>	<u>\$ 2,319</u>	<u>\$ 14,151</u>

Long-term debt consists of:

\$50,383 Durant Non-Plaintiff serial bonds due in annual installments of \$3,077 to \$8,455 through May 15, 2013; interest at 4.70%	<u>\$ 11,832</u>
Total long-term debt	<u>\$ 11,832</u>

Durant Non-Plaintiff Bond - Included in Governmental Activities General Obligation Bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) of \$3,538 - \$10,613 associated with this bond are funded by the State of Michigan via specifically appropriated State Aid and will not require any School District debt levy or utilization of any other District financial resources.

Note 8 – Risk Management

The School District is exposed to various risks of loss related torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District has purchased commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

Bronson Community Schools
Notes to Financial Statements

Note 9 – Defined Benefit Pension Plan and Post-Employment Benefits

Plan Description – The District participates in the Michigan Public School Employees' Retirement System (MPSERS), a state-wide, cost-sharing, multiple-employer defined benefit public employee retirement plan governed by the State of Michigan and administered by the twelve-member board of the MPSERS. The MPSERS provides retirement, survivor and disability benefits and postretirement benefits options for health, dental and vision coverage for substantially all employees of the District. The MPSERS was established by Public Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, MI 48909-7671 or by calling (517) 322-5103.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute 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 January 1, 1990 through June 30, 2008 and returning members who did not work between January 1, 1987 and 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; and 4.3% of all wages over \$15,000. Members hired July 1, 2008 and thereafter contribute to Member Investment Plan Plus (MIPP) at the rate of 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 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 interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contributions plus interest, in any, are refundable.

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

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate totals 16.94 percent for the period from July 1, 2010 through September 30, 2010 and increased to 19.41% for the base plan and 17.91% for pension plus members effective for the period October 1, 2010 through October 31, 2010. The rate increased to 20.66% for basic plan members and 19.16% for pension plus members for the period November 1, 2010 through June 30, 2011. In addition, the District is required to match 50% up to 1% of the employee contributions in the pension plus plan. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The School District's contributions to the MPSERS plan for the years ended June 30, 2011, 2010, and 2009 were approximately \$1,089,000, \$1,002,000, and \$963,000, respectively. The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Post-Employment Benefits – Retirees have the option of health coverage, which is currently funded on a cash disbursement basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to contribute 3% (or 1.5%) of their compensation to offset employer contributions for health care benefits of current retirees. For the school fiscal year that began July 1, 2010, members who were employed by a reporting unit and were

Bronson Community Schools
Notes to Financial Statements

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

Post-Employment Benefits (Continued) - paid less than \$18,000 in the prior school fiscal year and members who were hired on or after July 1, 2010, with a starting salary less than \$18,000 are required to contribute 1.5% of the member's compensation. For each school fiscal year that begins on or after July 1, 2011, members shall contribute 3% of compensation into the health care funding account.

Tax Deferred Annuity Plan – The District maintains a 403(b) tax deferred annuity plan for eligible administrative employees. Total employer contributions to the plan for the fiscal year were \$28,000.

Note 10 – Federal and State Grants

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Note 11 – Restatement of Beginning Fund Balance

To comply with new guidance that became effective during the current year, the Athletic Fund, which was previously reported as a special revenue fund, has been combined with the General Fund. Beginning fund balance of the General Fund was increased by \$29,829 to include the fund balance of the Athletic Fund as of July, 1, 2010.

Required Supplemental Information

Bronson Community Schools
 Budgetary Comparison Schedules - General Fund and Food Service Fund
 Year ended June 30, 2011

	General Fund			Food Service Fund		
	Budgeted Amounts		Actual	Budgeted Amounts		Actual
	Original	Final		Original	Final	
Revenues:						
Local sources	\$ 815,788	\$ 853,856	\$ 854,558	\$ 182,835	\$ 184,475	\$ 184,483
State sources	8,001,597	7,981,401	7,983,582	44,150	33,830	33,830
Federal sources	495,797	893,387	915,260	419,416	419,718	421,122
Interdistrict and other	-	-	-	-	-	-
Total revenues	9,313,182	9,728,644	9,753,400	646,401	638,023	639,435
Expenditures:						
Instruction:						
Basic programs	5,013,997	4,971,724	4,940,225	-	-	-
Added needs	738,898	770,847	761,055	-	-	-
Support services:						
Pupil						
Instructional staff	235,772	239,245	237,315	-	-	-
General administration	236,132	153,571	151,326	-	-	-
School administration	228,291	240,352	238,099	-	-	-
Business	707,007	775,845	754,127	-	-	-
Operation & maintenance	189,943	165,993	164,747	-	-	-
Pupil transportation	1,164,414	968,337	949,940	-	-	-
Central services	595,634	570,171	564,327	-	-	-
Athletic activities	249,730	246,671	244,576	-	-	-
Community services:						
Community activities	1,500	660	645	-	-	-
Non-public school pupils	5,000	5,030	5,026	-	-	-
Food service activity	-	-	-	667,525	620,632	609,827
Total expenditures	9,717,870	9,445,063	9,346,131	667,525	620,632	609,827
Net Changes in Fund Balances	(404,688)	283,581	407,269	(21,124)	17,391	29,608
Fund Balances - Beginning of Year	1,523,868	1,523,868	1,523,868	145,735	145,735	145,735
Fund Balances - End of Year	\$ 1,119,180	\$ 1,807,449	\$ 1,931,137	\$ 124,611	\$ 163,126	\$ 175,343

Other Supplemental Information

Bronson Community Schools
 Schedule of Indebtedness
 June 30, 2011

Durant Bonds	Date of Issue	Amount of Issue	Interest Rate	Date of Final Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding June 30, 2011
		September 14, 1998	\$ 50,383	4.7000% 4.7000%	05/15/12 05/15/13	\$ 2,158 161	\$ 8,455 3,377
					\$ 2,319	\$ 11,832	\$ 11,832

See Independent Auditors' Report.

Bronson Community Schools

Single Audit Report

Year Ended June 30, 2011

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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with
Government Auditing Standards**

Board of Education
Bronson Community Schools
Bronson, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bronson Community Schools as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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Board of Education
Bronson Community Schools
Bronson, Michigan

Compliance and Other Matters

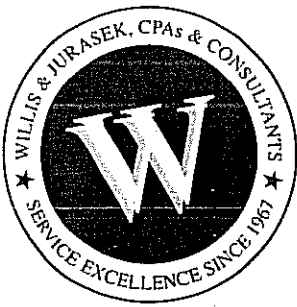
As part of obtaining reasonable assurance about whether Bronson Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and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

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

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

July 13, 2011



**Report On Compliance with Requirements
Applicable To Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

Board of Education
Bronson Community Schools
Bronson, Michigan

Compliance

We have audited Bronson Community 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 Bronson Community Schools' major federal programs for the year ended June 30, 2011. Bronson Community Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Bronson Community Schools' management. Our responsibility is to express an opinion on Bronson Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *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 Bronson Community Schools' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bronson Community Schools' compliance with those requirements.

In our opinion, Bronson Community Schools complied, in all material respects, with the 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, 2011.

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Internal Control Over Compliance

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bronson Community Schools as of and for the year ended June 30, 2011, and have issued our report thereon dated July 13, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the 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 not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

July 13, 2011

Bronson Community Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Award/Grant Entitlement Program Amount	Accrued (Deferred) Revenue 7/1/2010	Prior Years Expenditures (Memorandum Only)	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue 6/30/2011
U.S. Department of Agriculture								
Child Nutrition Cluster:								
Passed through MI Department of Education:								
Non-cash Assistance (Commodities):								
National School Lunch Program - Regular	10.555		\$ 38,834	\$ -	\$ -	\$ 38,834	\$ 38,834	\$ -
National School Lunch Program - Bonus	10.555		1,729	-	-	1,729	1,729	-
			<u>40,563</u>	<u>-</u>	<u>-</u>	<u>40,563</u>	<u>40,563</u>	<u>-</u>
Cash Assistance:								
National School Lunch Program	10.555	101950	4,369	-	-	4,369	4,369	-
		101960	26,255	-	-	26,255	26,255	-
		101980	170	-	-	170	170	-
		111950	37,881	-	-	37,881	37,881	-
		111960	224,984	-	-	224,984	224,984	-
		111980	1,655	-	-	1,655	1,655	-
			<u>295,314</u>	<u>-</u>	<u>-</u>	<u>295,314</u>	<u>295,314</u>	<u>-</u>
School Breakfast Program	10.553	101970	5,860	-	-	5,860	5,860	-
		111970	68,626	-	-	68,626	68,626	-
			<u>74,486</u>	<u>-</u>	<u>-</u>	<u>74,486</u>	<u>74,486</u>	<u>-</u>
Summer Food Service Program	10.559	100900	5,319	1,090	-	1,090	-	-
		100900	3,753	-	-	2,410	3,753	1,343
			<u>9,072</u>	<u>1,090</u>	<u>-</u>	<u>3,500</u>	<u>3,753</u>	<u>1,343</u>
Total Cash Assistance			<u>378,872</u>	<u>1,090</u>	<u>-</u>	<u>373,300</u>	<u>373,553</u>	<u>1,343</u>
Total Child Nutrition Cluster			<u>419,435</u>	<u>1,090</u>	<u>-</u>	<u>413,863</u>	<u>414,116</u>	<u>1,343</u>
ARRA - Equipment Assistance	10.579	091995	7,006	-	-	7,006	7,006	-
Total United States Department of Agriculture			<u>426,441</u>	<u>1,090</u>	<u>-</u>	<u>420,869</u>	<u>421,122</u>	<u>1,343</u>
U.S. Department of Education:								
Passed through MI Department of Education:								
ARRA - Education Stabilization Fund	84.394	112525-1011	140,161	-	-	140,161	140,161	-
Education Jobs Fund	84.410A	112545-1011	265,665	-	-	265,665	265,665	-
Title I Part A	84.010	111530-1011	308,254	-	-	261,618	303,639	42,021
ARRA Title I	84.389	101535-0910	171,259	5,796	115,297	25,977	20,161	-
		111535-1011	35,781	-	-	35,781	35,781	-
Total Title I Cluster			<u>515,294</u>	<u>5,796</u>	<u>115,297</u>	<u>323,376</u>	<u>359,601</u>	<u>42,021</u>
Title IIA	84.367	100520-0910	147,024	488	82,396	12,280	11,792	-
		110520-1011	149,096	-	-	64,056	117,580	33,524
			<u>296,120</u>	<u>488</u>	<u>82,396</u>	<u>96,336</u>	<u>129,372</u>	<u>33,524</u>
Title III Limited English	84.365	100580-0910	22,253	1,529	6,123	1,847	318	-
		110580-1011	28,375	-	-	17,707	20,143	2,436
			<u>50,628</u>	<u>1,529</u>	<u>6,123</u>	<u>19,554</u>	<u>20,461</u>	<u>2,436</u>
Total Passed Through MI Department of Education			<u>1,267,868</u>	<u>7,813</u>	<u>203,816</u>	<u>845,092</u>	<u>915,260</u>	<u>77,981</u>
Passed through Calhoun ISD:								
Drug-Free Schools and Communities Act	84.186A		1,000	-	-	1,000	-	(1,000)
Total United States Department of Education			<u>1,268,868</u>	<u>7,813</u>	<u>203,816</u>	<u>846,092</u>	<u>915,260</u>	<u>76,981</u>
			<u>\$ 1,695,309</u>	<u>\$ 8,903</u>	<u>\$ 203,816</u>	<u>\$ 1,266,661</u>	<u>\$ 1,336,382</u>	<u>\$ 78,324</u>

Bronson Community Schools
Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Bronson Community Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.

Note 2 – Summary of Significant Accounting Policies

Expenditure Reports

Management has reconciled the expenditures reported in the Schedule of Expenditures of Federal Awards to those amounts reported in the annual or final cost reports.

Grant Section Auditor's Report

Management has utilized the Grant Section Auditor's Report (Form R-7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.

Bronson Community Schools
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2011

Section I – Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unqualified		
Internal control over financial reporting:			
Material weakness identified	_____ yes	_____ X _____	no
Significant deficiencies identified that are not considered to be material weaknesses	_____ yes	_____ X _____	no
Noncompliance material to financial statements noted	_____ yes	_____ X _____	no

Federal Awards

Internal control over major programs:			
Material weakness identified	_____ yes	_____ X _____	no
Significant deficiencies identified that are not considered to be material weaknesses	_____ yes	_____ X _____	no

Type of auditor's report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133	_____ yes	_____ X _____	no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.394	ARRA-Education Stabilization Fund
84.410	Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs:	_____ \$ 300,000 _____
Auditee qualified as low-risk	_____ X _____ yes _____ no

Section II – Financial Statement Findings

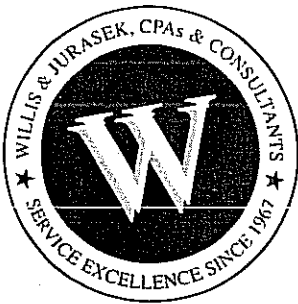
None

Section III – Federal Award Findings and Questioned Costs

None

Bronson Community Schools
Comments on Resolution of Findings from June 30, 2010
Single Audit Report

Finding: There were no findings or questioned costs at June 30, 2010.



July 13, 2011

To the Board of Education
Bronson Community Schools
Bronson, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bronson Community Schools for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *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 July 1, 2011. 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 Bronson Community Schools are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the District changed accounting policies related to fund balance categories by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the governmental fund financial statements.

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 estimates, affecting the government-wide financial statements, were:

Management's estimate of the capitalized assets and the estimate of related accumulated depreciation. The bulk of the capitalized costs is based upon an asset appraisal done in a prior year. Related depreciation is based upon estimated lives and methods to formulate net book value. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. There were no significant audit adjustments recorded at year-end.

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Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 13, 2011.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

(Other Information in Documents Containing Audited Financial Statements)

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 accounting principles generally accepted in the United States of America, 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 the Board of Education and management of Bronson Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.