



# Brandywine Community Schools

Niles, Michigan

Financial Report

With Supplementary Information

June 30, 2014

**BRANDYWINE COMMUNITY SCHOOLS  
Niles, Michigan  
June 30, 2014**

**BOARD OF EDUCATION**

|                   |                                    | <u>Term Expires</u> |
|-------------------|------------------------------------|---------------------|
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## Independent Auditor's Report

To the Board of Education of  
Brandywine Community Schools

### 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 Brandywine Community Schools (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinions*

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

David Schaffer, CPA  
Michael Layher, CPA  
*Founding Partners:*  
Morris McMurray, CPA  
Raymond Marks, CPA  
Jeff Edmunds, CPA

## Independent Auditor's Report, Concluded

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying other supplementary information, as described in the table of contents, is presented for purposes of additional analysis and is 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 other supplementary information, as described in the table of contents, 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 auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as described in the table of contents, 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 29, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Schaffer & Layher  
September 29, 2014

This section of the Brandywine Community Schools (the “School District”) annual financial report presents our discussion and analysis of the School District’s financial performance during the year ended June 30, 2014. Please read it in conjunction with the School District’s financial statements, which immediately follow this section.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Brandywine Community School District financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District’s finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District’s operations in more detail than the government-wide financial statements by providing information about the School District’s most significant fund – the General Fund. 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 and parents. The annual report is arranged as follows:

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

***Basic Financial Statements***

***District-wide Financial Statements***

***Fund Financial Statements***

***Notes to the Basic Financial Statements***

***(Required Supplementary Information)***  
***Budgetary Information for General Fund***

***Other Supplementary Information***

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

The statement of net position and the statement of activities, which appear first in the School District’s financial statements, report information about the School District as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The statement of net position includes all of the School District’s assets, deferred outflows, deferred inflows and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

These two statements report the School District’s net position and how they have changed. Net position – the difference between assets, deferred outflows of resources, deferred inflows of resources and liabilities, as reported in the statement of net position – is one way to measure the School District’s financial health, or position. Over time, increases or decreases in the School District’s net position – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

The statement of net position and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

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

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

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

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

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



**The School District as a Whole**

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of the last two fiscal years.

**Table 1:**

|   | <u>June 30, 2014</u> | <u>June 30, 2013*</u> |
|---|----------------------|-----------------------|
| <b>Assets</b>                                   |                      |                       |
| Current and other assets                        | \$ 7,262,462         | \$ 6,816,468          |
| Property and equipment                          | 17,846,916           | 18,618,864            |
| Total Assets                                    | <u>\$ 25,109,378</u> | <u>\$ 25,435,332</u>  |
| <b>Deferred Outflow of Resources</b>            |                      |                       |
| Deferred amount on debt refunding               | 44,832               | 59,776                |
| Total Assets and Deferred Outflows of Resources | <u>\$ 25,154,210</u> | <u>\$ 25,495,108</u>  |
| <b>Liabilities</b>                              |                      |                       |
| Current liabilities                             | \$ 2,066,053         | \$ 1,998,952          |
| Long-term liabilities                           | 16,937,342           | 17,769,843            |
| Total Liabilities                               | <u>\$ 19,003,395</u> | <u>\$ 19,768,795</u>  |
| <b>Net Position</b>                             |                      |                       |
| Net investment in capital assets                | \$ 156,005           | \$ 145,983            |
| Restricted                                      | 2,010,189            | 1,868,518             |
| Unrestricted                                    | 3,984,621            | 3,711,812             |
| Total Net Position                              | <u>\$ 6,150,815</u>  | <u>\$ 5,726,313</u>   |

\*Certain figures for fiscal year 2013 were reclassified for comparative purposes.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the sources of revenue for the last two fiscal years.

**Table 2:**

|                                    | Year Ended           |                      |
|------------------------------------|----------------------|----------------------|
|                                    | June 30, 2014        | June 30, 2013*       |
| <b>Revenues</b>                    |                      |                      |
| Program Revenue                    |                      |                      |
| Charges for services               | \$ 217,376           | \$ 235,005           |
| Operating grants and contributions | 6,089,977            | 6,024,535            |
| General Revenues                   |                      |                      |
| Property taxes                     | 2,847,613            | 2,792,913            |
| State foundation allowance         | 4,858,498            | 4,807,581            |
| Other                              | 170,607              | 173,507              |
| Total Revenues                     | <u>\$ 14,184,071</u> | <u>\$ 14,033,541</u> |
| <b>Functions/Program Expenses</b>  |                      |                      |
| Instruction                        | \$ 7,096,915         | \$ 7,046,309         |
| Support services                   | 3,975,147            | 4,015,513            |
| Food services                      | 606,076              | 603,145              |
| Community services                 | 6,166                | 7,911                |
| Athletics                          | 388,725              | 375,542              |
| Depreciation                       | 1,065,184            | 1,037,730            |
| Interest on long-term debt         | 621,356              | 725,922              |
| Total Expenses                     | <u>\$ 13,759,569</u> | <u>\$ 13,812,072</u> |
| Change in net position             | <u>\$ 424,502</u>    | <u>\$ 221,469</u>    |

\*Certain figures for fiscal year 2013 were reclassified for comparative purposes.

Property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources. The Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

**The School District’s Funds**

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

In the General Fund, our principal operating fund balance increased from \$3,630,039 to \$3,908,614, which was an increase of \$278,575 for the 2013-14 school year. This is mostly a result of increased revenues which were received this year from renting rooms in our buildings, an increase in the state aid foundation allowance, and an increase in the number of students enrolled in the district. The District’s state aid foundation allowance was decreased by \$470 per student in the 2011-12 school year taking it from \$7,316 down to \$6,846. In the 2012-13 school year, the foundation allowance was then increased by \$120 per student and in the 2013-14 school year another \$60 was added to the foundation allowance bring it to \$7,026. This is still \$290 less than it was in the 2010-11 school year. The retirement rate expense for the District increased from 24.46% in the 2011-12 year to a range of 24.46% - 26.96% for the 2012-13 school year. In 2013-14 the retirement expense for the district ranged from 24.79% - 26.96%. Student enrollment increased by 12.06 students, from the previous school year. This resulted in an increase in the school’s state aid foundation allowance.

**General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted in June of 2014 (a schedule showing the School District’s original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements). The budget changes throughout the 2013-14 year consisted by realignment of budget for tax revenue, state aid changes and federal grants. Expenditures were adjusted to correspond with the grant requirements and budget reductions.

**Financial Highlights – General Fund**

| Fiscal Year | Revenue       | Expenditures  | Fund Equity  | Blended FTE Enrollment |
|-------------|---------------|---------------|--------------|------------------------|
| 2009-2010   | \$ 11,974,748 | \$ 11,959,483 | \$ 3,316,780 | 1,411.60               |
| 2010-2011   | 12,053,136    | 11,542,664    | 3,827,252    | 1,407.69               |
| 2011-2012   | 11,632,854    | 11,807,301    | 3,565,355    | 1,401.66               |
| 2012-2013   | 11,868,356    | 11,730,190    | 3,630,039    | 1,389.39               |
| 2013-2014   | 12,081,676    | 11,727,415    | 3,908,614    | 1,401.45               |

**Capital Assets and Debt Administration****Capital Assets**

At June 30, 2014, the School District had \$17,846,916 invested in net capital assets, including land, buildings, and furniture and equipment.

|                                    | 2014                 | 2013                 |
|------------------------------------|----------------------|----------------------|
| Land                               | \$ 334,038           | \$ 302,591           |
| Building and building improvements | 26,912,158           | 26,912,158           |
| Site improvements                  | 723,057              | 723,057              |
| Furniture and equipment            | 1,360,202            | 1,269,417            |
| Buses and other vehicles           | 852,784              | 945,042              |
| Total capital assets               | <u>\$ 30,182,239</u> | <u>\$ 30,152,265</u> |
| Less accumulated depreciation      | (12,335,323)         | (11,533,401)         |
| Net capital assets                 | <u>\$ 17,846,916</u> | <u>\$ 18,618,864</u> |

**Debt**

At the end of this year, the School District had \$17,700,000 in General Obligation Bonds outstanding versus \$18,485,000 last year – a decrease of 4.25 percent.

The School District's General Obligation Bond rating is "A+/Stable" from Standard & Poor's Corporation and "A1" from Moody's Investor Services. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "Qualified Debt," that is debt backed by the State of Michigan, such obligations are not subject to this debt limit.

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration consider many factors when setting the School District's 2014-2015 fiscal year budgets. There are many important factors affecting the budget, two of which are our student count and state per-pupil foundation allowance. From the 2007-2008 school year to the 2013-14 school year our student count dropped from 1,456.25 students to 1,401.45 students, which was a reduction of 54.80 students in a six year period. The School District funding is heavily dependent on the State's ability to fund these local school decreases in enrollment and the increases it has in salaries, benefits and utility costs each year. The state reduced the per pupil foundation allowance for the 2011-12 school year by \$470 per student. The 2012-13 fiscal year budget reflected an addition of \$120 in the state foundation allowance and in 2013-14 an additional \$60; however, this continued to be a loss of \$290 per student over the three year period.

The 2014-15 school year budget projection includes a reduction of 10 students in enrollment, and an increase in salaries, which includes steps and a 1.5% – 2% increase in all salaries. The state aid foundation allowance was increased by \$161 per student and includes the \$50 equity payment from the 2012-13 year, which brings the foundation allowance amount per student to \$7,187. This results in an additional amount of \$224,023; however, there was a reduction in the one-time retirement payment of \$80,504 and a reduction in the amount of \$55,988 for the 22j Performance Based funding for the year. The health insurance expense was increased per the state allowed CAP amount mandated by PA 152 of 2011.

The Board expects it may need to consume some fund equity, but is committed to finding ways to balance the budget. The Board of Education continues to try to develop strategies to reduce spending to help maintain the fiscal health of the School District, while providing a quality education to Brandywine students.

**Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent's office at 1830 S. Third Street, Niles, Michigan 49120.

**BRANDYWINE COMMUNITY SCHOOLS**STATEMENT OF NET POSITION  
AS OF JUNE 30, 2014

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Assets</b>                                    |                                    |
| Current assets                                   |                                    |
| Cash   | \$ 3,679,969                       |
| Accounts receivable                              | 5,663                              |
| Due from other governmental units                | 1,929,119                          |
| Inventories                                      | 4,073                              |
| Investments                                      | 1,643,638                          |
| Total current assets                             | <u>\$ 7,262,462</u>                |
| Noncurrent assets                                |                                    |
| Capital assets not being depreciated             | 334,038                            |
| Capital assets - net of accumulated depreciation | 17,512,878                         |
| Total noncurrent assets                          | <u>\$ 17,846,916</u>               |
| Total assets                                     | <u>\$ 25,109,378</u>               |
| <b>Deferred Outflow of Resources</b>             |                                    |
| Deferred amount on debt refunding                | 44,832                             |
| Total assets and deferred outflow of resources   | <u>\$ 25,154,210</u>               |
| <b>Liabilities</b>                               |                                    |
| Current liabilities                              |                                    |
| Accounts payable                                 | \$ 128,930                         |
| Payroll deductions and withholdings              | 291,561                            |
| Accrued salaries payable                         | 644,388                            |
| Accrued interest                                 | 100,480                            |
| Unearned revenue                                 | 78,780                             |
| Bonds payable, due within one year               | 821,914                            |
| Total current liabilities                        | <u>\$ 2,066,053</u>                |
| Noncurrent liabilities                           |                                    |
| Bonds payable, due in more than one year         | \$ 16,913,829                      |
| Compensated absences                             | 23,513                             |
| Total noncurrent liabilities                     | <u>\$ 16,937,342</u>               |
| Total liabilities                                | <u>\$ 19,003,395</u>               |
| <b>Net Position</b>                              |                                    |
| Net investment in capital assets                 | \$ 156,005                         |
| Restricted for:                                  |                                    |
| Food service                                     | 178,009                            |
| Debt service                                     | 1,703,672                          |
| Capital projects                                 | 128,508                            |
| Unrestricted                                     | 3,984,621                          |
| Total net position                               | <u>\$ 6,150,815</u>                |

See accompanying notes to the financial statements

**BRANDYWINE COMMUNITY SCHOOLS**

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

| Functions/Programs                          | Program Revenues     |                         |                                       | Governmental   |                       |
|---|----------------------|-------------------------|---------------------------------------|--|-----------------------|
|   | Expenses             | Charges<br>for Services | Operating<br>Grants/<br>Contributions | Capital<br>Grants/<br>Contributions                        |                       |
|   |                      |                         |                                       | Net (Expense)<br>Revenue and<br>Changes in Net<br>Position |                       |
| Governmental activities:                    |                      |                         |                                       |  |                       |
| Instruction                                 | \$ 7,096,915         | \$ 15,555               | \$ 5,623,263                          | \$ -   | \$ (1,458,097)        |
| Support services                            | 3,975,147            | 4,540                   | -                                     | -  | (3,970,607)           |
| Food services                               | 606,076              | 159,698                 | 466,714                               | -  | 20,336                |
| Community services                          | 6,166                | -                       | -                                     | -  | (6,166)               |
| Athletics                                   | 388,725              | 37,583                  | -                                     | -  | (351,142)             |
| Unallocated depreciation                    | 1,065,184            | -                       | -                                     | -  | (1,065,184)           |
| Interest on long-term debt                  | 621,356              | -                       | -                                     | -  | (621,356)             |
|   | <u>\$ 13,759,569</u> | <u>\$ 217,376</u>       | <u>\$ 6,089,977</u>                   | <u>\$ -</u>  | <u>\$ (7,452,216)</u> |
| <b>General Revenues</b>                     |                      |                         |                                       |  |                       |
| Property taxes, levied for general purposes |                      |                         |                                       | \$   | 1,453,197             |
| Property taxes, levied for debt services    |                      |                         |                                       |  | 1,394,416             |
| State of Michigan aid, unrestricted         |                      |                         |                                       |  | 4,858,498             |
| Interest and investment earnings            |                      |                         |                                       |  | 44,030                |
| Gain on sale of capital assets              |                      |                         |                                       |  | 43,072                |
| Other                                       |                      |                         |                                       |  | 83,505                |
| Total general revenues                      |                      |                         |                                       | \$   | <u>7,876,718</u>      |
| <b>Change in Net Position</b>               |                      |                         |                                       | \$   | 424,502               |
| <b>Net Position - beginning of year</b>     |                      |                         |                                       |  | <u>5,726,313</u>      |
| <b>Net Position - ending</b>                |                      |                         |                                       | \$   | <u>6,150,815</u>      |

See accompanying notes to the financial statements

# BRANDYWINE COMMUNITY SCHOOLS

BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2014

|                                     | General Fund        | QZAB Bond<br>Debt Fund | Nonmajor<br>Governmental Funds | Total Governmental<br>Funds |
|-------------------------------------|---------------------|------------------------|--------------------------------|-----------------------------|
| <b>Assets</b>                       |                     |                        |                                |                             |
| Cash                                | \$ 3,036,125        | \$ 16,856              | \$ 626,988                     | \$ 3,679,969                |
| Accounts receivable                 | 3,808               | -                      | 1,855                          | 5,663                       |
| Due from other governmental units   | 1,924,577           | -                      | 4,542                          | 1,929,119                   |
| Due from other governmental funds   | -                   | -                      | 5,259                          | 5,259                       |
| Inventory                           | -                   | -                      | 4,073                          | 4,073                       |
| Investments                         | 80,951              | 1,562,687              | -                              | 1,643,638                   |
| Total Assets                        | <u>\$ 5,045,461</u> | <u>\$ 1,579,543</u>    | <u>\$ 642,717</u>              | <u>\$ 7,267,721</u>         |
| <b>Liabilities</b>                  |                     |                        |                                |                             |
| Accounts payable                    | \$ 126,606          | \$ -                   | \$ 2,324                       | \$ 128,930                  |
| Payroll deductions and withholdings | 291,409             | -                      | 152                            | 291,561                     |
| Accrued salaries payable            | 643,917             | -                      | 471                            | 644,388                     |
| Due to other governmental funds     | -                   | -                      | 5,259                          | 5,259                       |
| Unearned revenue                    | 74,915              | -                      | 3,865                          | 78,780                      |
| Total Liabilities                   | <u>\$ 1,136,847</u> | <u>\$ -</u>            | <u>\$ 12,071</u>               | <u>\$ 1,148,918</u>         |
| <b>Fund Balances</b>                |                     |                        |                                |                             |
| Non-spendable                       |                     |                        |                                |                             |
| Inventory                           | \$ -                | \$ -                   | \$ 4,073                       | \$ 4,073                    |
| Restricted for                      |                     |                        |                                |                             |
| Food service                        | -                   | -                      | 173,936                        | 173,936                     |
| Debt service                        | -                   | 1,579,543              | 124,129                        | 1,703,672                   |
| Capital projects                    | -                   | -                      | 128,508                        | 128,508                     |
| Committed                           |                     |                        |                                |                             |
| Bus purchase                        | 68,900              | -                      | -                              | 68,900                      |
| Fine arts                           | 54,836              | -                      | -                              | 54,836                      |
| Capital projects                    | -                   | -                      | 200,000                        | 200,000                     |
| Assigned                            |                     |                        |                                |                             |
| Budgeted deficit                    | 120,743             | -                      | -                              | 120,743                     |
| Unassigned                          | 3,664,135           | -                      | -                              | 3,664,135                   |
| Total Fund Balances                 | <u>\$ 3,908,614</u> | <u>\$ 1,579,543</u>    | <u>\$ 630,646</u>              | <u>\$ 6,118,803</u>         |
| Total Liabilities and Fund Balance  | <u>\$ 5,045,461</u> | <u>\$ 1,579,543</u>    | <u>\$ 642,717</u>              | <u>\$ 7,267,721</u>         |

See accompanying notes to the financial statements



**BRANDYWINE COMMUNITY SCHOOLS****RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
AS OF JUNE 30, 2014**

**Total Governmental Fund Balances** \$ 6,118,803

Total net position for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

|  |            |
|--|------------|
| Capital assets not being depreciated             | 334,038    |
| Capital assets - net of accumulated depreciation | 17,512,878 |

|  |        |
|--|--------|
| Deferred amounts on debt refunding are not available to reduce debt in the current period and are not reported in the funds. | 44,832 |
|--|--------|

|  |           |
|--|-----------|
| Certain liabilities are not due and payable in the current period and are not reported in the funds. |           |
| Accrued interest   | (100,480) |

Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.

|                      |                     |
|----------------------|---------------------|
| Compensated absences | (23,513)            |
| Bonds payable        | <u>(17,735,743)</u> |

**Net Position of Governmental Activities** \$ 6,150,815

# BRANDYWINE COMMUNITY SCHOOLS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2014

|                                       | General Fund               | QZAB Bond Debt<br>Fund     | Nonmajor<br>Governmental Funds | Total Governmental<br>Funds |
|---------------------------------------|----------------------------|----------------------------|--------------------------------|-----------------------------|
| <b>Revenues</b>                       |                            |                            |                                |                             |
| Local sources                         | \$ 1,599,916               | \$ 37,787                  | \$ 1,554,822                   | \$ 3,192,525                |
| State sources                         | 9,956,990                  | -                          | 24,349                         | 9,981,339                   |
| Federal sources                       | 389,489                    | -                          | 449,580                        | 839,069                     |
| Interdistrict sources                 | 135,281                    | -                          | -                              | 135,281                     |
| Total Revenues                        | <u>\$ 12,081,676</u>       | <u>\$ 37,787</u>           | <u>\$ 2,028,751</u>            | <u>\$ 14,148,214</u>        |
| <b>Expenditures</b>                   |                            |                            |                                |                             |
| Current                               |                            |                            |                                |                             |
| Education                             |                            |                            |                                |                             |
| Instruction                           | \$ 7,081,288               | \$ -                       | \$ -                           | \$ 7,081,288                |
| Supporting services                   | 3,975,147                  | -                          | -                              | 3,975,147                   |
| Food services                         | -                          | -                          | 606,076                        | 606,076                     |
| Athletics                             | 388,725                    | -                          | -                              | 388,725                     |
| Community services                    | 6,166                      | -                          | -                              | 6,166                       |
| Capital outlay                        | 276,089                    | -                          | -                              | 276,089                     |
| Debt service                          |                            |                            |                                |                             |
| Principal                             | -                          | -                          | 785,000                        | 785,000                     |
| Interest and other expenditures       | -                          | -                          | 621,559                        | 621,559                     |
| Total Expenditures                    | <u>\$ 11,727,415</u>       | <u>\$ -</u>                | <u>\$ 2,012,635</u>            | <u>\$ 13,740,050</u>        |
| Excess of Revenues Over Expenditures  | <u>\$ 354,261</u>          | <u>\$ 37,787</u>           | <u>\$ 16,116</u>               | <u>\$ 408,164</u>           |
| <b>Other Financing Sources (Uses)</b> |                            |                            |                                |                             |
| Proceeds from sale of capital assets  | \$ 11,625                  | \$ -                       | \$ -                           | \$ 11,625                   |
| Transfers in                          | 40,000                     | 127,311                    | 5,726                          | 173,037                     |
| Transfers out                         | (127,311)                  | -                          | (45,726)                       | (173,037)                   |
| Total Other Financing Sources (Uses)  | <u>\$ (75,686)</u>         | <u>\$ 127,311</u>          | <u>\$ (40,000)</u>             | <u>\$ 11,625</u>            |
| Net Change in Fund Balances           | \$ 278,575                 | \$ 165,098                 | \$ (23,884)                    | \$ 419,789                  |
| Fund Balances - Beginning of year     | <u>3,630,039</u>           | <u>1,414,445</u>           | <u>654,530</u>                 | <u>5,699,014</u>            |
| Fund Balances - End of year           | <u><u>\$ 3,908,614</u></u> | <u><u>\$ 1,579,543</u></u> | <u><u>\$ 630,646</u></u>       | <u><u>\$ 6,118,803</u></u>  |

See accompanying notes to the financial statements

# BRANDYWINE COMMUNITY SCHOOLS

## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2014

**Net Change in Fund Balances - Total Governmental Funds** \$ 419,789

Total change in net position reported for governmental activities in the statement of activities is different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Operating grants (7,215)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (1,065,184)

Capital outlay 261,789

Governmental funds do not report gains from sale or trade of fixed assets; they report only proceeds from such sales. However, these gains are reported in the statement of activities. This is the gain in excess of proceeds received.

31,447

Expenses are recorded when incurred in the statement of activities.

Net change in interest payable 3,233

Net change in compensated absences (1,327)

Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similar, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.

Repayments of long-term debt 785,000

Amortization of premium 11,914

Amortization of deferred outflow (14,944)

**Change in Net Position of Governmental Activities** \$ 424,502

*See accompanying notes to the financial statements*

**BRANDYWINE COMMUNITY SCHOOLS**

STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2014

|                               | <u>Agency Fund</u>   |
|-------------------------------|----------------------|
| Assets                        |                      |
| Cash                          | <u>\$    134,233</u> |
| Liabilities                   |                      |
| Due to agency fund activities | <u>\$    134,233</u> |

*See accompanying notes to the financial statements*

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

The accounting policies of Brandywine Community Schools (the “District”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as prescribed by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the significant accounting policies.

**REPORTING ENTITY**

The District’s Board of Education (“Board”) is the basic level of government which has oversight responsibility and control over all activities related to the public school education in the area comprised by the District. The Board receives funding from State and Federal governmental sources and must comply with the concomitant requirements of these funding sources entities. However, the Board is not included in any other governmental “reporting entity” as defined by the GASB since Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, under the criteria of the GASB, student, parent, and teacher organizations are not included, except to the extent that the District holds assets in the capacity of an agent.

**BASIC FINANCIAL STATEMENTS**

**Government-wide Statements** – The District’s financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business-type. All of the District’s activities are classified as governmental activities.

In the government-wide Statement of Net Position, both the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, deferred outflows, deferred inflows and long-term debt and obligations. The District’s net position is reported in three parts - net investment in capital assets, restricted net position, and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.)

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

The District does not allocate indirect costs. In creating the government-wide financial statements, the District has eliminated interfund transactions.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

**Fund Statements** – The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, deferred inflows, liabilities, fund balance, revenue, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

**Governmental Funds:**

The District reports the following major governmental funds:

**General Fund** is used to record the general operations of the District pertaining to education and those operations not required to be provided for in other funds.

**QZAB Bond Debt Fund** is used to record interest and other revenue and account for the set-aside amount required each year for the bonds issued under the Qualified Zone Academy Bonds (QZAB) program.

Additionally, the District reports the following fund types:

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The District's non-major special revenue funds include the Food Service Fund.

**Debt Service Funds** are used to record tax, interest and other revenue and the payment of interest, principal and other expenditures on long-term debt. The District's non-major debt service funds include 1996 Energy Conservation Fund, 2013 Refunding Bond Fund and 2007 Building and Site Fund.

**Capital Projects Funds** are used to record bond and other revenues and the payments for building construction and improvement and large equipment expenditures by the District. The District's non-major capital projects funds include QZAB Bond Fund, Energy Projects Fund, 2003 Bond Fund and 2009 Capital Projects Fund.

**Fiduciary Funds** are used to account for assets held by the District in a trustee capacity or as an agent. The District's agency funds include the Agency Fund. The Agency Fund is custodial in nature and does not involve the measurement of results of operations.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**Accrual**

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized when incurred.

Revenues are generally considered available when they are received in cash (unless legally restricted for some future period), or when expected to be collected soon enough after year-end to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources.

**BUDGETS AND BUDGETARY ACCOUNTING**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year-end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The appropriation level adopted by the Board is the level of control authorized under the Act. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the District to detect violations.

The Superintendent is authorized to transfer budget amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Cash and Cash Equivalents**

For the purposes of balance sheet classification, the District considers its investments in highly liquid pooled money funds to be cash equivalents.

**Investments**

Investments are stated at fair value based on a quoted market price. Certificates of deposits are stated at cost which approximates fair value.

**Inventories**

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventory in the Special Revenue Funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time inventory items are purchased. The inventory in the Food Service includes USDA commodities.

**Capital Assets**

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

|                            |             |
|----------------------------|-------------|
| Building and additions     | 20-50 years |
| Site and land improvements | 10-20 years |
| Equipment and furniture    | 5-10 years  |
| Buses and other vehicles   | 5-10 years  |



**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Receivables and Payables**

Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits. The District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

**Property Tax Revenue**

Property taxes are collected based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2014, the rates are as follows per \$1,000 assessed value.

|                                   |       |
|-----------------------------------|-------|
| General Fund                      |       |
| Non-principal residence exemption | 18.00 |
| Commercial personal property      | 6.00  |
| Debt Service Funds                | 5.22  |

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the District’s boundaries.

The property tax levy runs from July 1<sup>st</sup> to June 30<sup>th</sup>. Property taxes become a lien on the first day of the levy year and are due on or before September 14<sup>th</sup> or February 14<sup>th</sup>. Collections are forwarded to the District as collected by the assessing municipalities. Real property taxes uncollected as of March 1<sup>st</sup> are purchased by the Counties of Berrien and Cass and remitted to the District by May 15<sup>th</sup>.

**Deferred Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for this reporting category. It is the deferred charge on refunding reported in the district-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of sources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available.

**Compensated Absences**

Sick days are earned by teachers and administrators. Retiring employees who meet certain years of service requirements are paid for accumulated sick days up to a maximum number of days and at a rate determined by their contracts. There is no contractual provision for payment of unusual vacation. They may be used for vacation only.

The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments. The amount reported is salary related and includes fringe benefits.

**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. Bond premiums and discounts 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. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Fund Equity**

The following are the District's fund balance classifications:

**Non-Spendable Fund Balance** - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. As of June 30, 2014, the following fund balances were classified as non-spendable: \$4,073 for inventories.

**Restricted Fund Balance** - includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers. As of June 30, 2014, the following fund balances have been restricted: \$173,936 for food service, \$1,703,672 for debt service, and \$128,508 for capital projects.

**Committed Fund Balance**- includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. As of June 30, 2014, the following balances have been committed: \$200,000 for future capital projects, \$68,900 for future bus purchase and \$54,836 for fine arts curriculum.

**Assigned Fund Balance** – includes amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. As of June 30, 2014, \$120,743 of the governmental fund balance has been assigned for a fiscal 2015 budgeted deficit.

**Unassigned Fund Balance** – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds that has not been restricted, committed, or assigned to specific purposes within the General Fund. As of June 30, 2014, \$3,664,135 of the governmental fund balance was classified as unassigned.

**Fund Equity Flow Assumptions**

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

**Net Position Flow Assumptions**

Sometimes the School District will fund outlays for particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the School District’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Risk Management**

The District carries commercial insurance for risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; worker’s compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past fiscal year.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amount of expenditures during the reported period. Actual results may differ from those estimates.

**Eliminations and Reclassifications**

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

**NOTE 2. DEPOSITS AND INVESTMENTS**

At June 30, 2014, the District’s deposits and investments were reported in the basic financial statements in the following categories:

|             | Governmental<br>Activities | Fiduciary Fund    | Total<br>Primary<br>Government |
|-------------|----------------------------|-------------------|--------------------------------|
| Cash        | \$ 3,679,969               | \$ 134,233        | \$ 3,814,202                   |
| Investments | 1,643,638                  | -                 | 1,643,638                      |
|             | <u>\$ 5,323,607</u>        | <u>\$ 134,233</u> | <u>\$ 5,457,840</u>            |

**NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)****Bank Deposits**

All cash of the School District is on deposit with financial institutions which provide FDIC insurance coverage or in highly liquid pooled money funds.

**Investments**

Michigan law permits investments in: 1) Bonds and other obligations of the United States Government, 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively, 3) Certain commercial paper, 4) United States Government repurchase agreements, 5) Banker's acceptance of the United State Bank, and 6) certain mutual funds. The School District has put further restrictions on those investments through its current policy, and the following investment is permitted by law and policy. At the end of the year, the District had the following investments:

| Investment Type  | Fair Value           | Maturities             | Rating     | Rating<br>Organization                           |
|--|----------------------|------------------------|------------|--|
| Michigan Liquid Asset Fund-<br>General Fund              | \$ 80,951            | N/A                    | AAAm       | Standard and<br>Poor's                           |
| US Treasury Note<br>Michigan General Obligation<br>Bonds | 446,389<br>1,086,027 | 7/31/2014<br>4/15/2016 | AAA<br>AA- | Standard and<br>Poor's<br>Standard and<br>Poor's |
| US Treasury Note   | 15,330               | 8/15/2016              | AAA        | Poor's   |
| US Treasury Note   | 14,941               | 3/15/2016              | Aaa        | Moody's  |
|  | <u>\$ 1,643,638</u>  |                        |            |  |

**Interest rate risk** – The District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

**Credit Risk** – State statutes and the District's investment policy authorize the 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 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.

**Concentration of Credit Risk** – The District has no policy that would limit the amount that may be invested with any one issuer.

**Custodial Credit Risk – Deposits** – In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, \$3,032,056 of the District's bank balances were federally uninsured and uncollateralized.

**NOTE 2. DEPOSITS AND INVESTMENTS (CONCLUDED)**

**Custodial Credit Risk – Investments** – In the case of investments, this is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of year-end, none of the District’s investments were exposed to custodial credit risk.

**Foreign Currency Risk** – The District is not authorized to invest in investments which have this type of risk.

**NOTE 3. CAPITAL ASSETS**

A summary of changes in governmental capital assets follows:

|  | Beginning<br>Balance | Increases    | Decreases  | Ending Balance |
|--|----------------------|--------------|------------|----------------|
| Governmental activities                |                      |              |            |                |
| Capital assets not being depreciated   |                      |              |            |                |
| Land                                   | \$ 302,591           | \$ 31,447    | \$ -       | \$ 334,038     |
| Capital assets being depreciated       |                      |              |            |                |
| Buildings and additions                | \$ 26,912,158        | \$ -         | \$ -       | \$ 26,912,158  |
| Site improvements                      | 723,057              | -            | -          | 723,057        |
| Equipment and furniture                | 1,269,417            | 106,214      | 15,429     | 1,360,202      |
| Buses and other vehicles               | 945,042              | 155,575      | 247,833    | 852,784        |
| Total capital assets being depreciated | \$ 29,849,674        | \$ 261,789   | \$ 263,262 | \$ 29,848,201  |
| Less accumulated depreciation for      |                      |              |            |                |
| Buildings and additions                | \$ 9,832,773         | \$ 868,710   | \$ -       | \$ 10,701,483  |
| Site improvements                      | 374,977              | 21,941       | -          | 396,918        |
| Equipment and furniture                | 691,490              | 99,836       | 15,429     | 775,897        |
| Buses and other vehicles               | 634,161              | 74,697       | 247,833    | 461,025        |
| Total accumulated depreciation         | \$ 11,533,401        | \$ 1,065,184 | \$ 263,262 | \$ 12,335,323  |
| Net capital assets being depreciated   | \$ 18,316,273        |              |            | \$ 17,512,878  |
| Net capital assets                     | \$ 18,618,864        |              |            | \$ 17,846,916  |

Depreciation for the fiscal year ended June 30, 2014 amounted to \$1,065,184. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**NOTE 4. LONG-TERM DEBT**

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

**NOTE 4. LONG-TERM DEBT (CONTINUED)**

The following is a summary of debt transactions of the District for the year ended June 30, 2014:

|                             | Beginning<br>Balance | Additions       | Reductions        | Ending<br>Balance    | Amount Due<br>Within One<br>Year |
|-----------------------------|----------------------|-----------------|-------------------|----------------------|----------------------------------|
| Government obligation bonds | \$ 18,485,000        | \$ -            | \$ 785,000        | \$ 17,700,000        | \$ 810,000                       |
| Premium on bonds            | 47,657               | -               | 11,914            | 35,743               | 11,914                           |
| Compensated absences        | 22,186               | 1,327           | -                 | 23,513               | -                                |
| Total Bonds                 | <u>\$ 18,554,843</u> | <u>\$ 1,327</u> | <u>\$ 796,914</u> | <u>\$ 17,759,256</u> | <u>\$ 821,914</u>                |

For governmental activities, compensated absences are primarily liquidated by the General Fund. General obligation bonds payable at year-end consists of the following:

|   |                      |
|---|----------------------|
| \$2,240,000 serial bond due in annual installments of \$575,000 to \$565,000 through May 1, 2017, interest at 1.00% to 1.375% | \$ 1,665,000         |
| \$9,090,000 serial bond due in annual installments of \$25,000 to \$910,000 through May 1, 2028, interest at 3.50% to 4.25%   | 8,765,000            |
| \$5,750,000 serial bond due in annual installments of \$15,000 to \$545,000 through May 1, 2028, interest at 4.00% to 5.00%   | 5,270,000            |
| \$2,000,000 school improvement bond due in one installment of \$2,000,000 on September 10, 2016, interest at 0.00%            | <u>2,000,000</u>     |
| Total general obligation bonded debt  | <u>\$ 17,700,000</u> |

Future principal and interest requirements for bonded debt are as follows:

| Year Ending June 30 | Principal            | Interest            | Total                |
|---------------------|----------------------|---------------------|----------------------|
| 2015                | \$ 810,000           | \$ 602,882          | \$ 1,412,882         |
| 2016                | 855,000              | 582,750             | 1,437,750            |
| 2017                | 2,895,000            | 560,056             | 3,455,056            |
| 2018                | 975,000              | 536,088             | 1,511,088            |
| 2019                | 1,010,000            | 498,398             | 1,508,398            |
| 2020-2024           | 5,695,000            | 1,857,124           | 7,552,124            |
| 2025-2028           | 5,460,000            | 587,606             | 6,047,606            |
|                     | <u>\$ 17,700,000</u> | <u>\$ 5,224,904</u> | <u>\$ 22,924,904</u> |

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of \$1,703,672 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest expense of \$621,356 was not charged to activities as the District considers its debt and related assets to impact multiple activities and allocation was not practical.

**NOTE 4. LONG-TERM DEBT (CONCLUDED)****Qualified Zone Academy Bonds**

The 2002 General Obligation Limited Tax Qualified Zone Academy Bonds (QZAB) are due September 10, 2016. The bonds are issued under the QZAB program. Interest is eliminated through a tax credit. A set-aside amount of \$127,311 is required each year. Interest of 1.75% will be earned on the sinking fund and will be used to reduce the final set-aside payment.

**Compensated Absences**

Accrued compensated absences at year-end consist of \$23,513 of accrued vacation benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by vacation time earned for the year.

**Defeased Debt**

In prior years, the District has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunding bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in District's financial statements.

The final payment date is May 2028 for the 2006 refunding bonds. As of year-end, the amount of defeased debt outstanding, but removed from the District's financial statements, is \$8,730,000.

The final payment date is May 2017 for the 2013 refunding bonds. As of year-end, the amount of defeased debt outstanding, but removed from the District's financial statements, is \$1,725,000.

**NOTE 5. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY****Excess of Expenditures Over Appropriations in Budgeted Funds**

The District had no expenditures that exceeded appropriations by function in the current year.



**NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund transfers were made during the year are as follows:

| Transfers Out                 | Transfers In     |                     |                             |                            | Total             |
|-------------------------------|------------------|---------------------|-----------------------------|----------------------------|-------------------|
|                               | General Fund     | QZAB Bond Debt Fund | 2007 Building and Site Fund | 2009 Capital Projects Fund |                   |
| General Fund                  | \$ -             | \$ 127,311          | \$ -                        | \$ -                       | \$ 127,311        |
| Food Service Fund             | 40,000           | -                   | -                           | -                          | 40,000            |
| 1996 Energy Conservation Fund | -                | -                   | 25                          | -                          | 25                |
| QZAB Bond Fund                | -                | -                   | -                           | 361                        | 361               |
| Energy Projects Fund          | -                | -                   | -                           | 5,234                      | 5,234             |
| 2003 Bond Fund                | -                | -                   | -                           | 106                        | 106               |
| <b>Total</b>                  | <b>\$ 40,000</b> | <b>\$ 127,311</b>   | <b>\$ 25</b>                | <b>\$ 5,701</b>            | <b>\$ 173,037</b> |

The transfer to the General Fund from the Food Service fund was made to reimburse for expenses paid from the General Fund.

The transfer to the Debt Service Fund from the General Fund was made for the set-aside payment on the Qualified Zone Academy Bond (QZAB).

The 1996 Energy Conservation Fund transferred to the 2007 Building and Site Fund to move remaining cash and close the 1996 Energy Conservation Debt Service Fund.

The transfers from QZAB Bond Fund, Energy Projects Fund and 2003 Bond Fund to the 2009 Capital Projects Fund were made to move remaining cash and close those three capital projects funds.

Interfund balances as of year-end are as follows:

| Due From                      | Due To                      |                            |              |
|-------------------------------|-----------------------------|----------------------------|--------------|
|                               | 2007 Building and Site Fund | 2009 Capital Projects Fund | Total        |
| 1996 Energy Conservation Fund | \$ 25                       | -                          | \$ 25        |
| Energy Projects Fund          | -                           | 5,234                      | 5,234        |
| <b>Total</b>                  | <b>25</b>                   | <b>5,234</b>               | <b>5,259</b> |

**NOTE 7. FEDERAL GRANTS**

In the normal course of operations, the District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material. For the year 2013-2014, Federal and State agencies did not request to audit any grants.

**NOTE 8. UNEARNED REVENUE**

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

| <b>Description of Unearned Revenue</b>        | <b>Food Service<br/>Fund</b> | <b>General<br/>Fund</b> | <b>Total</b>     |
|---|------------------------------|-------------------------|------------------|
| Funds in students' lunch accounts at year-end | \$ 3,865                     | \$ -                    | \$ 3,865         |
| Adult Education                               | -                            | 11,297                  | 11,297           |
| At-Risk                                       | -                            | 37,999                  | 37,999           |
| Great Start Readiness                         | -                            | 25,619                  | 25,619           |
| Total   | <u>\$ 3,865</u>              | <u>\$ 74,915</u>        | <u>\$ 78,780</u> |

**NOTE 9. DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS**

**Plan Description** – The District participates in the Michigan Public School Employees’ Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees’ Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at the Office of Retirement Services, P.O. Box 30171, Lansing, MI 48909-7671.

**Funding Policy** – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

**NOTE 9. DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS (CONTINUED)**

The pension benefit rate totals were as follows of the covered payroll to the plan:

Fiscal Year 2013-2014 Employer Contribution Rate  
Active Members and Qualified Participants - Effective October 1, 2013

|                                       | Basic/MIP<br>with<br>Premium<br>Subsidy | Pension Plus<br>with<br>Premium<br>Subsidy | Pension<br>Plus PHF | Pension<br>Plus to DC<br>with PHF | Basic/MIP to<br>DC with<br>Premium<br>Subsidy | Basic/MIP<br>to DC with<br>PHF | Basic/MIP<br>with PHF |
|---------------------------------------|---|--|---------------------|-----------------------------------|---|--------------------------------|-----------------------|
| <b>DB CONTRIBUTIONS</b>               |   |  |                     |                                   |   |                                |                       |
| <i>PENSION</i>                        |   |  |                     |                                   |   |                                |                       |
| Pension Normal Cost                   | 2.90%                                   | 2.67%                                      | 2.67%               | 0.00%                             | 0.00%   | 0.00%                          | 2.90%                 |
| Pension UAAL                          | 14.08%                                  | 14.08%                                     | 14.08%              | 14.08%                            | 14.08%  | 14.08%                         | 14.08%                |
| Pension Early Retirement<br>Incentive | 1.36%                                   | 1.36%                                      | 1.36%               | 1.36%                             | 1.36%   | 1.36%                          | 1.36%                 |
| Pension Total Rate                    | 18.34%                                  | 18.11%                                     | 18.11%              | 15.44%                            | 15.44%  | 15.44%                         | 18.34%                |
| <i>HEALTH</i>                         |   |  |                     |                                   |   |                                |                       |
| Health Normal Cost                    | 0.93%                                   | 0.93%                                      | 0.00%               | 0.00%                             | 0.93%   | 0.00%                          | 0.00%                 |
| Health UAAL                           | 5.52%                                   | 5.52%                                      | 5.52%               | 5.52%                             | 5.52%   | 5.52%                          | 5.52%                 |
| Health Total Rate                     | 6.45%                                   | 6.45%                                      | 5.52%               | 5.52%                             | 6.45%   | 5.52%                          | 5.52%                 |
| DB Contribution Total                 | 24.79%                                  | 24.56%                                     | 23.63%              | 20.96%                            | 21.89%  | 20.96%                         | 23.86%                |
| <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%                 |
| DC Contribution Total                 | 0.00%                                   | 1.00%                                      | 3.00%               | 5.00%                             | 4.00%   | 6.00%                          | 2.00%                 |

**NOTE 9. DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS (CONCLUDED)**

Employees who elected the MIP before January 1, 1990, or were a Basic Plan participant who enrolled in the MIP by January 1, 1993, contribute 3.9 percent of their pretax salary. If employees first worked between January 1, 1987, and December 31, 1989, contribute pretax contributions based on the above chart. The District's contributions to the MPSERS plan for the years ended June 30, 2014 and 2013 were \$1,774,156 and \$1,550,830 respectively, equal to the required contributions for each year.

**Post-Employment Benefits** - Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverage's contribute an amount equivalent to the monthly cost for Part B Medicare and 20 percent of the monthly premium amount for the health, dental and vision coverage's. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above. In addition to the pension benefits described above, the District also provides 403(b) tax deferred annuity plans. All employees are eligible to participate in the plans and are fully vested immediately for all contributions.

**NOTE 10. FUTURE ACCOUNTING POLICY CHANGES**

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual cost of the pension benefits. This net pension liability that will be recorded on the government wide statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for School District's 2015 fiscal year.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**BRANDYWINE COMMUNITY SCHOOLS**

REQUIRED SUPPLEMENTARY SCHEDULE  
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2014

|  | <u>Budgeted Amounts</u>    |                                     | <u>Actual</u>        | <u>Variance</u>    |
|--|----------------------------|-------------------------------------|----------------------|--------------------|
|  | <u>Original<br/>Budget</u> | <u>Final<br/>Amended<br/>Budget</u> |                      |                    |
| <b>Revenues</b>  |                            |                                     |                      |                    |
| Local sources  | \$ 1,570,603               | \$ 1,594,850                        | \$ 1,599,916         | \$ 5,066           |
| State sources  | 9,759,850                  | 9,958,627                           | 9,956,990            | (1,637)            |
| Federal sources  | 422,814                    | 408,308                             | 389,489              | (18,819)           |
| Interdistrict sources  | 135,184                    | 135,282                             | 135,281              | (1)                |
| Total Revenues   | <u>\$ 11,888,451</u>       | <u>\$ 12,097,067</u>                | <u>\$ 12,081,676</u> | <u>\$ (15,391)</u> |
| <b>Expenditures</b>  |                            |                                     |                      |                    |
| Instruction  |                            |                                     |                      |                    |
| Basic programs   | \$ 5,770,462               | \$ 5,558,748                        | \$ 5,504,068         | \$ 54,680          |
| Added needs  | 1,541,929                  | 1,492,552                           | 1,472,520            | 20,032             |
| Adult and continuing education                               | 89,894                     | 106,629                             | 104,700              | 1,929              |
| Supporting services  |                            |                                     |                      |                    |
| Pupil  | 489,964                    | 490,282                             | 485,393              | 4,889              |
| Instructional staff  | 609,804                    | 598,749                             | 569,817              | 28,932             |
| General administration                                       | 324,593                    | 321,796                             | 314,622              | 7,174              |
| School administration  | 714,409                    | 730,517                             | 719,400              | 11,117             |
| Business   | 300,551                    | 303,248                             | 283,578              | 19,670             |
| Operation and maintenance                                    | 1,012,651                  | 1,089,507                           | 1,053,208            | 36,299             |
| Pupil transportation services                                | 663,088                    | 549,321                             | 544,320              | 5,001              |
| Central services   | 10,500                     | 8,101                               | 4,809                | 3,292              |
| Athletic activities  | 386,597                    | 397,345                             | 388,725              | 8,620              |
| Community services   | 10,647                     | 8,697                               | 6,166                | 2,531              |
| Capital outlay   | 92,185                     | 288,347                             | 276,089              | 12,258             |
| Total Expenditures   | <u>\$ 12,017,274</u>       | <u>\$ 11,943,839</u>                | <u>\$ 11,727,415</u> | <u>\$ 216,424</u>  |
| Excess (Deficiency) of Revenues Over<br>(Under) Expenditures | <u>\$ (128,823)</u>        | <u>\$ 153,228</u>                   | <u>\$ 354,261</u>    | <u>\$ 201,033</u>  |
| <b>Other Financing Sources (Uses)</b>                        |                            |                                     |                      |                    |
| Proceeds from sale of capital assets                         | \$ 3,000                   | \$ 10,813                           | \$ 11,625            | \$ 812             |
| Transfers in   | 29,000                     | 40,000                              | 40,000               | -                  |
| Transfers out  | (127,312)                  | (127,312)                           | (127,311)            | 1                  |
| Total Other Financing Sources (Uses)                         | <u>\$ (95,312)</u>         | <u>\$ (76,499)</u>                  | <u>\$ (75,686)</u>   | <u>\$ 813</u>      |
| Net Change in Fund Balances                                  | \$ (224,135)               | \$ 76,729                           | \$ 278,575           | \$ 201,846         |
| Fund Balances - Beginning of year                            | 3,630,039                  | 3,630,039                           | 3,630,039            | -                  |
| Fund Balances - End of year                                  | <u>\$ 3,405,904</u>        | <u>\$ 3,706,768</u>                 | <u>\$ 3,908,614</u>  | <u>\$ 201,846</u>  |

**OTHER SUPPLEMENTARY  
INFORMATION**

**BRANDYWINE COMMUNITY SCHOOLS**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2014

|  | Special Revenue   | Debt Service Funds          |                   |                           | Capital Project Funds |                    |             | Total Nonmajor<br>Governmental<br>Funds |                     |
|--|-------------------|-----------------------------|-------------------|---------------------------|-----------------------|--------------------|-------------|---|---------------------|
|  | Fund              | 2013                        |                   |                           | 2009                  |                    |             |   |                     |
|  | Food Service      | 1996 Energy<br>Conservation | Refunding<br>Bond | 2007 Building<br>and Site | QZAB<br>Bond          | Energy<br>Projects | 2003 Bond   |   | Capital<br>Projects |
| <b>Assets</b>                              |                   |                             |                   |                           |                       |                    |             |   |                     |
| Cash                                       | \$ 174,945        | \$ 25                       | \$ 85,448         | \$ 38,062                 | \$ -                  | \$ 5,234           | \$ -        | \$ 323,274                              | \$ 626,988          |
| Accounts receivable                        | 1,855             | -                           | -                 | -                         | -                     | -                  | -           | -                                       | 1,855               |
| Due from other governmental units          | 3,948             | -                           | 404               | 190                       | -                     | -                  | -           | -                                       | 4,542               |
| Due from other governmental funds          | -                 | -                           | -                 | 25                        | -                     | -                  | -           | 5,234                                   | 5,259               |
| Inventory                                  | 4,073             | -                           | -                 | -                         | -                     | -                  | -           | -                                       | 4,073               |
| <b>Total Assets</b>                        | <u>\$ 184,821</u> | <u>\$ 25</u>                | <u>\$ 85,852</u>  | <u>\$ 38,277</u>          | <u>\$ -</u>           | <u>\$ 5,234</u>    | <u>\$ -</u> | <u>\$ 328,508</u>                       | <u>\$ 642,717</u>   |
| <b>Liabilities</b>                         |                   |                             |                   |                           |                       |                    |             |   |                     |
| Accounts payable                           | \$ 2,324          | \$ -                        | \$ -              | \$ -                      | \$ -                  | \$ -               | \$ -        | \$ -                                    | \$ 2,324            |
| Payroll deductions and withholdings        | 152               | -                           | -                 | -                         | -                     | -                  | -           | -                                       | 152                 |
| Accrued salaries payable                   | 471               | -                           | -                 | -                         | -                     | -                  | -           | -                                       | 471                 |
| Due to other governmental funds            | -                 | 25                          | -                 | -                         | -                     | 5,234              | -           | -                                       | 5,259               |
| Unearned revenue                           | 3,865             | -                           | -                 | -                         | -                     | -                  | -           | -                                       | 3,865               |
| <b>Total Liabilities</b>                   | <u>\$ 6,812</u>   | <u>\$ 25</u>                | <u>\$ -</u>       | <u>\$ -</u>               | <u>\$ -</u>           | <u>\$ 5,234</u>    | <u>\$ -</u> | <u>\$ -</u>                             | <u>\$ 12,071</u>    |
| <b>Fund Balances</b>                       |                   |                             |                   |                           |                       |                    |             |   |                     |
| Non-spendable                              |                   |                             |                   |                           |                       |                    |             |   |                     |
| Inventory                                  | \$ 4,073          | \$ -                        | \$ -              | \$ -                      | \$ -                  | \$ -               | \$ -        | \$ -                                    | \$ 4,073            |
| Restricted for                             |                   |                             |                   |                           |                       |                    |             |   |                     |
| Food service                               | 173,936           | -                           | -                 | -                         | -                     | -                  | -           | -                                       | 173,936             |
| Debt service                               | -                 | -                           | 85,852            | 38,277                    | -                     | -                  | -           | -                                       | 124,129             |
| Capital projects                           | -                 | -                           | -                 | -                         | -                     | -                  | -           | 128,508                                 | 128,508             |
| Committed for                              |                   |                             |                   |                           |                       |                    |             |   |                     |
| Capital projects                           | -                 | -                           | -                 | -                         | -                     | -                  | -           | 200,000                                 | 200,000             |
| <b>Total Fund Balances</b>                 | <u>\$ 178,009</u> | <u>\$ -</u>                 | <u>\$ 85,852</u>  | <u>\$ 38,277</u>          | <u>\$ -</u>           | <u>\$ -</u>        | <u>\$ -</u> | <u>\$ 328,508</u>                       | <u>\$ 630,646</u>   |
| <b>Total Liabilities and Fund Balances</b> | <u>\$ 184,821</u> | <u>\$ 25</u>                | <u>\$ 85,852</u>  | <u>\$ 38,277</u>          | <u>\$ -</u>           | <u>\$ 5,234</u>    | <u>\$ -</u> | <u>\$ 328,508</u>                       | <u>\$ 642,717</u>   |



**BRANDYWINE COMMUNITY SCHOOLS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

|   | Special            | Debt Service Funds          |                        |                           | Capital Project Funds |                   |                 | Total Nonmajor<br>Governmental<br>Funds |                          |
|---|--------------------|-----------------------------|------------------------|---------------------------|-----------------------|-------------------|-----------------|---|--------------------------|
|   | Revenue Fund       | 1996 Energy<br>Conservation | 2013 Refunding<br>Bond | 2007 Building<br>and Site | QZAB Bond             | Energy Projects   | 2003 Bond       |   | 2009 Capital<br>Projects |
|   | Food Service       |                             |                        |                           |                       |                   |                 |   |                          |
| <b>Revenues</b>   |                    |                             |                        |                           |                       |                   |                 |   |                          |
| Local sources   | \$ 159,698         | \$ -                        | \$ 966,965             | \$ 427,884                | \$ -                  | \$ 3              | \$ -            | \$ 272                                  | \$ 1,554,822             |
| State sources   | 24,349             | -                           | -                      | -                         | -                     | -                 | -               | -                                       | 24,349                   |
| Federal sources   | 449,580            | -                           | -                      | -                         | -                     | -                 | -               | -                                       | 449,580                  |
| Total revenues  | <u>\$ 633,627</u>  | <u>\$ -</u>                 | <u>\$ 966,965</u>      | <u>\$ 427,884</u>         | <u>\$ -</u>           | <u>\$ 3</u>       | <u>\$ -</u>     | <u>\$ 272</u>                           | <u>\$ 2,028,751</u>      |
| <b>Expenditures</b>                                       |                    |                             |                        |                           |                       |                   |                 |   |                          |
| Current   |                    |                             |                        |                           |                       |                   |                 |   |                          |
| Education   |                    |                             |                        |                           |                       |                   |                 |   |                          |
| Food services   | \$ 606,076         | \$ -                        | \$ -                   | \$ -                      | \$ -                  | \$ -              | \$ -            | \$ -                                    | \$ 606,076               |
| Debt service  |                    |                             |                        |                           |                       |                   |                 |   |                          |
| Principal   | -                  | -                           | 600,000                | 185,000                   | -                     | -                 | -               | -                                       | 785,000                  |
| Interest and other expenditures                           | -                  | -                           | 386,613                | 234,946                   | -                     | -                 | -               | -                                       | 621,559                  |
| Total expenditures  | <u>\$ 606,076</u>  | <u>\$ -</u>                 | <u>\$ 986,613</u>      | <u>\$ 419,946</u>         | <u>\$ -</u>           | <u>\$ -</u>       | <u>\$ -</u>     | <u>\$ -</u>                             | <u>\$ 2,012,635</u>      |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 27,551</u>   | <u>\$ -</u>                 | <u>\$ (19,648)</u>     | <u>\$ 7,938</u>           | <u>\$ -</u>           | <u>\$ 3</u>       | <u>\$ -</u>     | <u>\$ 272</u>                           | <u>\$ 16,116</u>         |
| <b>Other Financing Sources (Uses)</b>                     |                    |                             |                        |                           |                       |                   |                 |   |                          |
| Transfers in  | \$ -               | \$ -                        | \$ -                   | \$ 25                     | \$ -                  | \$ -              | \$ -            | \$ 5,701                                | \$ 5,726                 |
| Transfers out   | (40,000)           | (25)                        | -                      | -                         | (361)                 | (5,234)           | (106)           | -                                       | (45,726)                 |
| Total other financing sources (uses)                      | <u>\$ (40,000)</u> | <u>\$ (25)</u>              | <u>\$ -</u>            | <u>\$ 25</u>              | <u>\$ (361)</u>       | <u>\$ (5,234)</u> | <u>\$ (106)</u> | <u>\$ 5,701</u>                         | <u>\$ (40,000)</u>       |
| Net change in fund balance                                | \$ (12,449)        | \$ (25)                     | \$ (19,648)            | \$ 7,963                  | \$ (361)              | \$ (5,231)        | \$ (106)        | \$ 5,973                                | \$ (23,884)              |
| Fund balance - beginning                                  | 190,458            | 25                          | 105,500                | 30,314                    | 361                   | 5,231             | 106             | 322,535                                 | 654,530                  |
| Fund balance - ending                                     | <u>\$ 178,009</u>  | <u>\$ -</u>                 | <u>\$ 85,852</u>       | <u>\$ 38,277</u>          | <u>\$ -</u>           | <u>\$ -</u>       | <u>\$ -</u>     | <u>\$ 328,508</u>                       | <u>\$ 630,646</u>        |

**BRANDYWINE COMMUNITY SCHOOLS**

**SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY  
2002 GENERAL OBLIGATION LIMITED TAX QUALIFIED ZONE ACADEMY BONDS  
JUNE 30, 2014**

| <u>Payments Due:<br/>Year Ended June 30</u> | <u>September 10th<br/>Principal</u> | <u>Interest</u> | <u>Total</u>        |
|---|-------------------------------------|-----------------|---------------------|
| 2015  | \$ -                                | \$ -            | \$ -                |
| 2016  | -                                   | -               | -                   |
| 2017  | 2,000,000                           | -               | 2,000,000           |
| Total                                       | <u>\$ 2,000,000</u>                 | <u>\$ -</u>     | <u>\$ 2,000,000</u> |

|                |                     |
|----------------|---------------------|
| Payments Due   | September 10th      |
| Interest Rate  | 0.00%               |
| Original Issue | <u>\$ 2,000,000</u> |

**BRANDYWINE COMMUNITY SCHOOLS****SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY  
2013 REFUNDING BONDS (2003 BUILDING AND SITE)  
JUNE 30, 2014**

| <u>Payments Due:<br/>Year Ended June 30</u> | <u>May 1st<br/>Principal</u> | <u>May 1st<br/>Interest</u> | <u>November 1st<br/>Interest</u> | <u>Total</u>        |
|---|------------------------------|-----------------------------|----------------------------------|---------------------|
| 2015  | \$ 555,000                   | \$ 11,447                   | \$ 11,447                        | \$ 577,894          |
| 2016  | 545,000                      | 7,631                       | 7,631                            | 560,262             |
| 2017  | 565,000                      | 3,884                       | 3,884                            | 572,768             |
| Total                                       | <u>\$ 1,665,000</u>          | <u>\$ 22,962</u>            | <u>\$ 22,962</u>                 | <u>\$ 1,710,924</u> |

Interest Rate            1.00% - 1.375%

Original Issue            \$ 2,240,000

**BRANDYWINE COMMUNITY SCHOOLS****SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY  
2006 REFUNDING BONDS (2003 BUILDING AND SITE)  
JUNE 30, 2014**

| <u>Payments Due:<br/>Year Ended June 30</u> | <u>May 1st<br/>Principal</u> | <u>May 1st<br/>Interest</u> | <u>November 1st<br/>Interest</u> | <u>Total</u>         |
|---|------------------------------|-----------------------------|----------------------------------|----------------------|
| 2015  | \$ 25,000                    | \$ 176,216                  | \$ 176,216                       | \$ 377,432           |
| 2016  | 25,000                       | 175,716                     | 175,716                          | 376,432              |
| 2017  | 25,000                       | 175,241                     | 175,241                          | 375,482              |
| 2018  | 655,000                      | 174,766                     | 174,766                          | 1,004,532            |
| 2019  | 680,000                      | 162,321                     | 162,321                          | 1,004,642            |
| 2020  | 705,000                      | 149,401                     | 149,401                          | 1,003,802            |
| 2021  | 730,000                      | 135,654                     | 135,654                          | 1,001,308            |
| 2022  | 760,000                      | 121,419                     | 121,419                          | 1,002,838            |
| 2023  | 790,000                      | 106,219                     | 106,219                          | 1,002,438            |
| 2024  | 820,000                      | 90,419                      | 90,419                           | 1,000,838            |
| 2025  | 850,000                      | 74,019                      | 74,019                           | 998,038              |
| 2026  | 890,000                      | 56,594                      | 56,594                           | 1,003,188            |
| 2027  | 900,000                      | 38,238                      | 38,238                           | 976,476              |
| 2028  | 910,000                      | 19,338                      | 19,338                           | 948,676              |
| Total                                       | <u>\$ 8,765,000</u>          | <u>\$ 1,655,561</u>         | <u>\$ 1,655,561</u>              | <u>\$ 12,076,122</u> |

Interest Rate 3.50% - 4.25%

Original Issue \$ 9,090,000

**BRANDYWINE COMMUNITY SCHOOLS****SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY  
2007 BUILDING AND SITE BONDS  
JUNE 30, 2014**

| <u>Payments Due:<br/>Year Ended June 30</u> | <u>May 1st<br/>Principal</u> | <u>May 1st<br/>Interest</u> | <u>November 1st<br/>Interest</u> | <u>Total</u>        |
|---|------------------------------|-----------------------------|----------------------------------|---------------------|
| 2015  | \$ 230,000                   | \$ 113,778                  | \$ 113,778                       | \$ 457,556          |
| 2016  | 285,000                      | 108,028                     | 108,028                          | 501,056             |
| 2017  | 305,000                      | 100,903                     | 100,903                          | 506,806             |
| 2018  | 320,000                      | 93,278                      | 93,278                           | 506,556             |
| 2019  | 330,000                      | 86,878                      | 86,878                           | 503,756             |
| 2020  | 345,000                      | 80,072                      | 80,072                           | 505,144             |
| 2021  | 365,000                      | 72,956                      | 72,956                           | 510,912             |
| 2022  | 375,000                      | 65,428                      | 65,428                           | 505,856             |
| 2023  | 395,000                      | 57,694                      | 57,694                           | 510,388             |
| 2024  | 410,000                      | 49,300                      | 49,300                           | 508,600             |
| 2025  | 430,000                      | 40,588                      | 40,588                           | 511,176             |
| 2026  | 445,000                      | 31,450                      | 31,450                           | 507,900             |
| 2027  | 490,000                      | 21,994                      | 21,994                           | 533,988             |
| 2028  | 545,000                      | 11,582                      | 11,582                           | 568,164             |
| Total                                       | <u>\$ 5,270,000</u>          | <u>\$ 933,929</u>           | <u>\$ 933,929</u>                | <u>\$ 7,137,858</u> |

Interest Rate 4.00% - 5.00%

Original Issue \$ 5,750,000

**SINGLE AUDIT  
INFORMATION**

**BRANDYWINE COMMUNITY SCHOOLS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014

| Federal Grantor Pass Through Grantor Program Title Grant Number | Federal CFDA Number | Approved Grant Award Amount | Accrued (Deferred) Revenue July 1, 2013 | (Memo Only) Prior Year Expenditures | Current Year Expenditures | Current Year Receipts | Accrued (Deferred) Revenue June 30, 2014 |
|---|---------------------|-----------------------------|---|-------------------------------------|---------------------------|-----------------------|--|
| <b>U.S. Department of Education</b>                             |                     |                             |   |                                     |                           |                       |  |
| Passed Through M.D.E.   |                     |                             |   |                                     |                           |                       |  |
| Title I, Part A   |                     |                             |   |                                     |                           |                       |  |
| 131530-1213   | 84.010              | \$ 329,969                  | \$ 74,246                               | \$ 314,958                          | \$ -                      | \$ (74,246)           | \$ -                                     |
| 141530-1314   | 84.010              | 292,350                     | -                                       | -                                   | 282,715                   | (199,557)             | 83,158                                   |
| <b>Total</b>  |                     | <b>\$ 622,319</b>           | <b>\$ 74,246</b>                        | <b>\$ 314,958</b>                   | <b>\$ 282,715</b>         | <b>\$ (273,803)</b>   | <b>\$ 83,158</b>                         |
| Title II, Part A  |                     |                             |   |                                     |                           |                       |  |
| 130520-1213   | 84.367              | \$ 64,828                   | \$ 5,528                                | \$ 35,898                           | \$ 1,986                  | \$ (7,514)            | \$ -                                     |
| 140520-1314   | 84.367              | 73,428                      | -                                       | -                                   | 34,312                    | (32,552)              | 1,760                                    |
| <b>Total</b>  |                     | <b>\$ 138,256</b>           | <b>\$ 5,528</b>                         | <b>\$ 35,898</b>                    | <b>\$ 36,298</b>          | <b>\$ (40,066)</b>    | <b>\$ 1,760</b>                          |
| <b>Total Passed Through M.D.E.</b>                              |                     | <b>\$ 760,575</b>           | <b>\$ 79,774</b>                        | <b>\$ 350,856</b>                   | <b>\$ 319,013</b>         | <b>\$ (313,869)</b>   | <b>\$ 84,918</b>                         |
| Passed Through Berrien RESA                                     |                     |                             |   |                                     |                           |                       |  |
| Perkins Grant - 2013- 2014                                      | 84.048              | \$ 14,751                   | \$ -                                    | \$ -                                | \$ 14,751                 | \$ (14,751)           | \$ -                                     |
| <b>Total Passed Through Berrien RESA</b>                        |                     | <b>\$ 14,751</b>            | <b>\$ -</b>                             | <b>\$ -</b>                         | <b>\$ 14,751</b>          | <b>\$ (14,751)</b>    | <b>\$ -</b>                              |
| Passed Through Niles Community Schools                          |                     |                             |   |                                     |                           |                       |  |
| Adult Education Family Literacy - 2013                          | 84.002A             | \$ 47,500                   | \$ 7,829                                | \$ 47,500                           | \$ -                      | \$ (7,829)            | \$ -                                     |
| Adult Education Family Literacy - 2014                          | 84.002A             | 55,000                      | -                                       | -                                   | 50,643                    | (37,352)              | 13,291                                   |
| <b>Total Passed Through Niles Community Schools</b>             |                     | <b>\$ 102,500</b>           | <b>\$ 7,829</b>                         | <b>\$ 47,500</b>                    | <b>\$ 50,643</b>          | <b>\$ (45,181)</b>    | <b>\$ 13,291</b>                         |
| <b>Total U.S. Department of Education</b>                       |                     | <b>\$ 877,826</b>           | <b>\$ 87,603</b>                        | <b>\$ 398,356</b>                   | <b>\$ 384,407</b>         | <b>\$ (373,801)</b>   | <b>\$ 98,209</b>                         |

See accompanying notes to Schedule of Expenditures of Federal Awards

**BRANDYWINE COMMUNITY SCHOOLS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)  
YEAR ENDED JUNE 30, 2014

| Federal Grantor Pass Through Grantor Program Title Grant Number | Federal CFDA Number                                       | Approved Grant Award Amount | Accrued (Deferred) Revenue July 1, 2013 | (Memo Only) Prior Year Expenditures | Current Year Expenditures | Current Year Receipts | Accrued (Deferred) Revenue June 30, 2014 |                  |
|---|---|-----------------------------|---|-------------------------------------|---------------------------|-----------------------|--|------------------|
| <b>U.S. Department of Agriculture</b>                           |   |                             |   |                                     |                           |                       |  |                  |
| Passed Through M.D.E.   |   |                             |   |                                     |                           |                       |  |                  |
| <b>Nutrition Cluster</b>  |   |                             |   |                                     |                           |                       |  |                  |
| National School Lunch Program                                   |   |                             |   |                                     |                           |                       |  |                  |
| Non-Cash Assistance (Commodities):                              |   |                             |   |                                     |                           |                       |  |                  |
|   | Entitlement   | 10.555                      | \$ 22,828                               | \$ -                                | \$ -                      | \$ 22,828             | \$ (22,828)                              | \$ -             |
|   | <b>Subtotal non-cash assistance</b>                       |                             | <u>\$ 22,828</u>                        | <u>\$ -</u>                         | <u>\$ -</u>               | <u>\$ 22,828</u>      | <u>\$ (22,828)</u>                       | <u>\$ -</u>      |
| Cash Assistance   |   |                             |   |                                     |                           |                       |  |                  |
|   | Free and Reduced 131960                                   | 10.555                      | \$ 308,597                              | \$ 7,215                            | \$ 271,843                | \$ 36,754             | \$ (43,969)                              | \$ -             |
|   | Free and Reduced 141960                                   | 10.555                      | 273,084                                 | -                                   | -                         | 273,084               | (273,084)                                | -                |
|   | Free and Reduced Admin. 141980                            | 10.555                      | 1,913                                   | -                                   | -                         | 1,913                 | (1,913)                                  | -                |
|   | <b>Subtotal cash assistance</b>                           |                             | <u>\$ 583,594</u>                       | <u>\$ 7,215</u>                     | <u>\$ 271,843</u>         | <u>\$ 311,751</u>     | <u>\$ (318,966)</u>                      | <u>\$ -</u>      |
|   | <b>Total National School Lunch Program</b>                |                             | <u>\$ 606,422</u>                       | <u>\$ 7,215</u>                     | <u>\$ 271,843</u>         | <u>\$ 334,579</u>     | <u>\$ (341,794)</u>                      | <u>\$ -</u>      |
|   | Breakfast 131970  | 10.553                      | \$ 110,151                              | \$ -                                | \$ 99,194                 | \$ 10,957             | \$ (10,957)                              | \$ -             |
|   | Breakfast 141970  | 10.553                      | 96,829                                  | -                                   | -                         | 96,829                | (96,829)                                 | -                |
|   | <b>Total</b>  |                             | <u>\$ 206,980</u>                       | <u>\$ -</u>                         | <u>\$ 99,194</u>          | <u>\$ 107,786</u>     | <u>\$ (107,786)</u>                      | <u>\$ -</u>      |
|   | <b>Total Nutrition Cluster</b>                            |                             | <u>\$ 813,402</u>                       | <u>\$ 7,215</u>                     | <u>\$ 371,037</u>         | <u>\$ 442,365</u>     | <u>\$ (449,580)</u>                      | <u>\$ -</u>      |
|   | <b>Total Passed Through M.D.E.</b>                        |                             | <u>\$ 813,402</u>                       | <u>\$ 7,215</u>                     | <u>\$ 371,037</u>         | <u>\$ 442,365</u>     | <u>\$ (449,580)</u>                      | <u>\$ -</u>      |
|   | <b>Total U.S. Department of Agriculture</b>               |                             | <u>\$ 813,402</u>                       | <u>\$ 7,215</u>                     | <u>\$ 371,037</u>         | <u>\$ 442,365</u>     | <u>\$ (449,580)</u>                      | <u>\$ -</u>      |
| <b>U.S. Department of Health and Human Services</b>             |   |                             |   |                                     |                           |                       |  |                  |
| Passed Through Berrien RESA                                     |   |                             |   |                                     |                           |                       |  |                  |
|   | Medicaid Outreach 2013-2014                               | 93.778                      | \$ 5,082                                | \$ -                                | \$ -                      | \$ 5,082              | \$ (5,082)                               | \$ -             |
|   | <b>Total Medical Assistance Program - Medicaid</b>        |                             | <u>\$ 5,082</u>                         | <u>\$ -</u>                         | <u>\$ -</u>               | <u>\$ 5,082</u>       | <u>\$ (5,082)</u>                        | <u>\$ -</u>      |
|   | <b>Total U.S. Department of Health and Human Services</b> |                             | <u>\$ 5,082</u>                         | <u>\$ -</u>                         | <u>\$ -</u>               | <u>\$ 5,082</u>       | <u>\$ (5,082)</u>                        | <u>\$ -</u>      |
|   | <b>Total Federal Financial Assistance</b>                 |                             | <u>\$ 1,696,310</u>                     | <u>\$ 94,818</u>                    | <u>\$ 769,393</u>         | <u>\$ 831,854</u>     | <u>\$ (828,463)</u>                      | <u>\$ 98,209</u> |

See accompanying notes to Schedule of Expenditures of Federal Awards



**SECTION I - SUMMARY OF AUDITORS RESULTS**

*Financial Statements*

Type of auditors report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?  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 that are not considered to be material weakness(es)?  Yes  none reported

Type of auditors report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with '510(a) of OMB Circular A-133?  Yes  No

Identification of major programs:

| <u>CFDA</u>                                    | <u>Name of Federal Program or Cluster</u> |
|--|---|
| <u>Number(s)</u><br>10.550, 10.553<br>& 10.555 | Child Nutrition Cluster                   |

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

Auditee qualified as low-risk auditee?  Yes  No

# **BRANDYWINE COMMUNITY SCHOOLS**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)**

**YEAR ENDED JUNE 30, 2014**

### **SECTION II –STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS**

#### **Finding 2013-001: Material Weakness – Audit Adjustment**

##### **Specific requirement:**

School Districts are responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles.

##### **Condition:**

A material journal entry was required to reflect accurate ending balances to ensure the financial statements were not materially misstated for the year ending June 30, 2013.

##### **Cause/Effect:**

The School District is responsible for monitoring all asset and liability accounts to ascertain that they have accurate balances.

##### **Recommendation to prevent future occurrences:**

We recommended the District institute procedures to monitor asset and liability account balances on ongoing basis and to request guidance related to uncommon financial activity to ensure correct recording.

##### **View of Responsible Officials:**

The School District, by the way of the Director of Finance and Operations, will monitor fund asset and liability account balances on a monthly basis to ensure accuracy for the amounts in each of these required funds.

##### **Status of Finding:**

The School District has implemented its corrective action plan. During our audit no material adjustments were proposed. Finding will not be repeated.

### **SECTION III – FINANCIAL STATEMENT FINDINGS**

There were no findings for the current year.

### **SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no federal award findings and questioned costs for the current year.

# **BRANDYWINE COMMUNITY SCHOOLS**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2014**

### **NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards is a summary of the cash activity of the Brandywine Community Schools' (the District) federal award programs and also presents those transactions that would be included in the financial statements of the District presented on the accrual basis of accounting, as contemplated by U.S. generally accepted accounting principles.

### **NOTE 2. EXPENDITURES AND FINANCIAL REPORTS**

The expenditures in this schedule of federal financial awards are considered necessary and reasonable for the proper administration of the related programs and are in agreement with the amounts reported in the financial statements and the related financial reports submitted to the Michigan State Department of Education. The financial reports that have been submitted are timely, complete, accurate, and contain information that is supported by the records from which the basic financial statements have been prepared.

### **NOTE 3. FOOD DISTRIBUTION**

The amounts reported on the Recipient Entitlement Balance Report (PAL report), agree with this schedule for USDA donated food commodities and are reported in the cash receipts column. Spoilage or pilferage, if any, is included in expenditures.

### **NOTE 4. SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUB-RECIPIENTS**

None for the current year.

### **NOTE 5. GRANT SECTION AUDITOR'S REPORT**

The amounts reported on the Grant Section Auditor's Report have been utilized to prepare the Schedule of Expenditures of Federal Awards and reconciles with the schedule as follows:

|  | <u>Amount</u>     |
|--|-------------------|
| Federal Expenditures from Schedule of Expenditures of Federal Awards | \$ 831,854        |
| Reconciling items:   |                   |
| Items passed through R.E.S.A.  | (19,833)          |
| Items passed through Niles Community Schools                         | (50,643)          |
| Food distribution commodities  | (22,828)          |
| Federal revenue in prior year accounts receivable                    | 94,818            |
| Federal revenue in current year accounts receivable                  | (98,209)          |
| Prior year receivable from Niles Community Schools                   | (7,829)           |
| Current year receivable from Niles Community Schools                 | 13,291            |
| Current year payments reported on the Grant Section Auditor's Report | <u>\$ 740,621</u> |

**BRANDYWINE COMMUNITY SCHOOLS****NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014****NOTE 6. FEDERAL RECONCILIATION BETWEEN FINANCIAL STATEMENT AUDIT AND  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**

|  | <u>Amount</u>      |
|--|--------------------|
| Financial Statement Reporting Units:   |                    |
| General Fund   | \$ 389,489         |
| Nonmajor Fund - Food Service Fund  | 449,580            |
| Total Federal Revenues in Financial Statement Audit                                  | <u>\$ 839,069</u>  |
| Less:  |                    |
| Food Service Fund unearned federal revenue recorded in June 30, 2013<br>audit        | (7,215)            |
| Total OMB A133 regulated federal revenue   | <u>\$ 831,854</u>  |
| Amounts reported on Schedule of Expenditures of Federal Awards                       | <u>831,854</u>     |
| Difference between financial audit and Schedule of Expenditures of<br>Federal Awards | <u><u>\$ -</u></u> |

\*Accrual in the June 30, 2013 audit was from not receiving award within 60 days of year end.

**MANAGEMENT COMPLIANCE  
LETTERS**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIALS  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of  
Brandywine Community Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brandywine Community Schools, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Brandywine Community Schools' basic financial statements, and have issued our report thereon dated September 29, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Brandywine Community 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 Brandywine Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Brandywine Community 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Brandywine 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 or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

A handwritten signature in cursive script that reads "Schaffer &amp; Layher".

Schaffer & Layher  
September 29, 2014

David Schaffer, CPA  
Michael Layher, CPA  
*Founding Partners:*  
Morris McMurray, CPA  
Raymond Marks, CPA  
Jeff Edmunds, CPA



## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Education of  
Brandywine Community Schools

### **Report on Compliance for Each Major Federal Program**

We have audited the Brandywine 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 the Brandywine Community Schools' major federal programs for the year ended June 30, 2014. Brandywine Community 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 Brandywine Community 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 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 Brandywine 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Brandywine Community Schools' compliance.

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

In our opinion, Brandywine Community 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, 2014.

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

Management of Brandywine Community 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 Brandywine Community 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 Brandywine Community Schools' internal control over compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, CONCLUDED**

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

The purpose of the 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.



Schaffer & Layher  
September 29, 2014