



Brandywine Community Schools
Niles, Michigan

Financial Report

With Supplementary Information

June 30, 2016



BRANDYWINE COMMUNITY SCHOOLS
Niles, Michigan
June 30, 2016

BOARD OF EDUCATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Brandywine Community Schools
Niles, Michigan

Report to 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, 2016, 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, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, the major fund budgetary comparison schedule, the schedule of the District's contributions to the Michigan Public School Employees' Retirement System ("MPSEERS"), and the Schedule of the District's proportionate share of the net pension liability, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplemental information is 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 supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2016, 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.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
October 24, 2016

This section of the Brandywine Community Schools (the “District”) annual financial report presents our discussion and analysis of the District’s financial performance during the year ended June 30, 2016. Please read it in conjunction with the 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 District financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole District, presenting both an aggregate view of the 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 District’s operations in more detail than the government-wide financial statements by providing information about the 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 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

Other Supplementary Information

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

The Statement of Net Position and the Statement of Activities, which appear first in the District’s financial statements, report information about the 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 District’s assets, deferred outflows of resources, deferred inflows of resources, 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 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 District’s financial health, or position. Over time, increases or decreases in the 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 District’s operating results. However, the 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 District.

Reporting the District as a Whole – Government-wide Financial Statements, Concluded

The Statement of Net Position and Statement of Activities report the governmental activities for the District, which encompass all of the 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 District's Most Significant Funds – Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the 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 District use the following accounting approach:

Governmental funds – All of the 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 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 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 a reconciliation.

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

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

The District as a Whole

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

Table 1:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Assets		
Current assets	\$ 7,469,747	\$ 7,560,005
Noncurrent assets	16,655,183	16,941,879
Total Assets	<u>\$ 24,124,930</u>	<u>\$ 24,501,884</u>
Deferred Outflows of Resources	2,559,479	1,225,490
Total Assets and Deferred Outflows of Resources	<u>\$ 26,684,409</u>	<u>\$ 25,727,374</u>
Liabilities		
Current liabilities	\$ 4,530,403	\$ 2,168,679
Noncurrent liabilities	30,890,703	31,532,749
Total Liabilities	<u>\$ 35,421,106</u>	<u>\$ 33,701,428</u>
Deferred Inflows of Resources	58,145	1,138,232
Total Liabilities and Deferred Inflows of Resources	<u>\$ 35,479,251</u>	<u>\$ 34,839,660</u>
Net Position (Deficit)		
Net investment in capital assets	\$ 603,794	\$ 57,938
Restricted	1,987,130	2,008,331
Unrestricted	(11,385,766)	(11,178,555)
Total Net Position (Deficit)	<u>\$ (8,794,842)</u>	<u>\$ (9,112,286)</u>

The results of this year's operations for the 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, 2016	June 30, 2015
Revenues		
Program Revenues		
Charges for services	\$ 241,212	\$ 250,322
Operating grants and contributions	6,936,693	6,468,456
Capital grants and contributions	40,000	-
General Revenues		
Property taxes	3,082,618	2,947,666
State foundation allowance	4,406,509	4,548,225
Other	56,970	101,627
Total Revenues	<u>\$ 14,764,002</u>	<u>\$ 14,316,296</u>
Functions/Program Expenses		
Instruction	\$ 7,520,148	\$ 7,412,011
Support services	4,241,644	4,002,988
Food services	600,088	584,111
Community services	7,087	5,622
Athletics	405,943	398,619
Depreciation (unallocated)	1,081,830	1,084,258
Interest on long-term debt	589,818	604,754
Total Expenses	<u>\$ 14,446,558</u>	<u>\$ 14,092,363</u>
Change in net position	\$ 317,444	\$ 223,933
Beginning Net Position (Deficit)	<u>(9,112,286)</u>	<u>(9,336,219)</u>
Ending Net Position (Deficit)	<u>\$ (8,794,842)</u>	<u>\$ (9,112,286)</u>

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

The District’s Funds

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

In the General Fund, our principal operating fund balance decreased from \$3,949,669 to \$3,829,797, which is a decrease of \$119,872 for the 2015-16 school year. This is mostly a result of increased expenses due to the repairs of the elementary and high school roofs. 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 to bring it to \$7,026. In the 2014-15 school year the foundation allowance was increased another \$100 and a categorical line item, titled the One Time Equity Payment, added \$125 per student to our budget, bringing the amount per student to \$7,251 for the year, which is still \$65 less per student than it was in the 2010-11 school year. In 2015-16 the foundation allowance was increased by \$140 per student, finally bringing it up to \$7,391, which is \$75 more 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 & 2013-14 school years. For the 2014-15 and 2015-16 school years the retirement expense ranged from 25.78% - 27.27%. Student enrollment decreased by 50.21 students from the 2013-14 year to the 2014-15 school year. In the 2015-16 school year there was a slight increase of 2.61 students, bringing the total to 1,353.85 students. Since the foundation allowance is paid to the district per the number of students it has in the district, it is very important for the district to maintain and/or increase the student count each year.

General Fund Budgetary Highlights

Over the course of the year, the 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 2016 (a schedule showing the 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 2015-16 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
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
2014-2015	12,246,771	12,205,716	3,949,669	1,351.24
2015-2016	12,723,199	12,523,626	3,829,797	1,353.85

Capital Assets and Debt Administration**Capital Assets**

At June 30, 2016, the District had \$16,655,183 invested in net capital assets, including land, buildings, and furniture and equipment.

	2016	2015
Land	\$ 334,038	\$ 334,038
Construction in process	-	7,977
Building and building improvements	27,578,379	26,912,158
Site improvements	723,057	723,057
Furniture and equipment	1,489,116	1,417,726
Buses and other vehicles	922,688	959,679
Total capital assets	<u>\$ 31,047,278</u>	<u>\$ 30,354,635</u>
Less accumulated depreciation	<u>(14,392,095)</u>	<u>(13,412,756)</u>
Net capital assets	<u>\$ 16,655,183</u>	<u>\$ 16,941,879</u>

Debt

At the end of this year, the District had \$14,845,000 in General Obligation Bonds outstanding versus \$16,890,000 last year – a decrease of 12.11 percent.

The District's General Obligation Bond rating is "A+/Stable" from Standard & Poor's Corporation and "Aa1" 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 District's boundaries. If the District issues "Qualified Debt," that is debt backed by the State of Michigan, such obligations are not subject to this debt limit.

During the current fiscal year, bonds totaling \$11,975,000 were issued and recorded in the Debt Service 2016 and 2013/2016 Refunding Bonds Funds. The refunding was done for and estimated present savings of \$1,435,750.

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 District's 2016-2017 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 2010-11 school year to the 2015-16 school year our student count dropped from 1,407.69 students to 1,353.85 students, which was a reduction of 53.84 students in a six year period. The 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. It was in the 2010-11 school year when the state decreased the foundation allowance by \$470 per student. In the 2015-16 school year the foundation allowance finally increased higher than the 2010-11 school year amount by \$75 per student. For the 2016-17 school year, the foundation will increase an additional amount of \$120 per student bringing it to an amount of \$7,511 per student.

The 2016-17 school year budget projection includes the same amount of students as it had in the previous year, which was 1,353.85. Although they say that birth rates are down in the area, the senior class that graduated at the end of the 2016 school year was approximately 19 students less than the class that will replace them for the 2016-17 school year. The steady enrollment projection along with the \$120 increase in the foundation allowance will increase the revenue by \$162,462. There is an increase in the expenses for salaries and benefits, which includes steps for all the employee groups eligible for steps. The health insurance expense was increased 2.5%, which is 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 District, while providing a quality education to Brandywine students.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the 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 SCHOOLSSTATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2016

	Governmental Activities
Assets	
Current assets	
Cash	\$ 2,750,357
Accounts receivable	16,182
Due from other governmental units	2,017,739
Inventories	2,391
Investments	2,683,078
Total current assets	<u>\$ 7,469,747</u>
Noncurrent assets	
Capital assets not being depreciated	\$ 334,038
Capital assets - net of accumulated depreciation	16,321,145
Total noncurrent assets	<u>\$ 16,655,183</u>
Total assets	<u>\$ 24,124,930</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	\$ 2,297,050
Deferred amount on debt refunding	262,429
Total deferred outflows of resources	<u>\$ 2,559,479</u>
Total assets and deferred outflows of resources	<u>\$ 26,684,409</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 131,464
Payroll deductions and withholdings	402,470
Accrued salaries payable	830,087
Accrued interest	106,685
Unearned revenue	71,825
Bonds payable, due within one year	2,987,872
Total current liabilities	<u>\$ 4,530,403</u>
Noncurrent liabilities	
Bonds payable, due in more than one year	\$ 13,325,946
Net pension liability	17,544,560
Compensated absences	20,197
Total noncurrent liabilities	<u>\$ 30,890,703</u>
Total liabilities	<u>\$ 35,421,106</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	<u>\$ 58,145</u>
Net Position (Deficit)	
Net investment in capital assets	\$ 603,794
Restricted for:	
Debt service	1,987,130
Unrestricted	(11,385,766)
Total net position (deficit)	<u>\$ (8,794,842)</u>

See accompanying notes to the financial statements

BRANDYWINE COMMUNITY SCHOOLS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Functions/Programs	Program Revenues			Governmental	
	Expenses	Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions	
				Net (Expense) Revenue and Changes in Net Position	
Governmental activities:					
Instruction	\$ 7,520,148	\$ 17,065	\$ 6,070,175	\$ -	\$ (1,432,908)
Support services	4,241,644	-	372,906	-	(3,868,738)
Food services	600,088	182,857	478,172	-	60,941
Community services	7,087	-	-	-	(7,087)
Athletics	405,943	41,290	15,440	40,000	(309,213)
Unallocated depreciation	1,081,830	-	-	-	(1,081,830)
Interest on long-term debt	589,818	-	-	-	(589,818)
	<u>\$ 14,446,558</u>	<u>\$ 241,212</u>	<u>\$ 6,936,693</u>	<u>\$ 40,000</u>	<u>\$ (7,228,653)</u>

General Revenues

Property taxes, levied for general purposes	\$ 1,650,308
Property taxes, levied for debt services	1,432,310
State of Michigan aid, unrestricted	4,406,509
Interest and investment earnings	9,369
Gain on sale of capital assets	2,691
Other	44,910
Total general revenues	<u>\$ 7,546,097</u>

Change in Net Position \$ 317,444

Net Position (Deficit) - beginning of year (9,112,286)

Net Position (Deficit) - ending \$ (8,794,842)

See accompanying notes to the financial statements

BRANDYWINE COMMUNITY SCHOOLS

BALANCE SHEET GOVERNMENTAL FUNDS AS OF JUNE 30, 2016

	General Fund	QZAB Bond Debt Fund	2016 Refunding Bond	2013/2016 Refunding Bond	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash	\$ 2,393,152	\$ 23,909	\$ 43,437	\$ 78,436	\$ 211,423	\$ 2,750,357
Accounts receivable	11,935	-	1,542	2,705	-	16,182
Due from other governmental units	2,004,364	-	-	-	13,375	2,017,739
Due from other governmental funds	1,000	-	-	-	-	1,000
Inventory	-	-	-	-	2,391	2,391
Investments	845,977	1,837,101	-	-	-	2,683,078
Total Assets	<u>\$ 5,256,428</u>	<u>\$ 1,861,010</u>	<u>\$ 44,979</u>	<u>\$ 81,141</u>	<u>\$ 227,189</u>	<u>\$ 7,470,747</u>
Liabilities						
Accounts payable	\$ 129,905	\$ -	\$ -	\$ -	\$ 1,559	\$ 131,464
Payroll deductions and withholdings	401,367	-	-	-	1,103	402,470
Accrued salaries payable	826,048	-	-	-	4,039	830,087
Due to other governmental funds	-	-	-	-	1,000	1,000
Unearned revenue	69,311	-	-	-	2,514	71,825
Total Liabilities	<u>\$ 1,426,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,215</u>	<u>\$ 1,436,846</u>
Fund Balances						
Non-spendable						
Inventory	\$ -	\$ -	\$ -	\$ -	\$ 2,391	\$ 2,391
Restricted for						
Food service	-	-	-	-	202,477	202,477
Debt service	-	1,861,010	44,979	81,141	-	1,987,130
Committed for						
Capital projects	78,000	-	-	-	12,106	90,106
Bus purchase	66,900	-	-	-	-	66,900
Assigned						
Budgeted deficit	241,152	-	-	-	-	241,152
Unassigned	3,443,745	-	-	-	-	3,443,745
Total Fund Balances	<u>\$ 3,829,797</u>	<u>\$ 1,861,010</u>	<u>\$ 44,979</u>	<u>\$ 81,141</u>	<u>\$ 216,974</u>	<u>\$ 6,033,901</u>
Total Liabilities and Fund Balance	<u>\$ 5,256,428</u>	<u>\$ 1,861,010</u>	<u>\$ 44,979</u>	<u>\$ 81,141</u>	<u>\$ 227,189</u>	<u>\$ 7,470,747</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, 2016**

Total Governmental Fund Balances	\$ 6,033,901
Total net position for governmental activities in the Statement of Net Position is different because:	
Deferred outflows of resources related to pension contributions made after measurement date.	1,467,756
Deferred outflows related to pensions	829,294
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	16,321,145
Deferred costs from bond refundings not capitalized in the governmental funds.	262,429
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(106,685)
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	(20,197)
Bonds payable (includes premium)	(16,313,818)
Net pension liability	(17,544,560)
Deferred inflows of resources related to differences between expected and actual experience and changes in proportion and differences between employer contributions and proportionate share of contributions	<u>(58,145)</u>
Net Position of Governmental Activities	<u><u>\$ (8,794,842)</u></u>

See accompanying notes to the financial statements

BRANDYWINE COMMUNITY SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2016

	General Fund	QZAB Bond Debt Fund	2016 Refunding Bond	2013/2016 Refunding Bond	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Local sources	\$ 1,842,728	\$ -	\$ 503,704	\$ 928,606	\$ 183,070	\$ 3,458,108
State sources	10,294,693	-	-	-	23,987	10,318,680
Federal sources	405,876	-	-	-	438,745	844,621
Interdistrict sources	179,902	-	-	-	-	179,902
Total Revenues	\$ 12,723,199	\$ -	\$ 503,704	\$ 928,606	\$ 645,802	\$ 14,801,311
Expenditures						
Education						
Instruction	\$ 7,498,443	\$ -	\$ -	\$ -	\$ -	\$ 7,498,443
Supporting services	4,265,525	-	-	-	-	4,265,525
Food services	-	-	-	-	602,086	602,086
Athletics	407,846	-	-	-	-	407,846
Community services	7,087	-	-	-	-	7,087
Capital outlay	344,725	-	-	-	546,945	891,670
Debt service						
Principal	-	-	285,000	570,000	-	855,000
Interest and other expenditures	-	8,327	122,797	193,932	-	325,056
Total Expenditures	\$ 12,523,626	\$ 8,327	\$ 407,797	\$ 763,932	\$ 1,149,031	\$ 14,852,713
Excess of Revenues Over Expenditures						
	\$ 199,573	\$ (8,327)	\$ 95,907	\$ 164,674	\$ (503,229)	\$ (51,402)
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	\$ 2,691	\$ -	\$ -	\$ -	\$ -	\$ 2,691
Proceeds from refinancing debt	-	-	4,145,000	7,830,000	-	11,975,000
Premiums from debt	-	-	513,656	969,737	-	1,483,393
Payments to debt escrow agent:						
Principal	-	-	(4,450,000)	(8,715,000)	-	(13,165,000)
Interest & Fees	-	-	(303,614)	(262,532)	-	(566,146)
Transfers in	36,000	128,136	-	-	230,000	394,136
Transfers out	(358,136)	-	-	-	(36,000)	(394,136)
Total Other Financing Sources (Uses)	\$ (319,445)	\$ 128,136	\$ (94,958)	\$ (177,795)	\$ 194,000	\$ (270,062)
Net Change in Fund Balances	\$ (119,872)	\$ 119,809	\$ 949	\$ (13,121)	\$ (309,229)	\$ (321,464)
Fund Balances - Beginning of year	3,949,669	1,741,201	44,030	94,262	526,203	6,355,365
Fund Balances - End of year	\$ 3,829,797	\$ 1,861,010	\$ 44,979	\$ 81,141	\$ 216,974	\$ 6,033,901

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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ (321,464)
Total change in net position reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(1,081,830)
Capital outlay	795,134
Increase in accrued interest.	(9,559)
Decrease in the liability for compensated absences not reported in the governmental funds.	7,468
Repayments of long-term debt is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces long-term debt).	14,020,000
Current year increase in the deferred charges from the issuance of the 2016 refunding bonds.	251,985
Bond and note proceeds are reported as an other financing source revenue item in the governmental funds, but is recorded as a long-term liability in the statement of activities.	(11,975,000)
Bond premiums associated with the 2016 refunding bonds is reported as an other financing source revenue item in the governmental funds, but is recorded as long-term liability in the statement of activities.	(1,483,393)
Amortization of bond premium.	38,403
Amortization of deferred outflow related to debt refunding.	(19,444)
Change in pension expense related to pension.	95,144
Change in Net Position of Governmental Activities	<u><u>\$ 317,444</u></u>

See accompanying notes to the financial statements

BRANDYWINE COMMUNITY SCHOOLS

STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2016

	<u>Agency Fund</u>
Assets	
Cash	<u>\$ 142,102</u>
Liabilities	
Due to agency fund activities	<u>\$ 142,102</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 and non-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 of resources, deferred inflows of resources, 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.

2016 Refunding Bond Fund is used to record tax, interest and other revenue and the payment of interest, principal and other expenditures related to the 2016 refunding bonds.

2013/2016 Refunding Bond Fund is used to record tax, interest and other revenue and the payment of interest, principal and other expenditures related to the 2013/2016 refunding bonds.

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.

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 the 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, 2016, the rates are as follows per \$1,000 assessed value.

General Fund	
Non-principal residence exemption	18 Mills
Commercial personal property	6 Mills
Debt Service Funds	5 Mills

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

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 has two items that qualify for reporting in this category. It is the deferred outflows of resources related to the pension plan and the deferred outflows of resources related to charges for the bond refunding.

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. The District only has one item that qualifies for reporting in this category. It is the deferred inflows of resources related to the pension plan.

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 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 are for 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, 2016, the following fund balances were classified as non-spendable: \$2,391 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, 2016, the following fund balances have been restricted: \$202,477 for food service and \$1,987,130 for debt service.

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, 2016, the following fund balances have been committed: \$66,900 for a bus purchase and \$90,106 for capital projects.

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, 2016, \$241,152 of the governmental fund balance has been assigned for a fiscal 2017 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, 2016, \$3,443,745 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 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 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, 2016, the District’s deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Fund	Total Primary Government
Cash	\$ 2,750,357	\$ 142,102	\$ 2,892,459
Investments	2,683,078	-	2,683,078
	<u>\$ 5,433,435</u>	<u>\$ 142,102</u>	<u>\$ 5,575,537</u>

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

All cash of the 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 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 Organization
US Treasury Note	\$ 726,600	8/15/2016	Aaa	Moody's
US Treasury Note	1,095,171	9/8/2016	Aaa	Moody's
US Treasury Note	15,330	8/15/2016	Aaa	Moody's
Chemical Bank CD	256,971	6/21/2017	N/A	N/A
Honor Credit Union CD	254,155	4/19/2017	N/A	N/A
Greater Niles Community Credit Union CD	253,669	7/19/2017	N/A	N/A
Michigan Liquid Asset Fund	81,182	N/A	AAAm	Standard & Poor's
	<u>\$ 2,683,078</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, \$2,201,319 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 Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 334,038	\$ -	\$ -	\$ 334,038
Construction in process	7,977	139,086	147,063	-
Total capital assets not being depreciated	<u>\$ 342,015</u>	<u>\$ 139,086</u>	<u>\$ 147,063</u>	<u>\$ 334,038</u>
Capital assets being depreciated				
Buildings and additions	\$ 26,912,158	\$ 666,221	\$ -	\$ 27,578,379
Site improvements	723,057	-	-	723,057
Equipment and furniture	1,417,726	71,390	-	1,489,116
Buses and other vehicles	959,679	65,500	102,491	922,688
Total capital assets being depreciated	<u>\$ 30,012,620</u>	<u>\$ 803,111</u>	<u>\$ 102,491</u>	<u>\$ 30,713,240</u>
Less accumulated depreciation for				
Buildings and additions	\$ 11,570,189	\$ 875,324	\$ -	\$ 12,445,513
Site improvements	418,861	21,943	-	440,804
Equipment and furniture	882,883	95,916	-	978,799
Buses and other vehicles	540,823	88,647	102,491	526,979
Total accumulated depreciation	<u>\$ 13,412,756</u>	<u>\$ 1,081,830</u>	<u>\$ 102,491</u>	<u>\$ 14,392,095</u>
Net capital assets being depreciated	<u>\$ 16,599,864</u>			<u>\$ 16,321,145</u>
Net capital assets	<u>\$ 16,941,879</u>			<u>\$ 16,655,183</u>

Depreciation for the fiscal year ended June 30, 2016 amounted to \$1,081,830. 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, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 16,890,000	\$ 11,975,000	\$ 14,020,000	\$ 14,845,000	\$ 2,870,000
Premium on bonds	23,829	1,483,393	38,403	1,468,819	117,872
Compensated absences	27,665	-	7,468	20,197	-
Total Bonds	<u>\$ 16,941,494</u>	<u>\$ 13,458,393</u>	<u>\$ 14,065,871</u>	<u>\$ 16,334,016</u>	<u>\$ 2,987,872</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%	\$ 565,000
\$11,975,000 serial bond due in annual installments of \$885,000 to \$1,310,000 through May 1, 2028, interest at 2.00% to 2.35%	11,975,000
\$5,750,000 serial bond due in annual installments of \$15,000 to \$545,000 through May 1, 2017, interest at 4.00% to 5.00%	305,000
\$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>\$ 14,845,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 2,870,000	\$ 756,484	\$ 3,626,484
2018	885,000	476,726	1,361,726
2019	920,000	441,326	1,361,326
2020	955,000	404,526	1,359,526
2021	995,000	366,326	1,361,326
2022-2026	5,655,000	1,150,430	6,805,430
2027-2028	2,565,000	154,991	2,719,991
Unamortized Premium	1,468,819	-	1,468,819
	<u>\$ 16,313,819</u>	<u>\$ 3,750,809</u>	<u>\$ 20,064,628</u>

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of \$1,987,130 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest expense of \$589,818 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 \$128,136 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 \$20,197 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

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 the 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 2015 refunding bonds. As of year-end, the amount of defeased debt outstanding, but removed from the District's financial statements, is \$600,000.

During the current year, the District removed an additional \$8,715,000 of unlimited tax refunding bonds from the District's financial statements by placing the proceeds of the new bonds in an irrevocable trust to provide for all future interest and principal payments totaling \$11,497,496. The final payment for the 2016 refunding bonds is May 1, 2028.

During the current year, the District removed an additional \$4,450,000 of unlimited tax refunding bonds from the District's financial statements by placing the proceeds of the new bonds in an irrevocable trust to provide for all future interest and principal payments totaling \$5,952,372. The final payment for the 2016 refunding bonds is May 1, 2028.

NOTE 5. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations in Budgeted Funds

Excess of Expenditures Over Appropriation in Budgeted Major Funds – During fiscal year ended June 30, 2016 The District did not have any expenditures that exceeded appropriations in budgeted functions.

Net Position Deficit

As of June 30, 2016, the Government-wide Statement of Net Position had a cumulative net position deficit of \$8,794,842.

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transfers were made during the year are as follows:

Transfers Out	Transfers In			Total
	General Fund	2009 Capital Project Fund	QZAB Bond Debt Fund	
Food Service Fund	\$ 36,000	\$ -	\$ -	\$ 36,000
General Fund	-	230,000	128,136	358,136
Total	<u>\$ 36,000</u>	<u>\$ 230,000</u>	<u>\$ 128,136</u>	<u>\$ 394,136</u>

The transfer to the General Fund from the Food Service Fund was made to reimburse for indirect costs that occurred during the year.

The transfer to the 2009 Capital Project Fund from the General Fund was made to cover the cost of capital outlay.

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).

Interfund balances as of year-end are as follows:

Due From	Due To	
	Food Service Fund	Total
General Fund	\$ 1,000	\$ 1,000
Total	<u>\$ 1,000</u>	<u>\$ 1,000</u>

The Food Service Funds owes the General Fund for unreimbursed indirect costs that occurred during the year.

NOTE 7. 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:

Description of Unearned Revenue	General Fund	Food Service Fund	Total
Section 107 carryover	\$ 22,346	\$ -	\$ 22,346
At-Risk	28,500	-	28,500
First Robotics	1,800	-	1,800
Section 35a(6) Early Literacy	16,665	-	16,665
Funds in students' lunch accounts at year-end	-	2,514	2,514
Total	\$ 69,311	\$ 2,514	\$ 71,825

NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Plan Description – The District is a participating employer in the Michigan Public School Employees' Retirement System (“MPSERS” or “System”), a cost-sharing multi-employer plan, of which substantially all of District’s employees are covered. MPSERS’s pension plan was established by the State of Michigan to provide retirement, survivor and disability benefits to public school employees. In addition, MPSERS’s health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees’ Retirement Act. Financial statements, required supplementary information, and full actuarial assumptions of the MPSERS plan are included in the MPSERS’s comprehensive annual financial report. Copies of the report can be obtained by writing to 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Benefits Provided – Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (“DB”) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

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

Employer Contributions – Each District or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits.

NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Contributions – The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits ("OPEB"). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability.

Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded(overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the 2015 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

Pension Contribution Rates		
<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0-4.0%	22.52-23.07%
Member Investment Plan	3.0-7.0%	22.52-23.07%
Pension Plus	3.0-6.4%	21.99%
Defined Contribution	0.00%	17.72-18.76%

Proportionate Share of Reporting Unit's Net Pension Liability – At June 30, 2016, the District reported a liability of \$17,544,560 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period. At September 30, 2015, the District's proportion was 0.07183 percent, which was an increase of 0.00165 percent from its proportion measured as of September 30, 2014.

Long-Term Expected Return on Plan Assets – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.9%
% Alternative Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.9%
Real Estate and Infrastructure Pools	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%
Short Term Investment Pools	2.0%	0.0%
TOTAL	<u>100.0%</u>	

*Long term rate of return does not include 2.1% inflation

Discount Rate – A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
\$ 22,619,436	\$ 17,544,560	\$ 13,266,232

NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2014, rolled forward
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return	
- MIP and Basic Plans (Non-Hybrid):	8.0%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members

Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**Notes:**

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.7158
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/mpsers-cafr)

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2016, the District recognized total pension expense of \$1,565,726. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 58,113
Changes of assumptions	431,984	-
Net difference between projected and actual earnings on pension plan investments	89,551	-
Changes in proportion and differences between District contributions and proportionate share of contributions	307,759	32
District contributions subsequent to the measurement date*	1,467,756	-
Total	\$ 2,297,050	\$ 58,145

*This amount, reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONCLUDED)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount:
2017	\$ 132,066
2018	132,066
2019	108,629
2020	398,388
	<u>\$ 771,149</u>

Payables to the Pension Plan – As of June 30, 2016, the District has payables to the MPSERS pension plan of \$153,180 for the outstanding amount of contributions due to the pension plan required for the year ended June 30, 2016.

MPSERS Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR.

Post-Employment Benefits Other than Pensions - 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 coverages. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above. The District's contribution rates vary depending on which plan the employee is enrolled in. For the period of July 1, 2014 to September 30, 2014 the contribution rates ranged from 5.52% to 6.45% of covered payroll. For the period of October 1, 2014 to September 30, 2015, the contribution rates ranged from 2.20% to 2.71% of covered payroll. The District's contributions to the MPSERS plan for retiree healthcare benefits for the years ended June 30, 2016, 2015, and 2014 were \$357,721, \$260,637, and \$472,369, respectively.

NOTE 9. UPCOMING PRONOUNCEMENTS

In March 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. The Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District is currently evaluating the impact this standard will have on the financial statements when adopted for the 2017-2018 fiscal year.

NOTE 9. UPCOMING PRONOUNCEMENTS, CONCLUDED

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (“OPEB”) to their employees. This pronouncement applies to post-retirement health care provided to District employees that is provided through MPSERS. This OPEB standard will require the District to recognize on the face of the financial statements (district-wide statements) its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The provisions of this statement are effective for the District’s financial statements for the year ending June 30, 2018. The District is currently evaluating what impact the standard will have on its financial statements once adopted.

NOTE 10. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 24, 2016, the date that the financial statements were available to be issued. No events or transactions occurred during this period which requires recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

BRANDYWINE COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTARY SCHEDULE
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Amended Budget		
Revenues				
Local sources	\$ 1,739,204	\$ 1,821,288	\$ 1,842,728	\$ 21,440
State sources	9,977,233	10,332,290	10,294,693	(37,597)
Federal sources	463,079	465,450	405,876	(59,574)
Interdistrict sources	242,206	217,212	179,902	(37,310)
Total Revenues	<u>\$ 12,421,722</u>	<u>\$ 12,836,240</u>	<u>\$ 12,723,199</u>	<u>\$ (113,041)</u>
Expenditures				
Instruction				
Basic programs	\$ 6,078,835	\$ 5,949,806	\$ 5,895,887	\$ 53,919
Added needs	1,620,991	1,581,044	1,542,478	38,566
Adult and continuing education	71,501	89,225	60,078	29,147
Supporting services				
Pupil	512,883	511,480	507,497	3,983
Instructional staff	632,629	695,102	657,909	37,193
General administration	339,987	353,962	343,448	10,514
School administration	767,081	793,241	785,425	7,816
Business	303,634	298,812	289,920	8,892
Operation and maintenance	1,065,117	1,172,000	1,149,916	22,084
Pupil transportation services	582,269	541,495	525,363	16,132
Central services	7,802	11,173	6,047	5,126
Athletic activities	421,991	413,167	407,846	5,321
Community services	9,260	9,661	7,087	2,574
Capital outlay	288,959	351,700	344,725	6,975
Total Expenditures	<u>\$ 12,702,939</u>	<u>\$ 12,771,868</u>	<u>\$ 12,523,626</u>	<u>\$ 248,242</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (281,217)</u>	<u>\$ 64,372</u>	<u>\$ 199,573</u>	<u>\$ 135,201</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ 2,691	\$ 2,691
Transfers in	-	-	36,000	36,000
Transfers out	(127,312)	(358,137)	(358,136)	1
Total Other Financing Sources (Uses)	<u>\$ (127,312)</u>	<u>\$ (358,137)</u>	<u>\$ (319,445)</u>	<u>\$ 38,692</u>
Net Change in Fund Balances	\$ (408,529)	\$ (293,765)	\$ (119,872)	\$ 173,893
Fund Balances - Beginning of year	3,949,669	3,949,669	3,949,669	-
Fund Balances - End of year	<u>\$ 3,541,140</u>	<u>\$ 3,655,904</u>	<u>\$ 3,829,797</u>	<u>\$ 173,893</u>

BRANDYWINE COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BRANDYWINE COMMUNITY SCHOOLS' PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30

	<u>2015</u>		<u>2014</u>
District's proportion of net pension liability	0.07183%		0.07018%
District's proportionate share of net pension liability	\$ 17,544,560	\$	15,458,169
District's covered-employee payroll	\$ 6,151,428	\$	6,149,723
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	285.21%		251.36%
Plan fiduciary net position as a percentage of total pension liability	63.17%		66.20%

BRANDYWINE COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BRANDYWINE COMMUNITY SCHOOLS' CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30

	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,630,168	\$ 1,285,287
Contributions in relation to statutorily required contributions	<u>1,630,168</u>	<u>1,285,287</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,006,359	\$ 6,178,279
Contributions as a percentage of covered-employee payroll	27.14%	20.80%

BRANDYWINE COMMUNITY SCHOOLS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION RELATED SCHEDULES
YEAR ENDED JUNE 30, 2016

Changes of benefit terms: There were no changes of benefit terms for the plan year ended September 30, 2015.

Changes of assumptions: There were no changes of benefit assumptions for the plan year ended September 30, 2015.

**OTHER SUPPLEMENTARY
INFORMATION**

BRANDYWINE COMMUNITY SCHOOLS**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2016**

	Special Revenue Fund	Capital Projects Fund	
	Food Service	2009 Capital Projects	Total Nonmajor Governmental Funds
Assets			
Cash	\$ 199,317	\$ 12,106	\$ 211,423
Due from other governmental units	13,375	-	13,375
Inventory	2,391	-	2,391
Total Assets	\$ 215,083	\$ 12,106	\$ 227,189
Liabilities			
Accounts payable	\$ 1,559	\$ -	\$ 1,559
Payroll deductions and withholdings	1,103	-	1,103
Accrued salaries payable	4,039	-	4,039
Due to other governmental funds	1,000	-	1,000
Unearned revenue	2,514	-	2,514
Total Liabilities	\$ 10,215	\$ -	\$ 10,215
Fund Balances			
Non-spendable			
Inventory	\$ 2,391	\$ -	\$ 2,391
Restricted for			
Food service	202,477	-	202,477
Committed for			
Capital projects	-	12,106	12,106
Total Fund Balances	\$ 204,868	\$ 12,106	\$ 216,974
Total Liabilities and Fund Balances	\$ 215,083	\$ 12,106	\$ 227,189

BRANDYWINE COMMUNITY SCHOOLS**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	2009 Capital Projects	
Revenues			
Local sources	\$ 182,857	\$ 213	\$ 183,070
State sources	23,987	-	23,987
Federal sources	438,745	-	438,745
Total revenues	<u>\$ 645,589</u>	<u>\$ 213</u>	<u>\$ 645,802</u>
Expenditures			
Support services			
Food services	\$ 602,086	\$ -	\$ 602,086
Capital outlay	-	546,945	546,945
Total expenditures	<u>\$ 602,086</u>	<u>\$ 546,945</u>	<u>\$ 1,149,031</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 43,503</u>	<u>\$ (546,732)</u>	<u>\$ (503,229)</u>
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 230,000	\$ 230,000
Transfers out	(36,000)	-	(36,000)
Total other financing sources (uses)	<u>\$ (36,000)</u>	<u>\$ 230,000</u>	<u>\$ 194,000</u>
Net change in fund balance	\$ 7,503	\$ (316,732)	\$ (309,229)
Fund balance - beginning	197,365	328,838	526,203
Fund balance - ending	<u>\$ 204,868</u>	<u>\$ 12,106</u>	<u>\$ 216,974</u>

BRANDYWINE COMMUNITY SCHOOLS

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY
2002 GENERAL OBLIGATION LIMITED TAX QUALIFIED ZONE ACADEMY BONDS
JUNE 30, 2016

Payments Due: Year Ended June 30	September 10th Principal	Interest	Total
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, 2016**

<u>Payments Due: Year Ended June 30</u>	<u>May 1st Principal</u>	<u>May 1st Interest</u>	<u>November 1st Interest</u>	<u>Total</u>
2017	\$ 565,000	\$ 3,884	\$ 3,884	\$ 572,768
Total	<u>\$ 565,000</u>	<u>\$ 3,884</u>	<u>\$ 3,884</u>	<u>\$ 572,768</u>

Interest Rate 1.00% - 1.375%

Original Issue \$ 2,240,000

BRANDYWINE COMMUNITY SCHOOLS**SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY
2016 REFUNDING BONDS (2006 REFUNDING AND 2003 BUILDING AND SITE)
JUNE 30, 2016**

<u>Payments Due: Year Ended June 30</u>	<u>May 1st Principal</u>	<u>May 1st Interest</u>	<u>November 1st Interest</u>	<u>Total</u>
2017	\$ -	\$ 238,363	\$ 308,547	\$ 546,910
2018	885,000	238,363	238,363	1,361,726
2019	920,000	220,663	220,663	1,361,326
2020	955,000	202,263	202,263	1,359,526
2021	995,000	183,163	183,163	1,361,326
2022	1,035,000	163,263	163,263	1,361,526
2023	1,085,000	137,388	137,388	1,359,776
2024	1,140,000	110,263	110,263	1,360,526
2025	1,180,000	91,738	91,738	1,363,476
2026	1,215,000	72,563	72,563	1,360,126
2027	1,255,000	51,300	51,300	1,357,600
2028	1,310,000	26,195	26,196	1,362,391
Total	<u>\$ 11,975,000</u>	<u>\$ 1,735,525</u>	<u>\$ 1,805,710</u>	<u>\$ 15,516,235</u>

Interest Rate 2.00% - 2.35%

Original Issue \$ 11,975,000

BRANDYWINE COMMUNITY SCHOOLS**SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY
2007 BUILDING AND SITE BONDS
JUNE 30, 2016**

<u>Payments Due: Year Ended June 30</u>	<u>May 1st Principal</u>	<u>May 1st Interest</u>	<u>November 1st Interest</u>	<u>Total</u>
2017	\$ 305,000	\$ 100,903	\$ 100,903	\$ 506,806
Total	<u>\$ 305,000</u>	<u>\$ 100,903</u>	<u>\$ 100,903</u>	<u>\$ 506,806</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, 2016

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/Project Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2015	Federal Funds/ In-Kind Payments	Federal Expenditures	Accrued (Deferred) Revenue June 30, 2016	Current Year Cash Transferred to Subrecipient
U.S. Department of Education									
Clusters:									
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:									
National School Lunch Program:									
Non-Cash Assistance (Commodities) - National School Lunch Program - Entitlement Commodities - 2015/2016									
	N/A	10.555	\$ 35,556	\$ -	\$ -	\$ 35,556	\$ 35,556	\$ -	\$ -
Cash Assistance:									
National School Breakfast Program 2015/2016									
	161970	10.553	96,321	-	-	94,154	96,321	2,167	-
National School Lunch Program 2015/2016									
	161960	10.555	298,242	-	-	291,334	298,242	6,908	-
Total National Lunch Program			<u>\$ 430,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 421,044</u>	<u>\$ 430,119</u>	<u>\$ 9,075</u>	<u>\$ -</u>
Summer Food Service Program for Children:									
Summer Food Service Program for Children - Summer Food Meals									
	150900	10.559	\$ 7,815	\$ -	\$ -	\$ 7,815	\$ 7,815	\$ -	\$ -
Summer Food Service Program for Children - Sponsor Administration									
	151900	10.559	811	-	-	811	811	-	-
Total Summer Food Service Program for Children			<u>\$ 8,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,626</u>	<u>\$ 8,626</u>	<u>\$ -</u>	<u>\$ -</u>
Total Child Nutrition Cluster			<u>\$ 438,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 429,670</u>	<u>\$ 438,745</u>	<u>\$ 9,075</u>	<u>\$ -</u>
Medicaid Cluster - U.S. Department of Health and Human Services Passed through the Berrien RESA Medicaid Outreach - 2015/2016									
	N/A	93.778	\$ 3,075	\$ -	\$ -	\$ 3,075	\$ 3,075	\$ -	\$ -
Total Medicaid Cluster			<u>\$ 3,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,075</u>	<u>\$ 3,075</u>	<u>\$ -</u>	<u>\$ -</u>
Total federal program clusters			<u>\$ 441,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 432,745</u>	<u>\$ 441,820</u>	<u>\$ 9,075</u>	<u>\$ -</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

BRANDYWINE COMMUNITY SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
YEAR ENDED JUNE 30, 2016

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/Project Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2015	Federal Funds/ In-Kind Payments	Federal Expenditures	Accrued (Deferred) Revenue June 30, 2016	Current Year Cash Transferred to Subrecipient
Noncluster programs passed through the Michigan Department of Education:									
Title I, Part A 1415	151530	84.010	\$ 311,256	\$ 286,428	\$ 61,901	\$ 68,041	\$ 6,140	\$ -	\$ -
Title I, Part A 1516	161530	84.010	286,116	-	-	198,061	255,599	57,538	-
Total Title I, Part A			<u>\$ 597,372</u>	<u>\$ 286,428</u>	<u>\$ 61,901</u>	<u>\$ 266,102</u>	<u>\$ 261,739</u>	<u>\$ 57,538</u>	<u>\$ -</u>
Improving Teacher Quality - Title II, Part A									
Title II, Part A 1415	150520	84.010	\$ 86,250	\$ 31,567	\$ 19,019	\$ 45,098	\$ 26,079	\$ -	\$ -
Title II, Part A 1516	160520	84.010	76,001	-	-	42,737	57,771	15,034	-
Total Title I, Part A			<u>\$ 162,251</u>	<u>\$ 31,567</u>	<u>\$ 19,019</u>	<u>\$ 87,835</u>	<u>\$ 83,850</u>	<u>\$ 15,034</u>	<u>\$ -</u>
Total noncluster programs passed through the State of Michigan			<u>\$ 759,623</u>	<u>\$ 317,995</u>	<u>\$ 80,920</u>	<u>\$ 353,937</u>	<u>\$ 345,589</u>	<u>\$ 72,572</u>	<u>\$ -</u>
Noncluster programs passed through the Berrien Springs Public Schools:									
Title III - Limited English Proficient Students									
Title III, Part A 1516	160580	84.365A	\$ 4,671	\$ -	\$ -	\$ 3,240	\$ 4,671	\$ 1,431	\$ -
Total noncluster programs passed through the Berrien Springs Public Schools			<u>\$ 4,671</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,240</u>	<u>\$ 4,671</u>	<u>\$ 1,431</u>	<u>\$ -</u>
Noncluster programs passed through the Niles Community Schools:									
Adult Education - Basic Grants to States									
Adult Education - Basic Grants to States - 2015	151130-151377	84.002A	\$ 47,500	\$ 46,347	\$ 14,863	\$ 14,863	\$ -	\$ -	\$ -
Adult Education - Basic Grants to States - 2016	161130-161377	84.002A	61,750	-	-	37,799	37,799	-	-
Total noncluster programs passed through the Niles Community Schools			<u>\$ 109,250</u>	<u>\$ 46,347</u>	<u>\$ 14,863</u>	<u>\$ 52,662</u>	<u>\$ 37,799</u>	<u>\$ -</u>	<u>\$ -</u>
Noncluster programs passed through the Berrien RESA:									
Perkins Grant - 2015-2016	N/A	84.048	\$ 14,742	\$ -	\$ -	\$ 14,742	\$ 14,742	\$ -	\$ -
Total noncluster programs passed through the Berrien RESA			<u>\$ 14,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,742</u>	<u>\$ 14,742</u>	<u>\$ -</u>	<u>\$ -</u>
Total noncluster programs			<u>\$ 888,286</u>	<u>\$ 364,342</u>	<u>\$ 95,783</u>	<u>\$ 424,581</u>	<u>\$ 402,801</u>	<u>\$ 74,003</u>	<u>\$ -</u>
Total Federal Financial Assistance			<u>\$ 1,330,106</u>	<u>\$ 364,342</u>	<u>\$ 95,783</u>	<u>\$ 857,326</u>	<u>\$ 844,621</u>	<u>\$ 83,078</u>	<u>\$ -</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 section 2 CRF 200.516 (a)? Yes No

Identification of major programs:

<u>CFDA</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

BRANDYWINE COMMUNITY SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)

YEAR ENDED JUNE 30, 2016

SECTION II –STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

There were no prior year financial statement findings.

SECTION III – FINANCIAL STATEMENT FINDINGS

Finding: 2016-001 – CFDA Number, Federal Agency, and Program Name – 10.553, 10.555, 10.559
Child Nutrition Cluster, U.S. Department of Agriculture

Federal Award Identification Number and Year – 150900/151900, 161960/161970, 2015-2016

Finding Type – Noncompliance with laws and regulations

Criteria – The USDA requires that the ending balance of the non-profit school food service fund does not exceed three months' average of operating expenses. If an excess fund balance should occur, the School Food Authority ("SFA") will be required to develop a spending plan for reducing the balance to an acceptable level during the following school year. The plan must be submitted to MDE, Office of School Support Services, for prior approval. As a result, this allows the SFA to use those excess funds to further improve the school meals program operations. The school food service account is a non-profit account which means that the excess funds cannot be used to profit the general fund. It must be used for a specific purpose in the School Meals Program.

Condition – The District's fund equity in the Food Service Fund exceeded the allowable three-months of expenditures threshold.

Questioned Costs - None

Context – The District's fund equity of \$204,885 at fiscal year-end exceeded the allowable three-months of expenditures threshold by \$2,037.

Cause and Effect – During the 2016 fiscal year, the District's revenues exceeded expenditures, such that, when added to the opening fund balance, the final fund balance caused the fund to be in non-compliance. Without proper monitoring, the District could see an adverse effect of funding from federal sources.

Recommendation – The District has already reviewed the circumstances surrounding this occurrence and is cognizant of the corrective action.

Views of Responsible Officials and Planned Corrective Actions – The District will use up fund balance with the purchase of a new steam table for the Merritt Elementary kitchen and we also plan to increase the kitchen staff hours at the elementary and high school kitchens. The state is requiring additional professional development for our staff. We will increase the hours to comply with the state requirements, which will also increase the number of worked hours by our staff. We will keep an eye on the fund balance throughout the 2016-17 school year to ensure the fund balance does not exceed the state limits.

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, 2016

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Brandywine Community Schools (the "District") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, or the Uniform Guidance, wherein certain amounts types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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 RECONCILIATION OF EXPENDITURES WITH EXPENDITURES FOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The actual Federal source expenditures amounted to \$844,621 per the audit of the financial statements. The related expenditures are composed of the following:

	Amount
Actual cash expenditures	\$ 809,065
Entitlement commodities used	35,556
Current year expenditures	<u>\$ 844,621</u>

NOTE 5. INDIRECT COSTS

The District has elected not to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

BRANDYWINE COMMUNITY SCHOOLS**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016****NOTE 6. 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	\$ 844,621
Reconciling items:	
Items passed through R.E.S.A.	(17,817)
Items passed through Niles Community Schools	(37,799)
Items passed through Berrien Community Schools	(4,671)
Current year receivables from Berrien Community Schools	1,431
Food distribution commodities	(35,556)
Federal revenue in prior year accounts receivable	95,783
Federal revenue in current year accounts receivable	(83,078)
Non federal TRIG District Participation grant	14,625
Prior year receivable from Niles Community Schools	(14,863)
Payments recorded as paid on the Grant Section Auditor's Report but not received until July by the District	<u>9,075</u>
Current year payments reported on the Grant Section Auditor's Report	<u><u>\$ 771,751</u></u>

**MANAGEMENT COMPLIANCE
LETTERS**



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

To the Board of Education of
Brandywine Community Schools
Niles, Michigan

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 Brandywine Community Schools, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Brandywine Community Schools’ basic financial statements, and have issued our report thereon dated October 24, 2016.

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.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Kruggel, Lawton & Company, LLC'.

Certified Public Accountants

St. Joseph, Michigan
October 24, 2016



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education of
Brandywine Community Schools
Niles, Michigan

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 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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

Brandywine Community Schools' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Brandywine Community Schools' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance, 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 UNIFORM GUIDANCE, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kruegel, Lawton & Company, LLC". The signature is written in a cursive style.

Certified Public Accountants

St. Joseph, Michigan
October 24, 2016

Brandywine Community Schools
Corrective Action Plan
June 30, 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The District will use up the Food Service fund balance with the purchase of a new steam table for the Merritt Elementary kitchen and we also plan to increase the kitchen staff hours at the elementary and high school kitchens. The state is requiring additional professional development for our staff. We will increase the hours to comply with the state requirements, which will also increase the number of worked hours by our staff. We will keep an eye on the fund balance throughout the 2016-17 school year to ensure the fund balance does not exceed the state limits.	June 30, 2017	Kathy Holy, Director of Finance and Operations