Brandywine Community Schools

Niles, Michigan

Financial Report

With Supplementary Information

June 30, 2015

BRANDYWINE COMMUNITY SCHOOLS
Niles, Michigan
June 30, 2015

BOARD OF EDUCATION

		Term Expires
Janis Exner	President	December 31, 2016
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Jerry Tibbs	Trustee	December 31, 2018

Dr. John Jarpe	Superintendent
Kathy Holy	Director of Finance and Operations

Independent Auditor's Report 1 - 2

Management's Discussion and Analysis 3 - 9

Basic Financial Statements

District-wide Financial Statements:

Statement of Net Position 10

Statement of Activities 11

Fund Financial Statements:

Balance Sheet – Governmental Funds 12

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position 13

Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds 14

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 15

Fiduciary Fund:

Statement of Fiduciary Net Position 16

Notes to Financial Statements 17 - 37

Required Supplementary Information

Budgetary Comparison Schedule – General Fund 38

Schedule of Brandywine Community Schools' Proportionate Share of the Net Pension Liability 39

Schedule of Brandywine Community Schools' Contributions 40

Notes to the Required Supplementary Information – Pension Related Schedules 41

Other Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds 42

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds 43

Summary of Principal and Interest Requirements to Maturity – 2002 General Obligation Limited Tax Qualified Zone Academy Bonds 44

Summary of Principal and Interest Requirements to Maturity – 2013 Refunding Bonds (2003 Building and Site) 45

Summary of Principal and Interest Requirements to Maturity – 2006 Refunding Bonds (2003 Building and Site)	46
Summary of Principal and Interest Requirements to Maturity – 2007 Building and Site Bonds	47
Single Audit Information	
Schedule of Expenditures of Federal Awards	48 - 49
Schedule of Findings and Questioned Costs	50 -51
Notes to Schedule of Expenditures of Federal Awards	52
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*	53
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	54 - 55

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Schaffer & Layher
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Brandywine Community Schools

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, 2015, 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, 2015, 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.

Change in Accounting Principle

As discussed in Note 9 to the financial statements, the District changed its method for accounting and financial reporting of pensions as a result of the adoption of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

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

Independent Auditor's Report

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 District's contributions to the Michigan Public School Employees' Retirement System ("MPSERS"), and the Schedule of 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other 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 26, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Schaffer & Layher

Schaffer & Layher
October 26, 2015

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, 2015. 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 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:

	June 30, 2015	June 30, 2014*
Assets		
Current assets	$ 7,560,005	$ 7,262,462
Noncurrent assets	16,941,879	17,846,916
Total Assets	$ 24,501,884	$ 25,109,378
Deferred Outflows of Resources	1,225,490	991,979
Total Assets and Deferred Outflows of Resources	$ 25,727,374	$ 26,101,357
Liabilities		
Current liabilities	$ 2,168,679	$ 2,066,053
Noncurrent liabilities	31,532,749	33,371,523
Total Liabilities	$ 33,701,428	$ 35,437,576
Deferred Inflows of Resources	1,138,232	-
Total Liabilities and Deferred Inflows of Resources	$ 34,839,660	$ 35,437,576
Net Position (Deficit)		
Net investment in capital assets	$ 57,938	$ 156,005
Restricted	2,205,696	2,010,189
Unrestricted	(11,375,920)	(11,502,413)
Total Net Position (Deficit)	$ (9,112,286)	$ (9,336,219)

*June 30, 2014 has been restated for GASB 68 and 71implementation

During fiscal year 2015, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, effective July 1, 2014. The District is a participating employer in the Michigan Public School Employees' Retirement System ("MPSERS"), a cost-sharing multi-employer plan. In connection with the implementation of these new standards, the District recorded a net pension liability, and net position as of June 30, 2014 was required to be restated to reflect the required adjustments (See Note 9 to the basic financial statements).

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, 2015	June 30, 2014
Revenues		
Program Revenue		
Charges for services	$ 250,322	$ 217,376
Operating grants and contributions	6,468,456	6,089,977
General Revenues		
Property taxes	2,947,666	2,847,613
State foundation allowance	4,548,225	4,858,498
Other	101,627	170,607
Total Revenues	$ 14,316,296	$ 14,184,071
Functions/Program Expenses		
Instruction	$ 7,412,011	$ 7,096,915
Support services	4,002,988	3,975,147
Food services	584,111	606,076
Community services	5,622	6,166
Athletics	398,619	388,725
Depreciation (unallocated)	1,084,258	1,065,184
Interest on long-term debt	604,754	621,356
Total Expenses	$ 14,092,363	$ 13,759,569
Change in net position	$ 223,933	$ 424,502
Beginning Net Position (Deficit)	(9,336,219)	5,726,313
GASB 68 & 71 Implementation Effect	-	(15,487,034)
Ending Net Position (Deficit)	$ (9,112,286)	$ (9,336,219)

Property taxes for operations and unrestricted State aid constitute the vast majority of District 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 increased from $3,908,614 to $3,949,669 which was an increase of $41,055 for the 2014-15 school year. This is mostly a result of increased revenues which were received this year from renting rooms in our buildings, and an increase in the state aid foundation allowance. The District's state aid foundation allowance decreased by $470 per student in the 2011-12 school year taking it from $7,316 down to $6,846. In the 2012-13 school year, the foundation allowance was then increased by $120 per student, and in the 2013-14 school year another $60 was added to the foundation allowance bring it to $7,026. 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. 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 and 2013-14 school years. For the 2014-15 school year the retirement expense ranged from 25.78% - 27.27%. Student enrollment decreased by 50.21 students, from the previous school 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 2015 (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 2014-15 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
2010-2011	$ 12,053,136	$ 11,542,664	$ 3,827,252	1,407.69
2011-2012	11,632,854	11,807,301	3,565,355	1,401.66
2012-2013	11,868,356	11,730,190	3,630,039	1,389.39
2013-2014	12,081,676	11,727,415	3,908,614	1,401.45
2014-2015	12,246,771	12,205,716	3,949,669	1,351.24

Capital Assets and Debt Administration

Capital Assets

At June 30, 2015, the District had $16,941,879 invested in net capital assets, including land, buildings, and furniture and equipment.

	2015	2014
Land	$ 334,038	$ 334,038
Construction in process	7,977	-
Building and building improvements	26,912,158	26,912,158
Site improvements	723,057	723,057
Furniture and equipment	1,417,726	1,360,202
Buses and other vehicles	959,679	852,784
Total capital assets	$ 30,354,635	$ 30,182,239
Less accumulated depreciation	(13,412,756)	(12,335,323)
Net capital assets	$ 16,941,879	$ 17,846,916

Debt

At the end of this year, the District had $16,890,000 in General Obligation Bonds outstanding versus $17,700,000 last year – a decrease of 4.58 percent.

The District's General Obligation Bond rating is "A+/Stable" from Standard & Poor's Corporation and "A1" from Moody's Investor Services. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the 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.

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 2014-2015 fiscal year budgets. There are many important factors affecting the budget, two of which are our student count and state per-pupil foundation allowance. From the 2010-11 school year to the 2014-15 school year our student count dropped from 1,407.69 students to 1,351.24 students, which was a reduction of 56.45 students in a five 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. The state reduced the per pupil foundation allowance for the 2011-12 school year by $470 per student. The 2012-13 fiscal year budget reflected an addition of $120 in the state foundation allowance and in 2013-14 an additional $60. Then in the 2014-15 school year they increased the foundation another $100 and included a categorical line item titled, One Time Equity Payment in the amount of $125 per student; however, this continued to be a loss of $65 per student over the four year period.

The 2015-16 school year budget projection includes a reduction of 32 students in enrollment or revenue reduction of 236,512, and an increase in salaries, which includes steps. The state aid foundation allowance was increased by $140 per student and includes the $125 equity payment from the 2014-15 year, which brings the foundation allowance amount per student to $7,391. This results in a reduced amount of $51,818; however, there was also a reduction in the Best Practices payment of $67,562, bringing the decrease to a total amount of $119,380. The health insurance expense was also increased per the state allowed CAP amount mandated by PA 152 of 2011.

The Board expects it may need to consume some fund equity, but is committed to finding ways to balance the budget. The Board of Education continues to try to develop strategies to reduce spending to help maintain the fiscal health of the 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.

STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

		Governmental Activities
Assets		
Current assets		
Cash	$	3,045,919
Accounts receivable		216
Due from other governmental units		1,940,787
Inventories		6,022
Investments		2,567,061
Total current assets	$	7,560,005
Noncurrent assets		
Capital assets not being depreciated	$	342,015
Capital assets - net of accumulated depreciation		16,599,864
Total noncurrent assets	$	16,941,879
Total assets	$	24,501,884
Deferred Outflows of Resources		
Pension contributions after measurement date	$	1,195,602
Deferred amount on debt refunding		29,888
Total deferred outflows of resources	$	1,225,490
Total assets and deferred outflows of resources	$	25,727,374
Liabilities		
Current liabilities		
Accounts payable	$	139,243
Payroll deductions and withholdings		357,544
Accrued salaries payable		652,609
Accrued interest		97,125
Unearned revenue		55,244
Bonds payable, due within one year		866,914
Total current liabilities	$	2,168,679
Noncurrent liabilities		
Bonds payable, due in more than one year	$	16,046,915
Net pension liability		15,458,169
Compensated absences		27,665
Total noncurrent liabilities	$	31,532,749
Total liabilities	$	33,701,428
Deferred Inflows of Resources		
Deferred inflows of resources from pensions	$	1,138,232
Net Position (Deficit)		
Net investment in capital assets	$	57,938
Restricted for:		
Food service		197,365
Debt service		1,879,493
Capital projects		128,838
Unrestricted		(11,375,920)
Total net position (deficit)	$	(9,112,286)

See accompanying notes to the financial statements

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

		Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Governmental activities:					
Instruction	$ 7,412,011	$ 17,800	$ 5,577,452	$ -	$ (1,816,759)
Support services	4,002,988	-	418,113	-	(3,584,875)
Food services	584,111	188,949	460,783	-	65,621
Community services	5,622	-	-	-	(5,622)
Athletics	398,619	43,573	12,108	-	(342,938)
Unallocated depreciation	1,084,258	-	-	-	(1,084,258)
Interest on long-term debt	604,754	-	-	-	(604,754)
	$ 14,092,363	$ 250,322	$ 6,468,456	$ -	$ (7,373,585)

General Revenues	
Property taxes, levied for general purposes	$ 1,518,548
Property taxes, levied for debt services	1,429,118
State of Michigan aid, unrestricted	4,548,225
Interest and investment earnings	44,166
Gain on sale of capital assets	80
Other	57,381
Total general revenues	$ 7,597,518
Change in Net Position	$ 223,933
Net Position (Deficit) - beginning of year, as restated (Note 9)	(9,336,219)
Net Position (Deficit) - ending	$ (9,112,286)

See accompanying notes to the financial statements

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2015

	General Fund	QZAB Bond Debt Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	$ 2,370,477	$ 16,258	$ 659,184	$ 3,045,919
Accounts receivable	216	-	-	216
Due from other governmental units	1,935,767	-	5,020	1,940,787
Due from other governmental funds	-	-	2,454	2,454
Inventory	-	-	6,022	6,022
Investments	842,118	1,724,943	-	2,567,061
Total Assets	$ 5,148,578	$ 1,741,201	$ 672,680	$ 7,562,459
Liabilities				
Accounts payable	$ 136,747	$ -	$ 2,496	$ 139,243
Payroll deductions and withholdings	357,030	-	514	357,544
Accrued salaries payable	650,428	-	2,181	652,609
Due to other governmental funds	2,454	-	-	2,454
Unearned revenue	52,250	-	2,994	55,244
Total Liabilities	$ 1,198,909	$ -	$ 8,185	$ 1,207,094
Fund Balances				
Non-spendable				
Inventory	$ -	$ -	$ 6,022	$ 6,022
Restricted for				
Food service	-	-	191,343	191,343
Debt service	-	1,741,201	138,292	1,879,493
Capital projects	-	-	128,838	128,838
Committed				
Capital projects	-	-	200,000	200,000
Bus purchase	65,000	-	-	65,000
Press box	105,275	-	-	105,275
Assigned				
Budgeted deficit	238,253	-	-	238,253
Unassigned	3,541,141	-	-	3,541,141
Total Fund Balances	$ 3,949,669	$ 1,741,201	$ 664,495	$ 6,355,365
Total Liabilities and Fund Balance	$ 5,148,578	$ 1,741,201	$ 672,680	$ 7,562,459

See accompanying notes to the financial statements

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION AS OF JUNE 30, 2015

Total Governmental Fund Balances	$ 6,355,365
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	1,195,602
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	342,015
Capital assets - net of accumulated depreciation	16,599,864
Deferred amounts on debt refunding are not available to reduce debt in the current period and are not reported in the funds.	29,888
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(97,125)
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	(27,665)
Bonds payable	(16,913,829)
Net pension liability	(15,458,169)
Deferred inflows of resources related to pension changes in assumptions and in differences between projected and actual earnings on pension plan investments	(1,138,232)
Net Position of Governmental Activities	$ (9,112,286)

See accompanying notes to the financial statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Fund	QZAB Bond Debt Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	$ 1,646,185	$ 34,347	$ 1,619,004	$ 3,299,536
State sources	9,882,467	-	24,889	9,907,356
Federal sources	396,842	-	423,785	820,627
Interdistrict sources	288,697	-	-	288,697
Total Revenues	$ 12,214,191	$ 34,347	$ 2,067,678	$ 14,316,216
Expenditures				
Current				
Education				
Instruction	$ 7,473,065	$ -	$ -	$ 7,473,065
Supporting services	3,901,875	-	-	3,901,875
Food services	-	-	585,922	585,922
Athletics	400,344	-	-	400,344
Community services	5,622	-	-	5,622
Capital outlay	297,499	-	-	297,499
Debt service				
Principal	-	-	810,000	810,000
Interest and other expenditures	-	-	605,407	605,407
Total Expenditures	$ 12,078,405	$ -	$ 2,001,329	$ 14,079,734
Excess of Revenues Over Expenditures	$ 135,786	$ 34,347	$ 66,349	$ 236,482
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	$ 80	$ -	$ -	$ 80
Transfers in	32,500	127,311	-	159,811
Transfers out	(127,311)	-	(32,500)	(159,811)
Total Other Financing Sources (Uses)	$ (94,731)	$ 127,311	$ (32,500)	$ 80
Net Change in Fund Balances	$ 41,055	$ 161,658	$ 33,849	$ 236,562
Fund Balances - Beginning of year	3,908,614	1,579,543	630,646	6,118,803
Fund Balances - End of year	$ 3,949,669	$ 1,741,201	$ 664,495	$ 6,355,365

See accompanying notes to the financial statements

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Net Change in Fund Balances - Total Governmental Funds	$	236,562
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		(1,084,258)
Capital outlay		179,218
Decrease in accrued interest.		3,355
Increase in the liability for compensated absences not reported in the governmental funds.		(4,152)
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).		810,000
Amortization of bond premium.		11,914
Amortization of deferred outflow related to debt refunding.		(14,941)
Change in pension expense related to pension.		86,235
Change in Net Position of Governmental Activities	$	223,933

See accompanying notes to the financial statements

STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2015

	Agency Fund
Assets	
Cash	$ 145,245
Liabilities	
Due to agency fund activities	$ 145,245

See accompanying notes to the financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

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

BASIC FINANCIAL STATEMENTS

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Fund Statements – The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows 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 no required to be provided for in other funds.

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

Additionally, the District reports the following fund types:

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

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

Capital Projects Funds are used to record bond and other revenues and the payments for building construction and improvement and large equipment expenditures by the District. The District's non-major capital projects funds include 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, 2015, the rates are as follows per $1,000 assessed value.

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

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

The property tax levy runs from July 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, 2015, the following fund balances were classified as non-spendable: $6,022 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, 2015, the following fund balances have been restricted: $191,343 for food service, $1,879,493 for debt service, and $128,838 for capital projects.

Committed Fund Balance- includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. As of June 30, 2015, the following fund balances have been committed: $200,000 for future capital projects, $65,000 for a bus purchase, and $105,275 for a press box.

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, 2015, $238,253 of the governmental fund balance has been assigned for a fiscal 2016 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, 2015, $3,541,141 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, 2015, 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	$ 3,045,919	$ 145,245	$ 3,191,164
Investments	2,567,061	-	2,567,061
	$ 5,612,980	$ 145,245	$ 5,758,225

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	$ 15,329	8/15/2016	Aaa	Moody's
US Treasury Note	452,117	7/31/2015	Aaa	Moody's
Michigan General Obligation Bonds	1,086,027	4/15/2016	Aa2	Moody's
US Treasury Note	14,762	4/15/2016	Aaa	Moody's
US Treasury Note	141,767	8/15/2016	Aaa	Moody's
US Treasury Note	14,941	3/15/2016	Aaa	Moody's
Chemical Bank CD	255,944	6/21/2016	N/A	N/A
Honor Credit Union CD	252,765	4/19/2016	N/A	N/A
Greater Niles Community Credit Union CD	252,434	4/19/2016	N/A	N/A
Michigan Liquid Asset Fund	80,975	N/A	AAAm	Standard & Poor's
	$ 2,567,061			

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, $2,850,035 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	-	7,977
Total capital assets not being depreciated	$ 334,038	$ 7,977	$ -	$ 342,015
Capital assets being depreciated				
Buildings and additions	$ 26,912,158	$ -	$ -	$ 26,912,158
Site improvements	723,057	-	-	723,057
Equipment and furniture	1,360,202	64,349	6,825	1,417,726
Buses and other vehicles	852,787	106,892	-	959,679
Total capital assets being depreciated	$ 29,848,204	$ 171,241	$ 6,825	$ 30,012,620
Less accumulated depreciation for				
Buildings and additions	$ 10,701,483	$ 868,706	$ -	$ 11,570,189
Site improvements	396,918	21,943	-	418,861
Equipment and furniture	775,897	113,811	6,825	882,883
Buses and other vehicles	461,025	79,798	-	540,823
Total accumulated depreciation	$ 12,335,323	$ 1,084,258	$ 6,825	$ 13,412,756
Net capital assets being depreciated	$ 17,512,881			$ 16,599,864
Net capital assets	$ 17,846,919			$ 16,941,879

Depreciation for the fiscal year ended June 30, 2015 amounted to $1,084,258. 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, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	$ 17,700,000	$ -	$ 810,000	$ 16,890,000	$ 855,000
Premium on bonds	35,743	-	11,914	23,829	11,914
Compensated absences	23,513	4,152	-	27,665	-
Total Bonds	$ 17,759,256	$ 4,152	$ 821,914	$ 16,941,494	$ 866,914

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

$2,240,000 serial bond due in annual installments of $575,000 to $565,000 through May 1, 2017, interest at 1.00% to 1.375%	$ 1,110,000
$9,090,000 serial bond due in annual installments of $25,000 to $910,000 through May 1, 2028, interest at 3.50% to 4.25%	8,740,000
$5,750,000 serial bond due in annual installments of $15,000 to $545,000 through May 1, 2028, interest at 4.00% to 5.00%	5,040,000
$2,000,000 school improvement bond due in one installment of $2,000,000 on September 10, 2016, interest at 0.00%	2,000,000
Total general obligation bonded debt	$ 16,890,000

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

Year Ending June 30	Principal	Interest	Total
2016	$ 855,000	$ 582,750	$ 1,437,750
2017	2,895,000	560,056	3,455,056
2018	975,000	536,088	1,511,088
2019	1,010,000	498,398	1,508,398
2020	1,050,000	458,946	1,508,946
2021-2025	5,925,000	1,627,392	7,552,392
2026-2028	4,180,000	358,392	4,538,392
	$ 16,890,000	$ 4,622,022	$ 21,512,022

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of $1,879,493 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest expense of $604,754 was not charged to activities as the District considers its debt and related assets to impact multiple activities and allocation was not practical.

NOTE 4. LONG-TERM DEBT (CONCLUDED)

Qualified Zone Academy Bonds

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

Compensated Absences

Accrued compensated absences at year-end consist of $27,665 of accrued vacation benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by vacation time earned for the year.

Defeased Debt

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

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

The final payment date is May 2017 for the 2014 refunding bonds. As of year-end, the amount of defeased debt outstanding, but removed from the District's financial statements, is $1,175,000.

NOTE 5. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations in Budgeted Funds

Excess of Expenditures Over Appropriation in Budgeted Major Funds – The District has expenditures that exceeded appropriations in the following budgeted functions:

	Final Budget	Actual	Actual Over Budget
General Fund:			
Supporting services			
Pupil	$ 494,487	$ 498,401	$ (3,914)

NOTE 5. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONCLUDED)

Excess of Expenditures Over Appropriations in Budgeted Funds (Concluded)

Funds sufficient to provide for excess expenditures were made available from other functions in the fund, and the excess had no impact on the financial results of the District.

Net Position Deficit

As of June 30, 2015, the Government-wide Statement of Net Positon had a cumulative net position deficit of $9,112,286.

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transfers were made during the year are as follows:

	Transfers In		
Transfers Out	General Fund	QZAB Bond Debt Fund	Total
Food Service Fund	$ 32,500	$ -	$ 32,500
General Fund	-	127,311	127,311
Total	$ 32,500	$ 127,311	$ 159,811

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 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 To	
Due From	Food Service Fund	Total
General Fund	$ 2,454	$ 2,454
Total	2,454	2,454

The General Fund owes the Food Service Fund for State Aid that was collected in the General Fund.

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
Adult Education	$ 13,126	$ -	$ 13,126
At-Risk	39,124	-	39,124
Funds in students' lunch accounts at year-end	-	2,994	2,994
Total	$ 52,250	$ 2,994	$ 55,244

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 the 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. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member or Pension Plus 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 school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits.

Contributions and Funding Status – 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).

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

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, 2014 valuation will be amortized over a 22 year period for the 2014 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2014.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0-4.0%	18.34-19.61%
Member Investment Plan	3.0-7.0%	18.34-19.61%
Pension Plus	3.0-6.4%	18.11%
Defined Contribution	0.00%	15.44-16.61%

Proportionate Share of Reporting Unit's Net Pension Liability – At June 30, 2015, the District reported a liability of $15,458,169 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all reporting units' statutorily required contributions for the measurement period. At September 30, 2014, the District's proportionate share percent was .07018 percent.

Year one, MPSERS GASB Statement No. 68 implementation recognizes a 0.00% change in the reporting unit's proportionate share between beginning net pension liability and ending net pension liability.

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. 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, 2014, are summarized in the following table on the next page.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	4.8%
% Alternative Investment Pools	18.0%	8.5%
International Equity	16.0%	6.1%
Fixed Income Pools	10.5%	1.5%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	15.5%	6.3%
Short Term Investment Pools	2.0%	-0.2%
TOTAL	100.0%	

*Long term rate of return does not include 2.5% inflation

Rate of Return – For the fiscal year ended September 30, 2014, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 12.58%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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). 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 – As required by GASB Statement No. 68, the following presents the reporting unit's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the reporting unit'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%
$ 20,380,250	$ 15,458,169	$ 11,311,243

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

Timing of the Valuation – An actuarial valuation to determine the total pension liability is required to be performed every year. If the actuarial valuation is not calculated as of the plan's fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan's fiscal year end.

The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures.

Actuarial Valuations and Assumptions – Actuarial valuations for the pension plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions ("ARC") are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

Actuarial Assumptions	
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
Healthcare Cost Trend Rate:	8.5% Year 1 graded to 3.5% Year 12

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, 2014, is based on the results of an actuarial valuation date of September 30, 2013, 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: 4.8457
- Recognition period for assets in years is 5.0000

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2015, the District recognized total pension expense of $1,252,234. At June 30, 2015, 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	$ -	$ -
Changes of assumptions	-	(570,373)
Net difference between projected and actual earnings on pension plan investments	-	1,708,907
Changes in proportion and differences between District contributions and proportionate share of contributions	-	(302)
District contributions subsequent to the measurement date*	1,195,602	-
Total	$ 1,195,602	$ 1,138,232

*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, 2016.

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

Year Ending June 30	Amount:
2016	$ 278,833
2017	278,833
2018	278,833
2019	301,733
	$ 1,138,232

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

Payables to the Pension Plan – As of June 30, 2015, the District has payables to the MPSERS pension plan of $139,799 for the outstanding amount of contributions due to the pension plan required for the year ended June 30, 2015.

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 June 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, 2015, 2014, and 2013 were $260,637, $472,369, and $551,041, respectively.

NOTE 9. ADOPTION OF NEW ACCOUNTING POLICY

During fiscal year 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68") and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71"). GASB 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual cost of the pension benefits. This net pension liability is recorded on the government wide statements was computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information ("RSI"). GASB 71 amends GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any , made subsequent to the measurement date of the beginning net pension liability. GASB 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of GASB 71 are required to be applied simultaneously with provisions of GASB 68. As a result, GASB 71 has been implemented in conjunction with GASB 68 in these financial statements.

The implementation of these standards resulted in the District reporting a net pension liability and deferred outflows of resources as of June 30, 2014. The following summarizes the restatements that have been made to the District's financial statements:

Net position at June 30, 2014 - As originally stated	$	6,150,815
Net pension liability		(16,434,181)
Deferred outflows of resources related to pensions		947,147
Net position at June 30, 2014 - as restated	$	(9,336,219)

NOTE 10. 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 2016 fiscal year.

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.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			
	Original Budget	Final Amended Budget	Actual	Variance
Revenues				
Local sources	$ 1,593,239	$ 1,635,581	$ 1,646,185	$ 10,604
State sources	9,903,635	9,932,458	9,882,467	(49,991)
Federal sources	400,929	459,207	396,842	(62,365)
Interdistrict sources	140,343	288,697	288,697	-
Total Revenues	$ 12,038,146	$ 12,315,943	$ 12,214,191	$ (101,752)
Expenditures				
Instruction				
Basic programs	$ 5,771,621	$ 5,879,368	$ 5,834,868	$ 44,500
Added needs	1,521,835	1,594,331	1,567,459	26,872
Adult and continuing education	92,823	73,000	70,738	2,262
Supporting services				
Pupil	492,668	494,487	498,401	(3,914)
Instructional staff	631,208	659,810	591,253	68,557
General administration	324,732	323,020	315,189	7,831
School administration	749,810	760,808	749,182	11,626
Business	294,705	279,842	272,227	7,615
Operation and maintenance	1,033,186	966,492	931,594	34,898
Pupil transportation services	620,979	551,830	535,985	15,845
Central services	11,070	12,509	8,044	4,465
Athletic activities	400,438	412,272	400,344	11,928
Community services	9,845	7,946	5,622	2,324
Capital outlay	237,393	300,754	297,499	3,255
Total Expenditures	$ 12,192,313	$ 12,316,469	$ 12,078,405	$ 238,064
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (154,167)	$ (526)	$ 135,786	$ 136,312
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	$ 2,000	$ 80	$ 80	$ -
Transfers in	35,000	32,500	32,500	-
Transfers out	(127,312)	(127,312)	(127,311)	1
Total Other Financing Sources (Uses)	$ (90,312)	$ (94,732)	$ (94,731)	$ 1
Net Change in Fund Balances	$ (244,479)	$ (95,258)	$ 41,055	$ 136,313
Fund Balances - Beginning of year	3,908,614	3,908,614	3,908,614	-
Fund Balances - End of year	$ 3,664,135	$ 3,813,356	$ 3,949,669	$ 136,313

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, 2014

District's proportion of net pension liability		0.07018%
District's proportionate share of net pension liability	$	15,458,169
District's covered-employee payroll	$	6,149,723
District's proportionate share of net pension liability as a percentage of its covered-employee payroll		251.36%
Plan fiduciary net position as a percentage of total pension liability		66.20%

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, 2015

Statutorily required contributions	$	1,285,287
Contributions in relation to statutorily required contributions		1,285,287
Contribution deficiency (excess)	$	-
District's covered-employee payroll	$	6,178,279
Contributions as a percentage of covered-employee payroll		20.80%

Changes of benefit terms: There were no changes of benefit terms in 2015.

Changes of assumptions: There were no changes of benefit assumptions in 2015

OTHER SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2015

	Special Revenue Fund	Debt Service Funds		Capital Projects Fund	
	Food Service	2013 Refunding Bond	2007 Building and Site	2009 Capital Projects	Total Nonmajor Governmental Funds
Assets					
Cash	$ 192,836	$ 93,480	$ 44,030	$ 328,838	$ 659,184
Due from other governmental units	4,238	782	-	-	5,020
Due from other governmental funds	2,454	-	-	-	2,454
Inventory	6,022	-	-	-	6,022
Total Assets	$ 205,550	$ 94,262	$ 44,030	$ 328,838	$ 672,680
Liabilities					
Accounts payable	$ 2,496	$ -	$ -	$ -	$ 2,496
Payroll deductions and withholdings	514	-	-	-	514
Accrued salaries payable	2,181	-	-	-	2,181
Unearned revenue	2,994	-	-	-	2,994
Total Liabilities	$ 8,185	$ -	$ -	$ -	$ 8,185
Fund Balances					
Non-spendable					
Inventory	$ 6,022	$ -	$ -	$ -	$ 6,022
Restricted for					
Food service	191,343	-	-	-	191,343
Debt service	-	94,262	44,030	-	138,292
Capital projects	-	-	-	128,838	128,838
Committed for					
Capital projects	-	-	-	200,000	200,000
Total Fund Balances	$ 197,365	$ 94,262	$ 44,030	$ 328,838	$ 664,495
Total Liabilities and Fund Balances	$ 205,550	$ 94,262	$ 44,030	$ 328,838	$ 672,680

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Special Revenue Fund	Debt Service Funds		Capital Projects Fund	
	Food Service	2013 Refunding Bond	2007 Building and Site	2009 Capital Projects	Total Nonmajor Governmental Funds
Revenues					
Local sources	$ 189,104	$ 966,010	$ 463,560	$ 330	$ 1,619,004
State sources	24,889	-	-	-	24,889
Federal sources	423,785	-	-	-	423,785
Total revenues	$ 637,778	$ 966,010	$ 463,560	$ 330	$ 2,067,678
Expenditures					
Current					
Support services					
Food services	$ 585,922	$ -	$ -	$ -	$ 585,922
Debt service					
Principal	-	580,000	230,000	-	810,000
Interest and other expenditures	-	377,600	227,807	-	605,407
Total expenditures	$ 585,922	$ 957,600	$ 457,807	$ -	$ 2,001,329
Excess of revenues over expenditures	$ 51,856	$ 8,410	$ 5,753	$ 330	$ 66,349
Other Financing Sources (Uses)					
Transfers in	$ -	$ -	$ -	$ -	$ -
Transfers out	(32,500)	-	-	-	(32,500)
Total other financing sources (uses)	$ (32,500)	$ -	$ -	$ -	$ (32,500)
Net change in fund balance	$ 19,356	$ 8,410	$ 5,753	$ 330	$ 33,849
Fund balance - beginning	178,009	85,852	38,277	328,508	630,646
Fund balance - ending	$ 197,365	$ 94,262	$ 44,030	$ 328,838	$ 664,495

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY
2002 GENERAL OBLIGATION LIMITED TAX QUALIFIED ZONE ACADEMY BONDS
JUNE 30, 2015

Payments Due: Year Ended June 30	September 10th Principal	Interest	Total
2016	$ -	$ -	$ -
2017	2,000,000	-	2,000,000
Total	$ 2,000,000	$ -	$ 2,000,000

Payments Due	September 10th
Interest Rate	0.00%
Original Issue	$ 2,000,000

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY
2013 REFUNDING BONDS (2003 BUILDING AND SITE)
JUNE 30, 2015

Payments Due: Year Ended June 30	May 1st Principal	May 1st Interest	November 1st Interest	Total
2016	$ 545,000	$ 7,631	$ 7,631	$ 560,262
2017	565,000	3,884	3,884	572,768
Total	$ 1,110,000	$ 11,515	$ 11,515	$ 1,133,030

Interest Rate	1.00% - 1.375%
Original Issue	$ 2,240,000

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY
2006 REFUNDING BONDS (2003 BUILDING AND SITE)
JUNE 30, 2015

Payments Due: Year Ended June 30	May 1st Principal	May 1st Interest	November 1st Interest	Total
2016	$ 25,000	$ 175,716	$ 175,716	$ 376,432
2017	25,000	175,241	175,241	375,482
2018	655,000	174,766	174,766	1,004,532
2019	680,000	162,321	162,321	1,004,642
2020	705,000	149,401	149,401	1,003,802
2021	730,000	135,654	135,654	1,001,308
2022	760,000	121,419	121,419	1,002,838
2023	790,000	106,219	106,219	1,002,438
2024	820,000	90,419	90,419	1,000,838
2025	850,000	74,019	74,019	998,038
2026	890,000	56,594	56,594	1,003,188
2027	900,000	38,238	38,238	976,476
2028	910,000	19,338	19,338	948,676
Total	$ 8,740,000	$ 1,479,345	$ 1,479,345	$ 11,698,690

Interest Rate	3.50% - 4.25%
Original Issue	$ 9,090,000

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY
2007 BUILDING AND SITE BONDS
JUNE 30, 2015

Payments Due: Year Ended June 30	May 1st Principal	May 1st Interest	November 1st Interest	Total
2016	$ 285,000	$ 108,028	$ 108,028	$ 501,056
2017	305,000	100,903	100,903	506,806
2018	320,000	93,278	93,278	506,556
2019	330,000	86,878	86,878	503,756
2020	345,000	80,072	80,072	505,144
2021	365,000	72,956	72,956	510,912
2022	375,000	65,428	65,428	505,856
2023	395,000	57,694	57,694	510,388
2024	410,000	49,300	49,300	508,600
2025	430,000	40,588	40,588	511,176
2026	445,000	31,450	31,450	507,900
2027	490,000	21,994	21,994	533,988
2028	545,000	11,582	11,582	568,164
Total	$ 5,040,000	$ 820,151	$ 820,151	$ 6,680,302

Interest Rate	4.00% - 5.00%
Original Issue	$ 5,750,000

SINGLE AUDIT

INFORMATION

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2014	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Deferred) Revenue June 30, 2015
U.S. Department of Education							
Passed Through M.D.E.							
Title I, Part A							
141530-1314	84.010	$ 292,350	$ 83,158	$ 282,715	$ -	$ (83,158)	$ -
151530-1415	84.010	311,256	-	-	286,428	(224,527)	61,901
Total		$ 603,606	$ 83,158	$ 282,715	$ 286,428	$ (307,685)	$ 61,901
Title II, Part A							
140520-1314	84.367	$ 73,428	$ 1,760	$ 34,312	$ 3,416	$ (5,176)	$ -
150520-1415	84.367	86,250	-	-	31,567	(12,548)	19,019
Total		$ 159,678	$ 1,760	$ 34,312	$ 34,983	$ (17,724)	$ 19,019
Total Passed Through M.D.E.		$ 763,284	$ 84,918	$ 317,027	$ 321,411	$ (325,409)	$ 80,920
Passed Through Berrien RESA							
Perkins Grant - 2014- 2015	84.048	$ 24,642	$ -	$ -	$ 24,642	$ (24,642)	$ -
Total Passed Through Berrien RESA		$ 24,642	$ -	$ -	$ 24,642	$ (24,642)	$ -
Passed Through Niles Community Schools							
Adult Education Family Literacy - 2014	84.002A	$ 55,000	$ 13,291	$ 50,643	$ -	$ (13,291)	$ -
Adult Education Family Literacy - 2015	84.002A	47,500	-	-	46,347	(31,484)	14,863
Total Passed Through Niles Community Schools		$ 102,500	$ 13,291	$ 50,643	$ 46,347	$ (44,775)	$ 14,863
Total U.S. Department of Education		$ 890,426	$ 98,209	$ 367,670	$ 392,400	$ (394,826)	$ 95,783

See accompanying notes to Schedule of Expenditures of Federal Awards

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2014	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Deferred) Revenue June 30, 2015
U.S. Department of Agriculture							
Passed Through M.D.E.							
Nutrition Cluster							
National School Lunch Program							
Non-Cash Assistance (Commodities)							
Entitlement	10.555	$ 31,756	$ -	$ -	$ 31,756	$ (31,756)	$ -
Subtotal non-cash assistance		$ 31,756	$ -	$ -	$ 31,756	$ (31,756)	$ -
Cash Assistance							
Free and Reduced 141960	10.555	$ 310,930	$ -	$ 273,084	$ 37,846	$ (37,846)	$ -
Free and Reduced 151960	10.555	254,435	-	-	254,435	(254,435)	-
Free and Reduced Admin. 151980	10.555	2,916	-	-	2,916	(2,916)	-
Subtotal cash assistance		$ 568,281	$ -	$ 273,084	$ 295,197	$ (295,197)	$ -
Total National School Lunch Program		$ 600,037	$ -	$ 273,084	$ 326,953	$ (326,953)	$ -
Breakfast 141970	10.553	$ 107,750	$ -	$ 96,829	$ 10,921	$ (10,921)	$ -
Breakfast 151970	10.553	81,540	-	-	81,540	(81,540)	-
Total		$ 189,290	$ -	$ 96,829	$ 92,461	$ (92,461)	$ -
Summer Food Meals 140900	10.559	$ 3,958	$ -	$ -	$ 3,958	$ (3,958)	$ -
Summer Foods Sponsor Administration 141900	10.559	413	-	-	413	(413)	-
Total		$ 4,371	$ -	$ -	$ 4,371	$ (4,371)	
Total Nutrition Cluster		$ 793,698	$ -	$ 369,913	$ 423,785	$ (423,785)	$ -
Total Passed Through M.D.E.		$ 793,698	$ -	$ 369,913	$ 423,785	$ (423,785)	$ -
Total U.S. Department of Agriculture		$ 793,698	$ -	$ 369,913	$ 423,785	$ (423,785)	$ -
U.S. Department of Health and Human Services							
Passed Through Berrien RESA							
Medicaid Outreach 2014-2015	93.778	$ 4,442	$ -	$ -	$ 4,442	$ (4,442)	$ -
Total Medical Assistance Program - Medicaid		$ 4,442	$ -	$ -	$ 4,442	$ (4,442)	$ -
Total U.S. Department of Health and Human Services		$ 4,442	$ -	$ -	$ 4,442	$ (4,442)	$ -
Total Federal Financial Assistance		$ 1,688,566	$ 98,209	$ 737,583	$ 820,627	$ (823,053)	$ 95,783

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	[X] No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	[ ] Yes	[X] none reported
Noncompliance material to financial statements noted?	[ ] Yes	[X] No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	[ ] Yes	[X] No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	[ ] Yes	[X] none reported

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.550, 10.553 & 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?	[ ] Yes	[X] No

SECTION II –STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

There were no prior year financial statement findings.

SECTION III – FINANCIAL STATEMENT FINDINGS

There were no findings for the current year.

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:

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

NOTE 2. EXPENDITURES AND FINANCIAL REPORTS

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

NOTE 3. FOOD DISTRIBUTION

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

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

None for the current year.

NOTE 5. GRANT SECTION AUDITOR'S REPORT

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

	Amount
Federal Expenditures from Schedule of Expenditures of Federal Awards	$ 820,627
Reconciling items:	
Items passed through R.E.S.A.	(29,084)
Items passed through Niles Community Schools	(46,347)
Food distribution commodities	(31,756)
Federal revenue in prior year accounts receivable	98,209
Federal revenue in current year accounts receivable	(95,783)
Non federal TRIG District Participation grant	9,473
Prior year receivable from Niles Community Schools	(13,291)
Current year receivable from Niles Community Schools	14,863
Rounding	(1)
Current year payments reported on the Grant Section Auditor's Report	$ 726,910

MANAGEMENT COMPLIANCE

LETTERS

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Schaffer & Layher
CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2015, 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 26, 2015.

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.

Schaffer & Layher

Schaffer & Layher
October 26, 2015

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
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CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education of
Brandywine Community Schools

Report on Compliance for Each Major Federal Program

We have audited the Brandywine Community Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Brandywine Community Schools' major federal programs for the year ended June 30, 2015. Brandywine Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Brandywine Community Schools, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

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

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

Schaffer & Layher

Schaffer & Layher
October 26, 2015