Brandywine Community Schools
Niles, Michigan

Financial Report

With Supplementary Information

June 30, 2018

KRUGGEL LAWTON CPA
St. Joseph, MI

BRANDYWINE COMMUNITY SCHOOLS
Niles, Michigan
June 30, 2018

Brandywine Community Schools
Niles, Michigan
June 30, 2018

Other Supplementary Information

Management Compliance Letters

INDEPENDENT AUDITOR'S REPORT

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

Report to the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brandywine Community Schools (the "District"), as of and for the year ended June 30, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 15 to the basic financial statements, as of July 1, 2017, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The District's unrestricted net position has been restated as of July 1, 2017 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparison schedule, the Schedule of the District's contributions to the net pension and other post-employment benefits, and the Schedule of the District proportionate share of the net pension and other post-employment benefit liabilities, 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 River Valley School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and are 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 8, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

Kruggel, Lawton & Company, LLC

Certified Public Accountants

St. Joseph, Michigan
October 8, 2018

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, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Using this Annual Report

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

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

Basic Financial Statements

District-wide Financial Statements ***Fund Financial Statements***

Notes to the Basic Financial Statements

Required Supplementary Information

Other Supplementary Information

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

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

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

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

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

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

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

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

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

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

The District as a Whole

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

Table 1:

	June 30, 2018	June 30, 2017*
Assets		
Current assets	$ 8,485,470	$ 8,452,650
Noncurrent assets	15,399,730	15,798,795
Total Assets	$ 23,885,200	$ 24,251,445
Deferred Outflows of Resources	5,304,669	3,118,141
Total Assets and Deferred Outflows of Resources	$ 29,189,869	$ 27,369,586
Liabilities		
Current liabilities	$ 2,501,375	$ 2,482,127
Noncurrent liabilities	39,114,230	39,120,342
Total Liabilities	$ 41,615,605	$ 41,602,469
Deferred Inflows of Resources	2,218,238	1,103,617
Total Liabilities and Deferred Inflows of Resources	$ 43,833,843	$ 42,706,086
Net Position (Deficit)		
Net investment in capital assets	$ 2,804,869	$ 2,702,333
Restricted		
Debt service	311,181	129,531
Capital projects	2,336,734	2,604,665
Unrestricted	(20,096,758)	(20,773,029)
Total Net Position (Deficit)	$ (14,643,974)	$ (15,336,500)

*June 30, 2017 balances have been restated for GASB 75 implementation.

During fiscal year 2018, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective July 1, 2017. 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 this new standard, the District recorded a net OPEB liability, and net position as of June 30, 2017, is restated to reflect the required adjustments (See Note 15 to 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, 2018	Year Ended June 30, 2017
Revenues		
Program Revenues		
Charges for services	$ 239,218	$ 228,719
Operating grants and contributions	7,452,657	7,517,108
General Revenues		
Property taxes	3,383,479	3,090,894
State foundation allowance	4,407,927	4,473,273
Other	63,866	61,426
Total Revenues	$ 15,547,147	$ 15,371,420
Functions/Program Expenses		
Instruction	$ 7,961,935	$ 7,639,256
Support services	4,366,273	4,311,803
Food services	620,321	654,272
Community services	5,254	6,659
Athletics	393,936	399,451
Depreciation (unallocated)	1,102,026	1,108,586
Interest on long-term debt	404,876	583,469
Total Expenses	$ 14,854,621	$ 14,703,496
Change in Net Position	$ 692,526	$ 667,924
Beginning Net Position (Deficit), as previously reported	-	(8,794,842)
Cumulative Effect of Change in Accounting	-	(7,209,582)
Beginning Net Position, restated	$ (15,336,500)	$ (16,004,424)
Ending Net Position (Deficit)	$ (14,643,974)	$ (15,336,500)

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

The District's Funds

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

In the General Fund, our principal operating fund balance decreased from $4,119,834 to $2,702,076, which is a decrease of $1,417,758 for the 2017-18 school year. The decrease is due to a transfer of $1,700,000 to the Capital Projects Fund. The transferred funds will be used to build an additional gym for the district. The district's state aid foundation allowance is the largest revenue source, and is based on the number of students enrolled in the district. In the school year 2010-11 the foundation allowance was $7,316 per student. It decreased by $470 per student in the 2011-12 school year, taking it down to $6,846. In the years to follow, it increased in years ending 2013 + $120, 2014 + $60, 2015 + $225, 2016 + $140, 2017 + $120 and in year ending 2018 it increased an additional $120. This brought the per pupil foundation allowance to $7,631, which was an increase of $315 per student, or 4.3% over a span of 6 years.

The retirement rate expense for the District changed in 2016-17 to a range of 24.94% - 27.09%. Due to the increase of new employees in the retirement plans, the newer employee expenses are higher than the returning employee group. This depends on the plans they opt in at the time of their hire.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June of 2018 (a schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements). The budget changes throughout the 2017-18 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. Maintenance projects that were not started and completed by year-end will be expensed in the 2018-19 school year.

Financial Highlights – General Fund

Fiscal Year	Revenue	Expenditures	Fund Equity	Blended FTE Enrollment
2013-2014	$ 12,081,676	$ 11,727,415	$ 3,908,614	1,401.45
2014-2015	12,246,771	12,205,716	3,949,669	1,351.24
2015-2016	12,723,199	12,523,626	3,829,797	1,353.85
2016-2017	12,987,705	12,697,668	4,119,834	1,370.60
2017-2018	13,439,885	14,857,643	2,702,076	1,375.14

Capital Assets and Debt Administration

Capital Assets

At June 30, 2018, the District had $15,233,064 invested in net capital assets, including land, buildings, and furniture and equipment.

	2018	2017
Land	$ 405,840	$ 405,840
Construction in process	131,920	-
Building and building improvements	27,779,618	27,578,379
Site improvements	723,057	723,057
Furniture and equipment	1,569,928	1,431,792
Buses and other vehicles	892,442	899,942
Total capital assets	$ 31,502,805	$ 31,039,010
Less accumulated depreciation	(16,269,741)	(15,240,215)
Net capital assets	$ 15,233,064	$ 15,798,795

Debt

At the end of this year, the District had $13,590,000 in General Obligation Bonds outstanding versus $14,475,000 last year.

The District's General Obligation Bond rating is "A+/Stable" from Standard & Poor's Corporation and "Aa1" from Moody's Investor Services. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the District's boundaries. If the District issues "Qualified Debt," that is debt backed by the State of Michigan, such obligations are not subject to this debt limit.

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 Districts' 2018-2019 fiscal year budgets. There are many important factors affecting the budget, two of which are our student count and state per-pupil foundation allowance. From the 2007-08 school year to the 2017-18 school year, our student count dropped 81.11 students. The District funding is heavily dependent on the State's ability to fund local school decreases in enrollment and the increases in salaries, benefits and utility costs each year. The foundation allowance for the 2018-19 school year will increase $240 per student. This is the largest increase since 2003 when it increased by $400 per student.

The 2018-19 school year's projected budget includes a reduction of 2 students, taking the projected enrollment count to 1,373. Although they say that birth rates are down in the area, the kindergarten roundup in the spring of 2018 showed the numbers were consistent with the 2017-18 school year. The upper grades had a slight decreased number of students, which is why the projection showed a decrease in student enrollment. The $240 increase in the foundation allowance will increase the revenue by $329,553. There is an increase in the expenses for salaries and benefits, which includes steps for all the employee groups eligible for steps. The health insurance expense increased in this budget by 3.3%. The State allowed CAP amount mandated by P.A. 152 of 2011 will be announced by the State by October, 2018. That amount will be put into the future amended budget. The projection for the 2018-19 school year shows a reduction in fund balance of $136,385. It is the hope of the District to once again, receive additional funds from Berrien Regional Educational Association ("BRESA") to help with the high special education costs to the District. This will help to reduce this deficit budget. If the 2018-19 school year has a mild winter season, the lower utility and maintenance costs could help the District balance the budget at year's end.

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
YEAR ENDED JUNE 30, 2018

		Governmental Activities
Assets		
Current assets		
Cash and investments	$	6,261,118
Accounts receivable		360
Due from other governmental units		2,219,965
Inventories		4,027
Total current assets	$	8,485,470
Noncurrent assets		
Restricted cash	$	166,666
Capital assets not being depreciated		537,760
Capital assets - net of accumulated depreciation		14,695,304
Total noncurrent assets	$	15,399,730
Total assets	$	23,885,200
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	$	4,652,425
Deferred outflows of resources related to OPEB		440,759
Deferred amount on debt refunding		211,485
Total deferred outflows of resources	$	5,304,669
Total assets and deferred outflows of resources	$	29,189,869
Liabilities		
Current liabilities		
Accounts payable	$	114,759
Payroll deductions and withholdings		382,247
Accrued salaries payable		717,083
Accrued interest		73,554
Unearned revenue		194,839
Bonds payable, due within one year		1,018,893
Total current liabilities	$	2,501,375
Noncurrent liabilities		
Bonds payable, due in more than one year	$	13,823,161
Net pension liability		18,851,480
Net OPEB liability		6,414,855
Compensated absences		24,734
Total noncurrent liabilities	$	39,114,230
Total liabilities	$	41,615,605
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	$	2,001,369
Deferred inflows of resources related to OPEB		216,869
Total deferred inflows of resources	$	2,218,238
Total liabilities and deferred inflows of resources	$	43,833,843
Net Position (Deficit)		
Net investment in capital assets	$	2,804,869
Restricted for:		
Debt service		311,181
Capital projects		2,336,734
Unrestricted		(20,096,758)
Total net position (deficit)	$	(14,643,974)

The Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

		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	$ 7,961,935	$ 13,750	$ 6,670,240	$ -	$ (1,277,945)
Support services	4,366,273	-	287,654	-	(4,078,619)
Food services	620,321	195,035	494,763	-	69,477
Community services	5,254	-	-	-	(5,254)
Athletics	393,936	30,433	-	-	(363,503)
Depreciation (Unallocated)	1,102,026	-	-	-	(1,102,026)
Interest on long-term debt	404,876	-	-	-	(404,876)
	$ 14,854,621	$ 239,218	$ 7,452,657	$ -	$ (7,162,746)

General Revenues	
Property taxes, levied for general purposes	$ 1,715,132
Property taxes, levied for debt services	1,375,671
Property taxes, levied for capital projects	292,676
State of Michigan aid, unrestricted	4,407,927
Interest and investment earnings	20,938
Gain on sale of capital assets	5,446
Other	37,482
Total general revenues	$ 7,855,272
Change in Net Position	$ 692,526
Net Position (Deficit) - beginning of year, as previously reported	(8,126,918)
Cumulative Effect of Change in Accounting (Note 15)	(7,209,582)
Net Position - beginning of year	$ (15,336,500)
Net Position (Deficit) - end of year	$ (14,643,974)

The Notes to the Financial Statements are an integral part of this statement.

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2018

	General Fund	2017 QZAB Capital Projects Bond Fund	2018 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 1,906,698	$ 2,202,374	$ 1,700,644	$ 451,402	$ 6,261,118
Restricted cash	-	-	-	166,666	166,666
Accounts receivable	360	-	-	-	360
Due from other governmental units	2,192,224	-	-	27,741	2,219,965
Inventory	-	-	-	4,027	4,027
Total Assets	$ 4,099,282	$ 2,202,374	$ 1,700,644	$ 649,836	$ 8,652,136
Liabilities					
Accounts payable	$ 112,907	$ -	$ -	$ 1,852	$ 114,759
Payroll deductions and withholdings	381,694	-	-	553	382,247
Accrued salaries payable	714,545	-	-	2,538	717,083
Unearned revenue	188,060	-	-	6,779	194,839
Total Liabilities	$ 1,397,206	$ -	$ -	$ 11,722	$ 1,408,928
Fund Balances					
Non-spendable					
Inventory	$ -	$ -	$ -	$ 4,027	$ 4,027
Restricted for					
Food service	-	-	-	189,190	189,190
Debt service	-	-	-	311,181	311,181
Capital projects	-	2,202,374	644	133,716	2,336,734
Committed for					
Capital projects	-	-	1,700,000	-	1,700,000
Assigned					
Budgeted deficit	136,385	-	-	-	136,385
Unassigned	2,565,691	-	-	-	2,565,691
Total Fund Balances	$ 2,702,076	$ 2,202,374	$ 1,700,644	$ 638,114	$ 7,243,208
Total Liabilities and Fund Balance	$ 4,099,282	$ 2,202,374	$ 1,700,644	$ 649,836	$ 8,652,136

The Notes to the Financial Statements are an integral part of this statement.

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION AS OF JUNE 30, 2018

Total Governmental Fund Balances	$ 7,243,208
Total net position for governmental activities in the Statement of Net Position is different because:	
Deferred outflows of resources related to	
Pensions	4,652,425
OPEB	440,759
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	537,760
Capital assets - net of accumulated depreciation	14,695,304
Deferred costs from bond refundings not capitalized in the governmental funds.	211,485
Accrued interest is not included in government funds.	(73,554)
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	(24,734)
Bonds payable (includes premium)	(14,842,054)
Net pension liability	(18,851,480)
Net OPEB liability	(6,414,855)
Deferred inflows of resources related to pension changes in assumptions and changes in differences actual earnings on plan investments	
Pension	(1,236,000)
OPEB	(216,869)
Deferred inflows from revenue in support of pension contributions made subsequent to the measurement date.	(765,369)
Net Position of Governmental Activities	$ (14,643,974)

The Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	General Fund	2017 QZAB Capital Projects Bond Fund	2018 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	$ 1,848,388	$ -	$ -	$ 1,863,561	$ 3,711,949
State sources	11,090,364	-	-	36,435	11,126,799
Federal sources	287,654	-	-	458,328	745,982
Interdistrict sources	168,033	-	-	-	168,033
Earnings on investment	-	3,449	644	1,537	5,630
Total Revenues	$ 13,394,439	$ 3,449	$ 644	$ 2,359,861	$ 15,758,393
Expenditures					
Instruction	$ 8,147,407	$ -	$ -	$ -	$ 8,147,407
Supporting services	4,363,962	-	-	500	4,364,462
Food services	-	-	-	636,119	636,119
Athletics	403,731	-	-	-	403,731
Community services	5,254	-	-	-	5,254
Capital outlay	237,289	251,377	-	147,138	635,804
Debt service		-	-		
Principal	-	-	-	885,000	885,000
Interest and other expenditures	-	-	-	476,725	476,725
Total Expenditures	$ 13,157,643	$ 251,377	$ -	$ 2,145,482	$ 15,554,502
Excess (Deficit) of Revenues Over (Under) Expenditures	$ 236,796	$ (247,928)	$ 644	$ 214,379	$ 203,891
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	$ 5,446	$ -	$ -	$ -	$ 5,446
Transfers in	40,000	302	1,700,000	166,666	1,906,968
Transfers out	(1,700,000)	-	-	(206,968)	(1,906,968)
Total Other Financing Sources (Uses)	$ (1,654,554)	$ 302	$ 1,700,000	$ (40,302)	$ 5,446
Net Change in Fund Balances	$ (1,417,758)	$ (247,626)	$ 1,700,644	$ 174,077	$ 209,337
Fund Balances - Beginning of year	4,119,834	2,450,000	-	464,037	7,033,871
Fund Balances - End of year	$ 2,702,076	$ 2,202,374	$ 1,700,644	$ 638,114	$ 7,243,208

The Notes to the Financial Statements are an integral part of this statement.

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Funds	$	209,337
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		(1,102,026)
Capital outlay		536,295
Decrease in accrued interest.		5,900
Increase in the liability for compensated absences not reported in the governmental funds.		(7,203)
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).		885,000
Amortization of bond premium.		98,893
Amortization of deferred outflow related to debt refunding.		(32,944)
Change in pension expense related to pension.		(168,919)
Change in pension expense related to OPEB.		484,885
Revenue in support of pension contributions made subsequent to measurement date.		(216,692)
Change in Net Position of Governmental Activities	$	692,526

The Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2018

	Agency Fund
Assets	
Cash	$ 152,617
Liabilities	
Due to agency fund activities	$ 152,617

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

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

BASIC FINANCIAL STATEMENTS

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Governmental Funds:

The District reports the following major governmental funds:

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

2017 QZAB Capital Projects Bond Fund is used to record the payments for building construction and improvement and large equipment expenditures by the District for the bonds issued under the Qualified Zone Academy Bonds (QZAB) program.

2018 Capital Projects Fund is used to record the payments for facilities construction and improvements within the District primarily for the Middle/High School gymnasium addition.

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 principal and interest on bonds. The District's non-major debt service funds include the 2017 QZAB Bond Fund and 2013/2016 Refunding Bonds 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 Building and Site Fund and 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 Investments

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

Inventories

Inventories are valued at cost on a first-in, first-out (FIFO) basis. Inventory in the Food Service Fund 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

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018, the rates are as follows per $1,000 assessed value.

General Fund	
Non-principal residence exemption	18 Mills
Commercial personal property	6 Mills
Debt Service Funds	4.98 Mills
Buidling and Site (Sinking) Fund	1 Mills

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

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

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District's items that qualify for reporting in this category are the deferred outflows of resources related to the pension and OBEB plans and the deferred outflows of resources related to charges for the bond refunding.

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's items that qualify for reporting in this category are the deferred inflows of resources related to the pension and OPEB plans.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 unused 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. 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.

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.

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.

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity, Concluded

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.

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

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.

Pension and Other Postemployment Benefit (OPEB) Plans

For the purposes of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. CASH AND INVESTMENTS

At June 30, 2018, the District's cash and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Fund	Total Primary Government
Cash	$ 5,986,393	$ 152,617	$ 6,139,010
Investments	441,391	-	441,391
	$ 6,427,784	$ 152,617	$ 6,580,401

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.

NOTE 2. DEPOSITS AND INVESTMENTS (CONCLUDED)

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
Honor Credit Union CD	255,480	4/19/2018	N/A	N/A
Michigan Liquid Asset Fund	82,900	N/A	AAAm	Standard & Poor's
MIClass	103,011	N/A	AAAm	Standard & Poor's
	$ 441,391			

Interest rate risk – The District does not have a formal investment policy to manage its exposure to acquisition 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, $5,746,921 of the District's bank balance of $6,580,401 was exposed to custodial credit risk.

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. FAIR VALUE MEASUREMENT

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset. The District has the following recurring fair value measurements as of June 30, 2018:

	Fair Value Measurement Using			
	Balance at June 30, 2018	(Level 1)	(Level 2)	(Level 3)
Certificate of Deposit (≥ 90 days)	$ 255,480	$ -	$ 255,480	$ -
Michigan Liquid Asset Fund	82,900	-	82,900	-
MIClass	103,011	-	103,011	-
Total Investments Measured at Fair Value	$ 441,391	-	$ 441,391	$ -

NOTE 4. 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	$ 405,840	$ -	$ -	$ 405,840
Construction in process	-	131,920	-	131,920
Total capital assets not being depreciated	$ 405,840	$ 131,920	$ -	$ 537,760
Capital assets being depreciated				
Buildings and additions	$ 27,578,379	$ 201,239	$ -	$ 27,779,618
Site improvements	723,057	-	-	723,057
Equipment and furniture	1,431,792	138,136	-	1,569,928
Buses and other vehicles	899,942	65,000	72,500	892,442
Total capital assets being depreciated	$ 30,633,170	$ 404,375	$ 72,500	$ 30,965,045
Less accumulated depreciation for				
Buildings and additions	$ 13,340,128	$ 876,955	$ -	$ 14,217,083
Site improvements	462,746	21,943	-	484,689
Equipment and furniture	927,367	100,209	-	1,027,576
Buses and other vehicles	509,974	102,919	72,500	540,393
Total accumulated depreciation	$ 15,240,215	$ 1,102,026	$ 72,500	$ 16,269,741
Net capital assets being depreciated	$ 15,392,955			$ 14,695,304
Net capital assets	$ 15,798,795			$ 15,233,064

Depreciation for the fiscal year ended June 30, 2018 amounted to $1,102,026. The District determined that it was impractical to allocate depreciation to the various governmental activities, as the assets serve multiple functions.

NOTE 5. 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.

The following is a summary of debt transactions of the District for the year ended June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	$ 14,475,000	$ -	$ 885,000	$ 13,590,000	$ 920,000
Premium on bonds	1,350,947	-	98,893	1,252,054	98,893
Compensated absences	17,531	7,203	-	24,734	-
Total Bonds	$ 15,843,478	$ 7,203	$ 983,893	$ 14,866,788	$ 1,018,893

NOTE 5. LONG-TERM DEBT (CONTINUED)

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

$11,975,000 serial bond due in annual installments of $885,000 to $1,310,000 through May 1, 2028, interest at 2.00% to 2.35%	$ 11,090,000
$2,500,000 school buidling and site bond due in one installment of $2,500,000 on June 1, 2032, interest at 0.00%	2,500,000
Total general obligation bonded debt	$ 13,590,000

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

Year Ending June 30	Principal	Interest	Total
2019	$ 920,000	$ 441,325	$ 1,361,325
2020	955,000	404,525	1,359,525
2021	955,000	366,325	1,321,325
2022	1,035,000	326,525	1,361,525
2023	1,085,000	274,775	1,359,775
2024-2028	6,100,000	704,125	6,804,125
2029-2032	2,500,000	-	2,500,000
Unamortized Premium	1,252,054	-	1,252,054
	$ 14,802,054	$ 2,517,600	$ 17,319,654

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of $311,181 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest expense of $404,876 was not charged to activities as the District considers its debt and related assets to impact multiple activities and allocation was not practical.

Compensated Absences

Accrued compensated absences at year-end consist of $24,734 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.

NOTE 5. LONG-TERM DEBT (CONCLUDED)

Advance Refunding

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

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

The final payment date is May 2028 for the 2013/2016 refunding bonds. As of year-end, the amount of defeased debt outstanding, but removed from the District's financial statements, is $8,035,000.

The final payment date is May 2028 for the 2016 refunding bonds. As of year-end, the amount of defeased debt outstanding, but removed from the District's financial statements, is $4,130,000.

NOTE 6. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations in Budgeted Funds

Excess of Expenditures Over Appropriation in Budgeted Major Funds – During the fiscal year ended June 30, 2018 The District did not have any expenditures that exceeded appropriations in budgeted functions.

Fund Deficit

Under Michigan Law, school districts are required to maintain a positive fund balance in each fund. The District had no fund balances that were in deficit as of June 30, 2018.

Net Position Deficit

As of June 30, 2018, the Government-wide Statement of Net Position had a cumulative net position deficit of $14,643,974.

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transfers were made during the year are as follows:

	Transfers In			
Transfers Out	General Fund	2017 QZAB Bond Debt Fund	2018 Capital Projects Fund	Total
Food Service Fund	$ 40,000	$ -	$ -	$ 40,000
Building and Site Fund	-	166,666	-	166,666
2009 Capital Projects Fund	-	302	-	302
General Fund	-	-	1,700,000	1,700,000
Total	$ 40,000	$ 166,968	$ 1,700,000	$ 1,906,968

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 2017 QZAB Bond Debt Fund from the Building and Site Sinking Fund was made to assist with the payoff of the QZAB payment.

The transfer to the 2017 QZAB Bond Debt Fund from the 2009 Capital Projects Fund was made to close out that fund and move over leftover monies.

The transfer to the 2018 Capital Projects Fund from the General Fund was made for future capital projects.

NOTE 8. UNEARNED REVENUE

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

Description of Unearned Revenue	**General Fund**	**Food Service Fund**	**Total**
At-Risk	$ 170,269	$ -	$ 170,269
Section 35a(6) Early Literacy	17,791	-	17,791
Funds in students' lunch accounts at year-end	-	6,779	6,779
Total	$ 188,060	$ 6,779	$ 194,839

NOTE 9. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Plan Description - The District participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a cost-sharing, statewide, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. Certain District employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and other postemployment healthcare plans. That report is available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided - Benefit provisions of the defined benefit (DB) pension plan and the postemployment healthcare plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment healthcare plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced to 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in the years in which investment earnings exceed actuarial assumptions.

NOTE 9. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions - Public Act 300 of 1980, as amended, required the District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the State Legislature. Under these provisions, each District's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

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

The District's contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS. The range of rates is as follows for the plan year ending September 30, 2017:

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0%	19.03%
Pension Plus	3.0 - 6.4%	18.40%
Defined Contribution	0.00%	15.27%

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	5.91%
Personal Healthcare Fund (PHF)	0.00%	5.69%

NOTE 9. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

The District's required and actual pension contributions to the plan for the year ended September 30, 2017 were $1,706,271. The District's required and actual pension contributions include an allocation of $765,369 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2018. For the year ended June 30, 2018, the contributions also include a one-time payment to the District received under Section 147c(2) of the State Aid Act, which the District then remitted as a contribution to the plan.

The District's required and actual OPEB contributions to the plan for the year ended September 30, 2017 were $563,972.

Net Pension Liability - At June 30, 2018, the District reported a liability of $18,851,480 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the District's proportion was 0.07275 percent and 0.07012 percent, respectively.

Net OPEB Liability - At June 30, 2018, the District reported a liability of $6,414,855 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the District's proportion was 0.07244 percent of MPSERS in total.

NOTE 9. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2018, the District recognized pension expense of $2,075,909, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2018, 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	$ 163,832	$ 92,500
Changes of assumptions	2,065,329	-
Net difference between projected and actual earnings on pension plan investments	-	901,225
Changes in proportion and differences between District contributions and proportionate share of contributions	630,470	242,275
District contributions subsequent to the measurement date*	1,792,794	-
Revenues in support of contributions subsequent to the measurement date	-	765,369
Total	$ 4,652,425	$ 2,001,369

Deferred inflows of resources of $765,369 resulting from the pension portion of State Aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount:
2018	$ 465,343
2019	759,094
2020	367,027
2021	32,167
	$ 1,623,631

*The contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the following year.

NOTE 9. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2018, the District recognized OPEB expense of $429,167. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 68,299
Net difference between projected and actual earnings on pension plan investments	-	148,570
Changes in proportion and differences between District contributions and proportionate share of contributions	415	-
District contributions subsequent to the measurement date*	440,344	-
Total	$ 440,759	$ 216,869

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Year Ending June 30	Amount:
2018	$ (52,314)
2019	(52,314)
2020	(52,314)
2021	(52,314)
2022	(7,198)
	$ (216,454)

NOTE 9. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions - The total pension liability and total OPEB liability as of September 30, 2017 is based on the results of an actuarial valuation as of September 30, 2016 and rolled forward. The total pension and OPEB liabilities were determined using the following actuarial assumptions:

Summary of Actuarial Assumptions	
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return - Pension	7.0 - 7.5%
Investment Rate of Return - OPEB	7.5%
Projected Salary Increases	3.5 - 12.3%, including wage inflation at 3.5%
Healthcare Cost Trend Rate	7.5%, Year 1 graded to 3.5% Year 12
Cost-of-Living Pension Adjustments	3% Annual Non-Compounded for MIP Members
Mortality	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB

Assumption changes as a result of an experience study for the periods from 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

Long-Term Expected Return on Plan Assets - The long-term expected rate of return on pension plan and OPEB 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 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0%	8.7%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	-0.1%
Real Estate and Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.0%
Short Term Investment Pools	2.0%	-0.9%
TOTAL	100.0%	

*Long-term rates of return are net of administrative expenses and 2.3% inflation.

NOTE 9. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Rate of Return - For the plan year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, and OPEB plan investment, net of OPEB plan investment expense, was 13.24% and 11.82%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate - The discount rate used to measure the total pension liability was 7.00 - 7.50 percent as of September 30, 2017, depending on the plan option. The discount rate used to measure the total OPEB liability was 7.50 percent as of September 30, 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plans fiduciary net position and the OPEB plans fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

MPSERS approved a decrease in the discount rate for the September 30, 2017 annual actuarial valuation for the pension plan and the OPEB plan to 7.05 percent and 7.15 percent, respectively. As a result, the actuarial computed employer contributions, net pension liability, and net OPEB liability will increase for the measurement period ending September 30, 2018.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the District, calculated using the discount rate, depending on the plan option. The following also reflects what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease (Non-Hybrid/Hybrid) 6.5% / 6.0%	Current Helathcare Cost Trend (Non-Hybrid/Hybrid) 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 8.5% / 8.0%
$ 24,557,208	$ 18,851,480	$ 14,047,620

NOTE 9. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the District, calculated using the current discount rate. It also reflects what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
$ 7,513,650	$ 6,414,855	$ 5,482,323

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the net OPEB liability of the District, calculated using the current healthcare cost trend rate. It also reflects what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease 6.50%	Current Healthcare Cost Trend Rate 7.50%	1% Increase 8.50%
$ 5,432,520	$ 6,414,855	$ 7,530,229

Pension Plan and OPEB Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan - At June 30, 2018, the District reported a payable of $122,803 and $52,649 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018.

NOTE 10. QUALIFIED ZONE ACADEMY BOND (RESTRICTED INVESTMENTS)

The District issued $2,500,000 (General Obligation Limited Tax) Qualified Zone Academy Bond and a set-aside amount of $166,666 is required each year. Interest will be earned at variable rates on the sinking fund and will be used to reduce the final set-aside payment. Interest is eliminated through a tax credit. Sinking fund deposits are accounted for in the 2017 QZAB Bond Debt Fund. The total funds deposited as of June 30, 2018 amount to $166,666, which is classified as restricted cash.

NOTE 11. CONTINGENT LIABILITIES

Grants – In the normal course of operations, the District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 12. TAX ABATEMENTS

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by various municipalities within the District. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. For the fiscal year ended June 30, 2018, the District's property tax revenues were reduced by $4,717 under these programs.

NOTE 13. BUILDING AND SITE FUND (SINKING FUND)

The Building and Site Fund records capital project activities with Building and Site millage. For this fund, the District has complied with the applicable provisions of Section 1212 of the Revised School Code.

NOTE 14. CAPITAL PROJECTS BOND EXPENDITURES

The 2017 QZAB Capital Projects Bond Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the Revised School Code.

Beginning with the year of bond issuance, the District reported the annual construction activity in the 2017 QZAB Capital Projects Bond Fund.

NOTE 15. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

In fiscal year 2018, the District adopted GASB 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 and for governments that finance OPEB for employees of other governments. This OPEB standard will require the District to recognized on the face of the financial statements its proportionate share of the Net OPEB liability related to its participation in the Michigan Public School Employees' Retirement System (MPSERS). The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

For the year ending June 30, 2017, the District did not consider revenues received from State Aid in support of pension contributions after the measurement date as deferred inflows. The District has begun recording the deferred inflows to maintain consistency with the new standard. The implementation resulted in the District reporting a net pension liability, deferred outflows of resources, and deferred inflows of resources as of June 30, 2017. The following summarizes the restatements that made to the District's financial statements:

Net OPEB liability	$	(6,766,251)
Deferred outflows of resources related to OPEB		289,012
Deferred inflows of resources for revenue received from State Aid in support of OPEB contributions		(198,611)
Deferred inflows of resources for revenue received from State Aid in support of pension contributions		(533,732)
Cumulative Effect on Change in Accounting	$	(7,209,582)

NOTE 16. UPCOMING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. Any activity meeting the criteria should be reported in the fiduciary fund in the basic financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the District's financial statements for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves the accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the District's financial statements for the year ending June 30, 2021.

NOTE 17. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 8, 2018, the date that the financial statements were available to be issued. No events or transactions occurred during this period which requires recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY

INFORMATION

REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			
	Original Budget	Final Amended Budget	Actual	Variance
Revenues				
Local sources	$ 1,768,698	$ 1,840,246	$ 1,848,388	$ 8,142
State sources	10,683,904	11,288,372	11,090,364	(198,008)
Federal sources	282,270	380,223	287,654	(92,569)
Interdistrict sources	137,182	173,478	168,033	(5,445)
Total Revenues	$ 12,872,054	$ 13,682,319	$ 13,394,439	$ (287,880)
Expenditures				
Instruction				
Basic programs	$ 6,370,538	$ 6,533,266	$ 6,470,973	$ 62,293
Added needs	1,501,871	1,824,915	1,607,660	217,255
Adult and continuing education	58,044	69,400	68,774	626
Supporting services				
Pupil	559,274	561,664	557,452	4,212
Instructional staff	729,768	682,496	647,461	35,035
General administration	344,840	373,206	347,286	25,920
School administration	844,446	834,985	822,095	12,890
Business	327,185	321,461	311,698	9,763
Operation and maintenance	1,070,442	1,103,935	1,034,895	69,040
Pupil transportation services	606,548	587,369	543,695	43,674
Central services	105,983	107,513	99,380	8,133
Athletic activities	448,225	440,382	403,731	36,651
Community services	9,700	10,370	5,254	5,116
Capital outlay	231,300	242,261	237,289	4,972
Total Expenditures	$ 13,208,164	$ 13,693,223	$ 13,157,643	$ 535,580
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (336,110)	$ (10,904)	$ 236,796	$ 247,700
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	$ -	$ -	$ 5,446	$ 5,446
Transfers in	40,000	40,000	40,000	-
Transfers out	-	(1,700,000)	(1,700,000)	-
Total Other Financing Sources (Uses)	$ 40,000	$ (1,660,000)	$ (1,654,554)	$ 5,446
Net Change in Fund Balances	$ (296,110)	$ (1,670,904)	$ (1,417,758)	$ 253,146
Fund Balances - Beginning of year	4,119,834	4,119,834	4,119,834	-
Fund Balances - End of year	$ 3,823,724	$ 2,448,930	$ 2,702,076	$ 253,146

The Notes to Required Supplementary Information are an integral part of this statement.

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

	2017	2016	2015	2014
District's proportion of net pension liability	0.07275%	0.07012%	0.07183%	0.07018%
District's proportionate share of net pension liability	$ 18,851,480	$ 17,494,506	$ 17,544,560	$ 15,458,169
District's covered-employee payroll	$ 6,223,055	$ 5,852,933	$ 6,151,428	$ 6,149,723
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	302.93%	298.90%	285.21%	251.36%
Plan fiduciary net position as a percentage of total pension liability	63.96%	61.01%	63.17%	66.20%

The Notes to Required Supplementary Information are an integral part of this statement.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30

	2018	2017	2016	2015
Statutorily required contributions	$ 1,918,155	$ 1,723,383	$ 1,630,168	$ 1,285,287
Contributions in relation to statutorily required contributions	1,918,155	1,723,383	1,630,168	1,285,287
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 6,412,270	$ 6,322,676	$ 6,006,359	$ 6,178,279
Contributions as a percentage of covered-employee payroll	29.91%	27.26%	27.14%	20.80%

The Notes to Required Supplementary Information are an integral part of this statement.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30

	2017
District's proportion of net OPEB liability	0.07244%
District's proportionate share of net OPEB liability	$ 6,414,855
District's covered-employee payroll	$ 6,223,055
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	103.08%
Plan fiduciary net position as a percentage of total pension liability	36.53%

The Notes to Required Supplementary Information are an integral part of this statement.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30

	2018
Statutorily required contributions	$ 457,981
Contributions in relation to statutorily required contributions	457,981
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 6,412,270
Contributions as a percentage of covered-employee payroll	7.14%

The Notes to Required Supplementary Information are an integral part of this statement.

Change of pension benefit terms: There were no changes of benefit terms for the plan year ended September 30, 2017.

Change of pension assumptions: There were no changes of benefit assumptions for the plan year ended September 30, 2017.

Change of OPEB benefit terms: There were no changes of benefit terms for the plan year ended September 30, 2017.

Change of OPEB assumptions: There were no changes of benefit assumptions for the plan year ended September 30, 2017.

OTHER SUPPLEMENTARY

INFORMATION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2018

	Special Revenue Fund	Debt Service Funds		Capital Project Funds		
	Food Service Fund	2017 QZAB Bond Debt Fund	2013/2016 Refunding Bonds Fund	Building and Site Fund	2009 Capital Projects Fund	Total Nonmajor Governmental Funds
Assets						
Cash and investments	$ 173,171	$ -	$ 144,515	$ 133,716	$ -	$ 451,402
Restricted cash	-	166,666	-	-	-	166,666
Due from other governmental units	27,741	-	-	-	-	27,741
Inventory	4,027	-	-	-	-	4,027
Total Assets	$ 204,939	$ 166,666	$ 144,515	$ 133,716	$ -	$ 649,836
Liabilities						
Accounts payable	$ 1,852	$ -	$ -	$ -	$ -	$ 1,852
Payroll deductions and withholdings	553	-	-	-	-	553
Accrued salaries payable	2,538	-	-	-	-	2,538
Unearned revenue	6,779	-	-	-	-	6,779
Total Liabilities	$ 11,722	$ -	$ -	$ -	$ -	$ 11,722
Fund Balances						
Non-spendable						
Inventory	$ 4,027	$ -	$ -	$ -	$ -	$ 4,027
Restricted for						
Food service	189,190	-	-	-	-	189,190
Debt service	-	166,666	144,515	-	-	311,181
Capital projects	-	-	-	133,716	-	133,716
Committed for						
Capital projects	-	-	-	-	-	-
Total Fund Balances	$ 193,217	$ 166,666	$ 144,515	$ 133,716	$ -	$ 638,114
Total Liabilities and Fund Balances	$ 204,939	$ 166,666	$ 144,515	$ 133,716	$ -	$ 649,836

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	Special Revenue Fund	Debt Service Funds		Capital Project Funds		
	Food Service Fund	2017 QZAB Bond Debt Fund	2013/2016 Refunding Bonds Fund	Building and Site Fund	2009 Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues						
Local sources	$ 195,035	$ -	$ 1,375,671	$ 292,855	$ -	$ 1,863,561
State sources	36,435	-	-	-	-	36,435
Federal sources	458,328	-	-	-	-	458,328
Earnings on Investments	-	-	1,537	-	-	1,537
Total revenues	$ 689,798	$ -	$ 1,377,208	$ 292,855	$ -	$ 2,359,861
Expenditures						
Support services						
Food services	$ 636,119	$ -	$ -	$ -	$ -	$ 636,119
Supporting services	-	-	500	-	-	500
Capital outlay	-	-	-	147,138	-	147,138
Debt service						
Principal	-	-	885,000	-	-	885,000
Interest	-	-	476,725	-	-	476,725
Total expenditures	$ 636,119	$ -	$ 1,362,225	$ 147,138	$ -	$ 2,145,482
Excess (deficiency) of revenues over (under) expenditures	$ 53,679	$ -	$ 14,983	$ 145,717	$ -	$ 214,379
Other Financing Sources (Uses)						
Transfers in	$ -	$ 166,666	$ -	$ -	$ -	$ 166,666
Transfers out	(40,000)	-	-	(166,666)	(302)	(206,968)
Total other financing sources (uses)	$ (40,000)	$ 166,666	$ -	$ (166,666)	$ (302)	$ (40,302)
Net change in fund balance	$ 13,679	$ 166,666	$ 14,983	$ (20,949)	$ (302)	$ 174,077
Fund balance - beginning	179,538	-	129,532	154,665	302	464,037
Fund balance - ending	$ 193,217	$ 166,666	$ 144,515	$ 133,716	$ -	$ 638,114

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY
2017 GENERAL OBLIGATION LIMITED TAX QUALIFIED ZONE ACADEMY BONDS
JUNE 30, 2018

Payments Due: Year Ended June 30	June 1st Principal	Interest	Total
2032	$ 2,500,000	$ -	$ 2,500,000
Total	$ 2,500,000	$ -	$ 2,500,000

Payments Due	June 1st
Interest Rate	0.00%
Original Issue	$ 2,500,000

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY
2016 REFUNDING BONDS (2006 REFUNDING AND 2003 BUILDING AND SITE)
JUNE 30, 2018

Payments Due: Year Ended June 30	May 1st Principal	May 1st Interest	November 1st Interest	Total
2019	$ 920,000	$ 220,663	$ 220,663	$ 1,361,326
2020	955,000	202,263	202,263	1,359,526
2021	995,000	183,163	183,163	1,361,326
2022	1,035,000	163,263	163,263	1,361,526
2023	1,085,000	137,388	137,388	1,359,776
2024	1,140,000	110,263	110,263	1,360,526
2025	1,180,000	91,738	91,738	1,363,476
2026	1,215,000	72,563	72,563	1,360,126
2027	1,255,000	51,300	51,300	1,357,600
2028	1,310,000	26,195	26,196	1,362,391
Total	$ 11,090,000	$ 1,258,799	$ 1,258,800	$ 13,607,599

Interest Rate	2.00% - 2.35%
Original Issue	$ 11,975,000

Management Compliance

Letter

KRUGGEL LAWTON CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brandywine Community Schools, as of and for the year ended June 30, 2018, 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 8, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brandywine Community Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brandywine Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Brandywine Community Schools' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Kruggel, Lawton & Company, LLC

Certified Public Accountants

St. Joseph, Michigan
October 8, 2018

SECTION I – STATUS OF PRIOR YEAR FINDINGS

There were no findings for the prior year.

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings for the current year.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The District has spent under the $750,000 threshold for federal expenditures and is not required to have a single audit under the Uniform Guidance.