

**BRITTON DEERFIELD SCHOOLS
BRITTON, MICHIGAN**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

**WITH
INDEPENDENT AUDITORS' REPORT**

CONTENTS

	<u>PAGE</u>
Management's Discussion and Analysis	i – vii
Independent Auditors' Report	1 – 3
Basic Financial Statements:	
Government-wide Financial Statements	
Statements of Net Position	4
Statement of Activities	5
Fund Financial Statements	
Balance Sheet – Governmental Funds	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Changes in Net Position	9
Fiduciary Funds	
Statements of Fiduciary Net Position	10
Statements of Changes in Fiduciary Net Position	11
Notes to Financial Statements	12 – 32
Notes to Required Supplementary Information	33
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	34
Schedule of the Reporting Unit's Contributions – Michigan Public Schools Employees Retirement Plan	35
Schedule of Reporting Unit's Proportionate Share of the Net Pension Liability - Michigan Public Schools Employees Retirement Plan	36

CONTENTS

	<u>PAGE</u>
Other Additional Information:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37 - 39
Nonmajor Governmental Fund Types	
Combining Balance Sheet	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	41
Special Revenue Funds	
Combining Balance Sheet	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	43
Debt Funds	
Combining Balance Sheet	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	45
Capital Projects Funds	
Combining Balance Sheet	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	47
Statement of Revenues, Expenditures and Fund Balance – Private Purpose Trust Fund	48
Statement of Cash Receipts, Disbursements and Liabilities – Agency Fund	49

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

On July 1, 2011 Britton-Macon and Deerfield Public Schools consolidated and became the Britton Deerfield Schools. Our discussion and analysis of Britton Deerfield School District's financial performance provides an overview of the School District's financial activities in the fiscal year ended June 30, 2016. The Britton Deerfield School District implemented GASB requirements in the June 30, 2016 audit as required by the Governmental Accounting Standards Board (GASB). Please read it in conjunction with the School District's financial statements, which immediately follow this section.

The management's discussion and analysis is provided at the beginning of the audit and organized so that the reader can understand the current position of the Britton Deerfield School District's financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District's revenues by program for the General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Fund.

USING THIS ANNUAL REPORT

The School District's Annual Report consists of a series of financial statements that show information for the School District as a whole, its funds, and its fiduciary responsibilities. The *District Wide Financial Statements*, which include the **Statement of Net Position** and the **Statement of Activities** provide information about the district as a whole and present a longer-term view of the School District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The *Fund Financial Statements* provide detailed information about the School District's most significant funds-not the School District as a whole.

Reporting the school district as a whole

These two statements report the School District's Net Position-the difference between assets and liabilities and deferred inflows of resources as reported in the **Statement of Net Position** – as one way to measure the School District's financial health or financial position. The **Statement of Net Position**, for the first time, combines and consolidates governmental fund's current financial resources with capital assets and long-term obligations, regardless if they are currently available or not. In comparison to "other assets", capital assets are those assets that are tangible, valued over a specified amount, and usually have a long life. They are depreciated over a useful life. More detail on capital assets and their recorded useful lives is found in the footnote section of the audit. Long-term obligations (liabilities) are those that are longer than one year. Some liabilities are classified as "short-term" for the portion due in a year, and "long-term" for the portion due in the future years (such as leases payable, compensated absences, and debt obligations). "Other liabilities" are considered to be obligations due within a year. Over time, increases or decreases in the School District's Net Position – as reported in the **Statement of Activities** – is one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the School District's operating results.

However, the School District's goal is to provide services to our students, not to generate a profit as commercial entities do. There are other factors to consider such as quality of education and school safety to assess the overall health of the School District.

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The **Statement of Net Position** and **Statement of Activities** report the governmental activities and business-type activities. These statements for the Britton Deerfield School District will include only governmental activities, which encompass all of the School District's services including instruction, supporting services, athletics, and food service. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the school district's most significant funds

The School District's fund financial statements provide detailed information about the School District's most significant funds- not the School District as a whole. The fund statements are similar to financial presentations in the past, but the new focus is on the District's major funds rather than fund types. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Some funds are required by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (such as **Food Service**) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies (such as **Debt and Capital Projects**). The School District's major fund is the **General Fund**.

Most of the School District's services are reported in governmental funds. Governmental fund reporting focuses on how money flows into and out of the funds and the balances left at year-end that are available for spending in future periods. They are reported using an accounting method called "modified accrual" accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between *governmental activities* (reported in the **Statement of Net Position** and the **Statement of Activities**) and *governmental funds* in reconciliation on pages 7 and 9.

Fund types include the General Fund, Special Revenue Fund, Debt Retirement Fund, Capital Projects Fund, and Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions and grants and other intergovernmental revenues. The Debt Fund is used to record the funding and payment of principal and interest on Bonded Debt. The Special Revenue Fund is used to record the funding and expenditures of monies specified for a specific purpose (Food Service). The Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent for various student groups and related activities.

The School District as a Whole

The School District's net position was (\$5,110,107) at the end of June 30, 2016 and (\$4,690,459) as of June 30, 2015, representing a net decrease of \$419,648. Of the total amount \$(9,188,870) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those funds for day-to-day operations. Our analysis below focuses on the **Net Position** (Table 1) and **Change in Net Position** (Table 2) of the School District's governmental activities.

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Net Position (Table 1)

	2016	2015
ASSETS:		
Current and other assets	\$ 2,125,697	\$ 2,678,503
Noncurrent assets	7,308,832	7,613,414
Total Assets	9,434,529	10,291,917
DEFERRED OUTFLOWS OF RESOURCES:		
Pension resources	1,370,032	1,257,775
LIABILITIES:		
Current liabilities	1,958,298	1,968,829
Noncurrent liabilities	13,881,037	13,204,828
Total Liabilities	15,839,335	15,173,657
DEFERRED INFLOWS:		
Unearned income	39,531	2,452
Pension resources	35,802	1,064,042
Total Deferred Inflows	75,333	1,066,494
NET POSITION:		
Invested in capital assets	3,883,765	3,743,347
Restricted for School Lunch program	23,381	44,749
Restricted for Debt Service	148,099	250,763
Restricted for Sinking fund	23,518	29,865
Unrestricted	(9,188,870)	(8,759,183)
Total Net Position	\$ (5,110,107)	\$ (4,690,459)

The Statement of Activities presented later in the government-wide financial statement, provides greater detail on the District's annual activity. The Statement of Net Position (Table 2) shown below details the cost of the District's governmental activities and how those activities were financed.

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Statement of Net Position (Table 2)

	<u>2016</u>	<u>% of total</u>	<u>2015</u>	<u>% of total</u>
General revenues:				
Property Taxes	\$ 869,173	11.67%	808,266	10.95%
Investment Income	3,387	0.05%	1,550	0.02%
State sources	5,263,770	70.70%	5,472,704	74.11%
Intermediate sources	384,214	5.16%	256,098	3.47%
Preschool/Kids Care	48,122	0.65%	40,427	0.55%
Other	63,392	0.85%	44,855	0.61%
Total general revenues	6,632,058	89.07%	6,623,900	89.70%
Program revenues:				
Charges for services	199,093	2.67%	212,645	2.88%
Operating grants	614,463	8.25%	547,589	7.42%
Total revenues	\$ 7,445,614	100.0%	\$ 7,384,134	100.00%
Function/program expenses:				
Instruction	\$ 4,494,076	57.14%	4,301,654	56.40%
Support services	2,249,209	28.60%	2,252,363	29.53%
Food services	355,818	4.52%	361,075	4.73%
Athletics	249,903	3.18%	207,781	2.72%
Interest on long-term debt	161,907	2.06%	177,948	2.33%
Other	51,375	0.65%	22,701	0.30%
Unallocated depreciation	302,974	3.85%	303,001	3.97%
Total expenses	\$ 7,865,262	100.00%	\$ 7,626,523	100.00%
Change in Net position	(419,648)		(242,389)	
Net position, beginning of year	(4,690,459)		(4,448,070)	
Net position, end of year	\$ (5,110,107)		\$ (4,690,459)	

Financial Analysis of the District's Funds

The financial performance of the district as a whole is reflected in its governmental funds as well.

GENERAL FUND Factors affecting Revenue

- *State Aid funding* -The State of Michigan provides a \$7,391 per pupil foundation allowance that provides a substantial portion of our district's revenue, 71 percent. In addition we also receive various grants from the state. This means that the financial stability of the District rests primarily with the economic health of the State of Michigan. State aid payments are made with the first payment of the school year beginning in October, and the last payment being made in August. Therefore, at the end of the District's fiscal year end, there is adjustment made that includes 2 months of state aid payments into revenue that has not yet been made.

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- *Sinking Fund Millage* – Revenues are generated by taxes going toward building improvements.

Factors affecting Expenses

- *Salaries and Benefits*-A significant portion of the School District's expenses are related to compensation, 80% in 2015-16.
- *Instructional purchases*- Another part of each year's budgetary expenditures includes textbooks and supplemental learning materials, supplies, and purchased services.
- *Operation and Maintenance*-Each year's budgetary expenditures also include the general operation and maintenance of our school buildings.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, the District amends its budget during the school year. In fact, all Michigan school districts must complete a second full budget after the state's official student membership count date (the fourth Wednesday in September), because only then are they knowledgeable of their Foundation Grant's income level. These revisions are made in order to deal with the unexpected changes in revenues and expenditures. The following analysis describes the reasons for changes in the budget during the year.

Original Budget versus Final Budget

- *Revenues*-Original estimated budgets for revenues were \$6,818,813 versus the final budget of \$6,798,958. Major components of revenue and their original budget versus final budget are discussed below.
- There was a decrease in *State Aid* due to a decrease in students..
- *Expenditures* – The original budget for expenditures was \$7,261,153 versus the final budget of \$7,289,418.

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Final Budget versus Actual Figures

- The majority (about 47%) of *Local Revenues* are property taxes received from eight townships including Deerfield, Blissfield, Ridgeway, Summerfield, Macon, Raisin, Dundee and Milan.
- *State Revenues* were budgeted at \$5,402,858 versus actual of \$5,370,039. This is a difference of \$32,819.
- *Federal Revenues* were budgeted at \$75,000 versus actual of \$89,883. This was an increase of \$14,883.
- *Overall revenues* were under budget by \$24,405 from the final budget amounts. This is an insignificant amount compared to the total revenue budget of \$6,774,553.
- *Expenses*- Final estimated budgets for expenses were \$7,289,418 versus an actual final amount of \$7,206,589. The overall variation from final budget to actual was \$82,829.

SPECIAL REVENUE FUNDS

- *School Lunch Fund*-The School Lunch Fund receives its revenues from the sale of goods State reimbursement and federal grants.
- *Capital Projects Fund*- Consist of 2007 Sinking Fund, Building Capital Project. These funds are used to do improvements to the district. These funds are restricted for improvements to the district. At the end of the fiscal year 2015-16 there was a fund balance of \$53,452.
- *Debt Service Fund* – This fund is directly funded through taxes. For fiscal year 2015-16 the collection of property taxes for the retirement of principal and interest relating to the 2006 Sinking Fund debt, the 2005 refunding bonds debt for both Deerfield and Britton Schools and the 2016 Refunding bond was \$531,355. Principal and interest requirements for the 2015-16 retirement was \$563,117.

CAPITAL ASSET AND DEBT ADMINISTRATION

- *Capital Assets*-At June 30, 2016, the School District had \$7,308,833 invested in capital assets, net of accumulated depreciation. The district had bonded debt outstanding of \$3,455,000. As these items also relate to capital assets, the amount ***Invested in capital assets net of related debt*** is \$3,883,765. Assets, net of accumulated depreciation will probably continue to decrease because the district at this time has no intention of purchasing many capital assets. Those already on the books will continue to depreciate.
- *Debt Administration*- At the fiscal year ending June 30, 2016, the District's long term obligations included \$145,000 in 2005 Debt Retirement bonds for Deerfield,
- \$3310,000 in Debt Retirement bonds for Britton, and \$67,164 in compensated absences which included accrued sick pay leave.

**BRITTON DEERFIELD SCHOOL DISTRICT - BRITTON, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, please contact:

Business Office Britton Deerfield Schools 201 College Ave. Britton, MI 49229.



INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Britton Deerfield Schools
Britton, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Britton Deerfield Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the schools 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 the 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 procedure selected depends 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.

To the Board of Education
Britton Deerfield Schools
Britton, Michigan

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the combining and individual nonmajor fund, and the aggregate remaining fund information of the Britton Deerfield Schools, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison on pages i through vii and pages 34-36 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 Britton Deerfield Schools basic financial statements. The combining and individual non major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Education
Britton Deerfield Schools
Britton, Michigan

Prior-Year Comparative Information

We have previously audited the Britton Deerfield Schools 2015 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information in our report dated October 28, 2015. In our opinion, the summarized comparative information presented herein as of and for the year June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2016, on our consideration of Britton Deerfield Schools internal control over financial reporting and 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 Britton Deerfield Schools internal control over financial reporting and compliance.

Baker, Eaton & Owen
Adrian, Michigan

October 27, 2016

**BRITTON DEERFIELD SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2016 AND 2015**

	2016	2015
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 474,256	\$ 700,172
Investments	417,240	743,333
Accounts receivable	198,906	176,367
Due from other governmental units	1,034,432	1,057,433
Prepaid expenses	863	1,198
Total current assets	2,125,697	2,678,503
Noncurrent assets:		
Capital assets	15,474,547	15,474,547
Less: accumulated depreciation	(8,165,715)	(7,862,741)
Capital assets - net of accumulated depreciation and amortization	7,308,832	7,611,806
Accrued interest receivable on defeased bonds	-	1,608
Total noncurrent assets	7,308,832	7,613,414
Total assets	\$ 9,434,529	\$ 10,291,917
Deferred outflows of resources		
Pension resources	\$ 1,370,032	\$ 1,257,775
LIABILITIES AND NET POSITION:		
Current liabilities:		
Accounts payable	\$ 115,201	\$ 36,051
State aid loan payable	737,495	760,338
Salaries payable	456,213	479,878
Accrued expenses	182,220	274,183
Interest payable	17,169	13,379
Current portion of long term obligations	450,000	405,000
Total current liabilities	1,958,298	1,968,829
Noncurrent liabilities:		
Long term obligations	3,005,000	3,495,000
Compensated absences	67,164	84,887
Net pension liability	10,808,873	9,624,941
Total noncurrent liabilities	13,881,037	13,204,828
Total liabilities	15,839,335	15,173,657
Deferred inflows of resources		
Unearned income	39,531	2,452
Pension resources	35,802	1,064,042
Total deferred inflows of resources	75,333	1,066,494
NET POSITION:		
Invested in capital assets, net of related debt	3,883,765	3,743,347
Restricted for school lunch program	23,381	44,749
Restricted for debt service	148,099	250,763
Restricted for sinking fund	23,518	29,865
Unrestricted	(9,188,870)	(8,759,183)
Total net position	\$ (5,110,107)	\$ (4,690,459)

The notes to the financial statements are an integral part of this statement.

**BRITTON DEERFIELD SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Totals Governmental Activities</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Net Expense Revenue and Changes in Net position</u>	
				<u>2016</u>	<u>2015</u>
Governmental activities:					
Instruction	\$ 4,494,076		\$ 388,207	\$ (4,105,869)	\$ (3,960,735)
Support services	2,249,209		32,875	(2,216,334)	(2,238,523)
Food services	355,818	147,097	193,381	(15,340)	4,514
Athletics	249,903	51,996		(197,907)	(167,895)
Interest on long term debt	161,907			(161,907)	(177,948)
Other	51,375			(51,375)	(22,701)
Unallocated depreciation	302,974			(302,974)	(303,001)
Total governmental activities	<u>\$ 7,865,262</u>	<u>\$ 199,093</u>	<u>\$ 614,463</u>	<u>\$ (7,051,706)</u>	<u>\$ (6,866,289)</u>
General revenues:					
Property taxes, levied for general purposes				\$ 337,818	\$ 322,234
Property taxes, levied for debt service				531,355	486,032
Investment earnings				3,387	1,550
State sources				5,263,770	5,472,704
Intermediate sources				384,214	256,098
Preschool/Kids care				48,122	40,427
Other				63,392	44,855
Total general revenues				<u>6,632,058</u>	<u>6,623,900</u>
Change in Net position				(419,648)	(242,389)
Net position, beginning of year				(4,690,459)	(4,448,070)
Net position, end of year				<u>\$ (5,110,107)</u>	<u>\$ (4,690,459)</u>

The notes to the financial statements are an integral part of this statement.

**BRITTON DEERFIELD SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016 AND 2015**

	<u>General Fund</u>	<u>Governmental Funds</u>	<u>Funds</u>	
			<u>2016</u>	<u>2015</u>
ASSETS:				
Cash and cash equivalents	\$ 221,734	\$ 252,523	\$ 474,257	\$ 700,172
Investments	417,240		417,240	743,333
Accounts receivable	198,906		198,906	176,367
Taxes receivable			-	-
Interfund receivable	5,000	141,043	146,043	26,264
Due from other governmental units	985,888	2,319	988,207	1,016,470
Prepaid expenditures		863	863	1,198
	<u>1,828,768</u>	<u>396,748</u>	<u>2,225,516</u>	<u>2,663,804</u>
Total assets	<u>\$ 1,828,768</u>	<u>\$ 396,748</u>	<u>\$ 2,225,516</u>	<u>\$ 2,663,804</u>
LIABILITIES:				
Accounts payable	\$ 115,201		\$ 115,201	\$ 36,051
State aid loan payable	737,495		737,495	760,338
Interfund payable		146,043	146,043	26,264
Salaries payable	451,501	4,712	456,213	479,878
Accrued expenditures	180,645	1,575	182,220	274,183
	<u>1,484,842</u>	<u>152,330</u>	<u>1,637,172</u>	<u>1,576,714</u>
Total liabilities	<u>1,484,842</u>	<u>152,330</u>	<u>1,637,172</u>	<u>1,576,714</u>
Deferred inflows of resources				
Unearned income	37,214	2,317	39,531	2,452
	<u>37,214</u>	<u>2,317</u>	<u>39,531</u>	<u>2,452</u>
FUND BALANCES:				
Restricted				
School lunch program		23,381	23,381	44,749
Debt service		165,268	165,268	264,142
Capital outlay		53,452	53,452	59,798
Assigned, reported in:				
General fund			-	500,000
Unassigned, reported in:				
General fund	306,712		306,712	215,949
	<u>306,712</u>	<u>242,101</u>	<u>548,813</u>	<u>1,084,638</u>
Total fund balances	<u>306,712</u>	<u>242,101</u>	<u>548,813</u>	<u>1,084,638</u>
Total liabilities , deferred inflows of resources and fund balances	<u>\$ 1,828,768</u>	<u>\$ 396,748</u>	<u>\$ 2,225,516</u>	<u>\$ 2,663,804</u>

The notes to the financial statements are an integral part of this statement.

**BRITTON DEERFIELD SCHOOLS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2016</u>	<u>2015</u>
Total governmental fund balances	\$ - \$ 548,812	\$ - \$ 1,084,638
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of capital assets is	15,474,547	15,474,547
The accumulated depreciation is	<u>(8,165,715)</u>	<u>(7,862,741)</u>
	7,308,832	7,611,806
Deferred outflows of pension	1,370,032	1,257,775
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		
Due from other governments	46,225	40,963
Accrued interest receivable on defeased bonds	-	1,608
Net proportionate share of pension liability	(10,808,873)	(9,624,941)
Deferred inflows of pension income	(35,802)	(1,064,042)
Long term liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds payable	(3,455,000)	(3,900,000)
Interest payable on long-term debt	(17,169)	(13,379)
Compensated absences	<u>(67,164)</u>	<u>(84,887)</u>
Net position of governmental activities	<u>\$ (5,110,107)</u>	<u>\$ (4,690,459)</u>

The notes to the financial statements are an integral part of this statement.

BRITTON DEERFIELD SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds	
			2016	2015
REVENUES:				
Local sources:				
Property taxes	\$ 337,818	\$ 531,355	\$ 869,173	\$ 808,266
Investment earnings	3,369	18	3,387	1,550
Food sales		147,097	147,097	172,759
Athletics	51,996		51,996	39,886
Preschool/Kids care	48,122		48,122	40,427
Special Education reimbursements	237,489		237,489	234,496
Other	44,616	15,977	60,593	44,855
Total local sources	723,410	694,447	1,417,857	1,342,239
State sources	5,370,039	12,660	5,382,699	5,591,633
Federal sources	89,883	193,382	283,265	192,830
Intermediate sources	591,221		591,221	517,363
Total revenues	6,774,553	900,489	7,675,042	7,644,065
EXPENDITURES:				
Current:				
Instruction	4,712,449		4,712,449	4,611,184
Support services	2,245,384		2,245,384	2,276,430
Food service activities		354,194	354,194	363,373
Athletic activities	248,756		248,756	206,636
Capital outlay		14,430	14,430	41,130
Debt service:				
Interest and fees		158,117	158,117	179,348
Total expenditures	7,206,589	526,741	7,733,330	7,678,101
Excess (deficiency) of revenues over (under) expenditures	(432,036)	373,748	(58,288)	(34,036)
OTHER FINANCING SOURCES (USES):				
Bond proceeds		3,310,000	3,310,000	-
Proceeds to escrow agent		(3,416,942)	(3,416,942)	-
Net bond premium and fees		31,605	31,605	-
Redemption of principal	-	(405,000)	(405,000)	(390,000)
Prior year revenue	2,799		2,799	-
Indirect cost transfer	20,000	(20,000)	-	-
Transfers in	-	279,043	279,043	-
Transfers out	-	(279,043)	(279,043)	-
Total other financing sources (uses)	22,799	(500,337)	(477,538)	(390,000)
Net change in fund balances	(409,237)	(126,589)	(535,826)	(424,036)
Fund balances:				
Beginning of year	715,949	368,689	1,084,638	1,508,674
End of year	\$ 306,712	\$ 242,100	\$ 548,812	\$ 1,084,638

The notes to the financial statements are integral part of this statement.

BRITTON DEERFIELD SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	2016	2015
Net change in fund balances total governmental funds	\$ (535,826)	\$ (424,036)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures in the statement of revenues, expenditures, and changes in fund balances. These costs are allocated over their estimated useful lives as depreciation on the statement of activities.		
Depreciation expense	(302,974)	(303,001)
Capital outlay	-	20,036
Deferred outflows	-	560,140
Accrued interest on bonds and other long-term obligations is recorded in the statement of activities when incurred, it is not recorded in the governmental funds until it is paid.		
Accrued interest payable beginning of year	13,379	14,779
Accrued interest payable end of year	(17,169)	(13,379)
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds:		
Special education revenue from the Lenawee Intermediate School District	5,262	(25,435)
Accrued interest receivable on defeased bonds	(1,608)	(1,607)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		
	445,000	390,000
Deferred outflows of pension resources	112,257	(1,064,042)
Net proportionate share of pension liability	(155,692)	614,762
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:		
Accrued compensated absences beginning of year	84,887	74,281
Accrued compensated absences end of year	(67,164)	(84,887)
Change in net position of governmental activities	\$ (419,648)	\$ (242,389)

The notes to the financial statements are an integral part of this statement.

**BRITTON DEERFIELD SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
	<u>2016</u>		<u>2015</u>	
ASSETS:				
Cash and cash equivalents	\$ -	\$ 163,057	\$ 41,942	\$ 206,789
Total assets	<u>\$ -</u>	<u>\$ 163,057</u>	<u>\$ 41,942</u>	<u>\$ 206,789</u>
LIABILITIES AND NET POSITION:				
LIABILITIES:				
Due to student groups	\$ -	\$ 163,057	\$ -	\$ 194,425
Due to others	-	-	-	12,364
Total liabilities	<u>-</u>	<u>163,057</u>	<u>-</u>	<u>206,789</u>
NET POSITION:				
Reserved for scholarships - expendable	-	-	41,942	-
Total liabilities and net position	<u>\$ -</u>	<u>\$ 163,057</u>	<u>\$ 41,942</u>	<u>\$ 206,789</u>

The notes to the financial statements are an integral part of this statement.

BRITTON DEERFIELD SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	Total Private Purpose Trust Funds	
	2016	2015
ADDITIONS		
Investment earnings	\$ -	\$ 6
Contributions	1,670	38,440
	1,670	38,446
Total additions	1,670	38,446
DEDUCTIONS:		
Scholarships awarded	5,750	16,850
Transferred to Lenawee Community Foundation	37,862	
	43,612	16,850
Total deductions	43,612	16,850
Change in net position	(41,942)	21,596
NET POSITION:		
Beginning of year	41,942	20,346

The notes to the financial statements are an integral part of this statement.

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District is governed by the Board of Education (the "Board") of Britton Deerfield Schools, which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government-Wide And Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. 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.

Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental activities column of the statement of net position. Amounts reported in the funds as receivable from or payable to fiduciary funds are included in the statement of net position as receivable from or payable to external parties, rather than as internal balances. Therefore, all internal balances are eliminated in the total primary government column.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net position, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts – invested in capital assets net of related debt; restricted net position; and unrestricted net position.

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

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 by related program revenues and operating 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, intermediate district sources, interest income, and other revenues).

The District does not allocate indirect costs.

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

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

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds. Effective July 1, 2010, the school district has implemented their Fund Balance Policy in Accordance with GASB Statement No. 54 as follows:

Purpose. The following policy has been adopted by the Board of Education in order to address the implications of Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the District and jeopardize the continuation of necessary public services. This policy will ensure that the District maintains adequate fund balances and reserves in order to:

- a. Provide sufficient cash flow for daily financial needs,
- b. Secure and maintain investment grade bond ratings,
- c. Offset significant economic downturns or revenues shortfalls and,
- d. Provide funds for unforeseen expenditures related to emergencies.

This policy and the procedures promulgated under it supersede all previous regulations regarding the District's fund balance and reserve policies.

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Fund type definitions. The following definitions will be used in reporting activity in governmental funds across the District. The District may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

- The general fund is used to account for all financial resources not accounted for and reported in another fund.
- Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.
- Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.
- Capital projects funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.
- Permanent funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the District's purposes.

Fund balance reporting in governmental funds. Fund balance will be reported in governmental funds under the following categories:

Nonspendable fund balance

Definition – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact.

Classification – Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):

- The District will maintain a fund balance equal to the balance of any long-term outstanding balances due from others (including other funds of the government).
- The District will maintain a fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset with liabilities and actually result in fund balance).
- The District will maintain a fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained in-tact.
- The District will maintain a fund balance equal to the balance of any land or other nonfinancial assets held for sale.

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Restricted fund balance

Definition – includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers; or through enabling legislation.

Committed fund balance

Definition – includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority (i.e., the Board of Education).

Authority to Commit – Commitments will only be used for specific purposes pursuant to a formal action of the Board of Education. A majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment.

Assigned fund balance

Definition – includes amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Authority to Assign – The Board of Education delegates to the Superintendent or his/her/their designee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned fund balance

Definition – includes the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Operational guidelines. The following guidelines address the classification and use of fund balance in governmental funds:

Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

Encumbrance reporting – Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate.

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Prioritization of fund balance use – When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the District to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the District that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

The District reports the following major governmental fund:

The *General Fund*

Other Non-major Funds

The *Special Revenue Fund*

The *Debt Service Funds* and

The *Capital Projects Funds*

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust Funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary Funds are not included in the government-wide statements.

The *Private Purpose Trust Fund* is accounted for using the accrual method of accounting. Private Purpose Trust Funds account for assets where both the principal and interest may be spent. These funds are not reported on the District financial statements.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency Funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Basis of Presentation
(Continued)**

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2016, the foundation allowance was based on pupil membership counts taken in February and September of 2015.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2015 to August 2016. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Codification I50 Para 105-119, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.

The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The District has adopted a deposit and investment policy in accordance with GASB Codification I50 Para 105-119.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2016, the District levied the following amounts per \$1,000 of assessed valuation.

Fund	Mills
General Fund - Non Personal Residence and commercial property	18.0
2005 Refunding Deerfield Debt - total taxable value	2.40
2000 Britton Debt - total taxable value	1.50
2006 Britton Debt - total taxable value	2.47

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Inventories and Prepaid Expenditures

Inventories are valued at cost (first-in, first-out). Inventories in the Special Revenue Fund consisting of expendable supplies held for consumption, are recorded as expenditures when consumed or used rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

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

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

Buildings and additions	50 years
Furniture and equipment	5 – 20 years
Transportation equipment	3 – 7 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

5. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

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 (expenses/expenditure) until then.

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 so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues primarily from one source; receipts that exceeded 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund.

The District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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

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

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent and Business Manager are authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. The budget was amended during the year with supplemental appropriation, the last one approved prior to June 30, 2016. The District does not consider these amendments to be significant.

NOTE 3. DEPOSITS AND INVESTMENTS – CREDIT RISK

Deposits

Custodial Credit Risk-Deposits. Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the District. The District does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$ 357,082 of the District's bank balance of \$ 1,060,563 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 357,082</u>
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Investments

The District's sole investment is in the Michigan Liquid Asset Fund (MILAF) through PFM Asset Management, LLC. This investment is not exposed to any risks subject to disclosure as required by GASB Statement No. 40. MILAF is a local government investment pool. MILAF may only invest in instruments as authorized by Sections 622, 1221 and 1223 of the Michigan school code.

Credit Risk: The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a credit risk policy. The MILAF investment is rated AAAM by Standard & Poor's Ratings Services.

Interest Rate Risk: The risk that changes in the interest rates will adversely affect the fair value of an investment. The District does not have an interest rate risk policy. The weighted average maturity of the MILAF portfolio at June 30, 2016 is less than 60 days.

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4. INTERGOVERNMENTAL RECEIVABLES

Due from governmental units June 30, 2016 consist of the following:

Intergovernmental:	
State Aid	\$ 984,176
Federal revenue	4,031
	<u>988,207</u>
	<u>\$ 988,207</u>

No allowance for doubtful accounts is considered necessary.

NOTE 5. CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental activities:				
Assets not being depreciated:				
Land	\$ 71,075			\$ 71,075
Capital assets being depreciated:				
Land improvements	\$ 141,902	\$ -	\$ -	\$ 141,902
Buildings and improvements	10,966,167	-	-	10,966,167
Machinery, equipment & furniture	2,877,030	-	-	2,877,030
Property in open	864,159	-	-	864,159
Transportation equipment	554,214	-	-	554,214
Depreciable capital assets	15,403,472	-	-	15,403,472
Less accumulated depreciation for:				
Land improvements	128,210	1,595	-	129,805
Buildings and improvements	4,164,150	196,540	-	4,360,690
Machinery, equipment & furniture	2,645,924	32,764	-	2,678,688
Property in open	465,974	38,206	-	504,180
Transportation equipment	458,483	33,868	-	492,351
Total accumulated depreciation	7,862,741	302,973	-	8,165,714
Governmental activities capital assets being depreciated, net	7,540,731	(302,973)	-	7,237,758
Governmental activities capital assets, net	\$ 7,611,806	\$ (302,973)	\$ -	\$ 7,308,833

Depreciation is computed by the straight line method for all classes of assets. Depreciation for the fiscal year ended June 30, 2016 amounted to \$302,973. The District determined that it was impractical to allocate depreciation and amortization to the various governmental activities as the assets serve multiple functions.

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6. LONG-TERM DEBT

The School District has authorized refunding bonds, dated May 15, 2005, for the purpose of refunding a portion of a prior bond issue of the Deerfield School District. The bonds were issued for \$1,345,000 at an interest rate ranging from 3.0% to 4.2%. The net present value of the savings is \$2,451 or 5.02% of refunded maturities.

These bonds are in compliance with Section 380.1212 of the Revised School Code.

On February 10, 2016, the School District issued \$3,310,000 in General Obligation Bonds with an average interest rate of 2.02% to advance refund \$2,690,000 of outstanding 2006 Refunding Bonds and \$925,000 of outstanding 2005 Building and Site Bonds, with a average interest rates of 4.1% and 4.00%, respectively.

The net proceeds of \$3,416,942 (after payment of \$31,058 in underwriting fees, and other insurance costs) together with \$138,000 from the 2006 Debt Fund were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the callable 2006 Refunding Bonds and 2005 Building and Site Bonds. As a result, the callable 2006 Refunding Bonds and the 2005 Building and Site Bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt. The net present value savings of the refunding is approximately \$335,800. These bonds are in compliance with Section 380.1212 of the District Revised School Code.

A schedule of the 2005 refunding bond issued for Deerfield is as follows:

Year Ended June 30	Interest Rate	Principal Due May 1	Interest Due		Total Due
			November 1	May 1	
2017	4.20%	145,000	3,045	3,045	151,090
		\$ 145,000	\$ 3,045	\$ 3,045	\$ 151,090

A schedule of the 2016 refunding bond issue for Britton is as follows:

Year Ended June 30	Interest Rate	Principal Due May 1	Interest Due		Total Due
			November 1	May 1	
2017	2.000%	305,000	48,461	33,550	387,011
2018	2.000%	310,000	30,500	30,500	371,000
2019	2.000%	315,000	27,400	27,400	369,800
2020	2.000%	320,000	24,250	24,250	368,500
2021	2.000%	325,000	21,050	21,050	367,100
2022	2.000%	335,000	17,800	17,800	370,600
2023	2.000%	340,000	14,450	14,450	368,900
2024	2.000%	345,000	11,050	11,050	367,100
2025	2.000%	355,000	7,600	7,600	370,200
2026	2.000%	360,000	4,050	4,050	368,100
		\$ 3,310,000	\$ 206,611	\$ 191,700	\$ 3,708,311

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6. LONG-TERM DEBT (Continued)

The following is a schedule of the governmental long term obligations for the District for the year ended June 30, 2016:

	2005 Refunding Bonds Deerfield	2005 Refunding Bonds Britton	2006 Building and Site Bonds-Britton	2016 Refunding Bonds Britton	Compensated Absences	Total
Balance July 1, 2015	\$ 285,000	\$ 925,000	\$ 2,690,000	\$ -	\$ 84,887	\$ 3,984,887
Additions	-	-	-	3,310,000	-	3,310,000
Deletions	140,000	925,000	2,690,000	-	17,723	3,772,723
Balance June 30, 2016	145,000	-	-	3,310,000	67,164	3,522,164
Less: current portion	145,000	-	-	305,000	-	450,000
Total due after one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,005,000</u>	<u>\$ 67,164</u>	<u>\$ 3,072,164</u>

The debt service requirements of governmental activities at June 30, 2016 were as follows:

Year Ended June 30,	Principal	Interest	Total
2017	450,000	88,101	538,101
2018	310,000	61,000	371,000
2019	315,000	54,800	369,800
2020	320,000	48,500	368,500
2021	325,000	42,100	367,100
2022-2026	1,735,000	109,900	1,844,900
	<u>\$ 3,455,000</u>	<u>\$ 404,401</u>	<u>\$ 3,859,401</u>

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7. EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN

ORGANIZATION

The Michigan Public School Employees' Retirement System (MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System. The systems' financial statements are available at www.michigan.gov/MPERS_caf

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.5 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Member Contributions

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

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7. EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN (Continued)

ORGANIZATION (Continued)

Member Contributions (Continued)

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

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Their options are described in detail under Pension Reform 2012 beginning on page 23. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

Employee Contributions

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits.

Basis of Accounting and Presentation

The System's financial statements are prepared using the accrual basis of accounting. Contributions from the employers are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of the System. The reserves are described below and details are provided in the supporting schedules.

GASB Statement No. 67, which was adopted during the year ended September 30, 2015, addresses accounting and financial reporting requirements for pension plans. The requirements for GASB Statement No. 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information. Significant changes include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures. The implementation of GASB Statement No. 67 did not significantly impact the accounting for accounts receivable and investment balances.

Property and Equipment

Office space is leased from the State on a year to year basis. Office equipment is capitalized if the value exceeds \$5,000. These assets are recorded at cost and are reported net of depreciation in the Statement of Pension Plan and Other Postemployment Benefit Plan Fiduciary Net Position. Such assets are depreciated on a straight-line basis over 10 years. As

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7. EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN (Continued)

Property and Equipment (Continued)

of September 30, 1998, all capitalized equipment was fully depreciated. No additional equipment has been capitalized for the System since that date.

Related Party Transactions

Leases and Services - The System leases operating space and purchases certain administrative, data processing, legal and investment services from the State. The space and services are not otherwise available by competitive bid. The schedule below summarizes costs incurred by the System for such services.

CONTRIBUTIONS AND FUNDING STATUS

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the 2015 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0 %	22.52 - 23.07 %
Member Investment Plan	3.0 - 7.0	22.52 - 23.07
Pension Plus	3.0 - 6.4	21.99
Defined Contribution	0.0	17.72 - 18.76

Required contributions from Britton Deerfield Schools were \$853,703 for the year ended September 30, 2015.

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7. EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN (Continued)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2015, the Britton Deerfield Schools reported a liability of \$10,808,873 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The Britton Deerfield Schools's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, Britton Deerfield Schools's proportion was .04425 percent, which was a decrease of .001497 percent from its proportion measured as of September 30, 2014.

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended June 30, 2016 the Reporting Unit recognized total pension expense of \$952,562. At June 30, 2016 the Reporting Unit 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	\$ -	\$ 35,802
Changes of assumptions	266,137	-
Net difference between projected and actual earnings on pension plan investments	55,171	-
Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions	144,848	-
Reporting Unit contributions subsequent to the measurement date	<u>903,876</u>	<u>-</u>
Total	\$ <u>1,370,032</u>	\$ <u>35,802</u>

Plan Year ended September 30

2015	\$ (69,312)
2016	\$ (69,312)
2017	\$ (54,882)
2018	\$ (236,848)

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7. EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN (Continued)

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

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

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

Discount Rate

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As required by GASB Statement No. 68, the following presents the reporting unit's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the reporting unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7. EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN (Continued)

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
\$13,935,408	\$10,808,873	\$8,173,076

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions

Wage Inflation Rate:	3.50%
Investment Rate of Return	
- MIP and Basic Plans (Non-Hybrid):	8.00%
- Pension Plus Plan (Hybrid):	7.00%
Projected Salary Increases:	3.5% to 12.3% including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate:	8.5% Year 1 graded to 3.5% Year 12

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

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2015 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8. INTERFUND BALANCES AND TRANSFERS

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All balances at June 30, 2016 are expected to be repaid within the next fiscal year.

A schedule of interfund balances follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Major	5,000	Nonmajor	146,043
Nonmajor	<u>141,043</u>		
	<u>\$ 146,043</u>		<u>\$ 146,043</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

A schedule of interfund transfers follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Nonmajor	<u>\$ 279,043</u>	Nonmajor	<u>\$ 279,043</u>

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. The premiums are based on the ultimate cost of the experience to date of the participating members of the risk pool. The District cannot estimate losses from reported and unreported claims at June 30, 2015. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2016 or any of the prior three years.

NOTE 10. CONTINGENCIES

The District had no contingencies at June 30, 2016.

**BRITTON DEERFIELD SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 11. AT RISK

During the year, the School District received State categorical aid for at risk students, which amounted to \$118,929. The School District split all of these funds for at risk students

NOTE 12. SHORT-TERM DEBT - STATE AID NOTES

State School aid anticipation notes are issued under the provisions of Section 1225 of Act 451, Public Acts of Michigan, and Act 34 of Michigan for the purpose of providing money for school operations. The District has pledged its state aid as collateral. In the event of unavailability or insufficiency of State school aid, the note is payable from taxes levied by the District. The interest rate ranges from .760% to 1.47% and the maturity date is July 20, 2016. The interest expense related to this note at June 30, 2016 is \$ 7,073.

Short-term debt activity for the fiscal year ended June 30, 2016 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
State aid anticipated note	\$ 760,338	\$ 1,300,000	\$ 1,322,843	\$ 737,495

NOTE 13. NET POSITION RESTRICTED BY ENABLING LEGISLATION:

The government-wide statement of net position reports \$194,998 of restricted net position at June 30, 2016, all of which is restricted by enabling legislation.

NOTE 14. SUBSEQUENT EVENTS

The School District has reviewed subsequent events from June 30, 2016 to the date that the financial statements were available on October 27, 2016, and determined that no additional disclosures need be made.

BRITTON DEERFIELD SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

NOTE 1: CHANGES OF BENEFIT TERMS

There were no changes of benefit terms in 2015.

NOTE 2: CHANGES OF ASSUMPTIONS

There were no changes of benefit assumptions in 2015.

**BRITTON DEERFIELD SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Local sources	\$ 448,255	\$ 741,100	\$ 723,410	\$ (17,690)
State sources	5,433,504	5,402,858	5,370,039	(32,819)
Federal sources	66,549	75,000	89,883	14,883
Intermediate sources	870,505	580,000	591,221	11,221
Total revenues	<u>6,818,813</u>	<u>6,798,958</u>	<u>6,774,553</u>	<u>(24,405)</u>
EXPENDITURES:				
Instruction				
Basic programs	3,555,564	3,555,400	3,540,033	15,367
Added needs	1,094,988	1,192,320	1,172,416	19,904
Total instruction	<u>4,650,552</u>	<u>4,747,720</u>	<u>4,712,449</u>	<u>35,271</u>
Support services				
Pupil	235,481	235,481	232,737	2,744
Instructional staff	46,474	67,936	56,080	11,856
General administration	266,655	274,155	272,856	1,299
School administration	510,644	498,644	497,555	1,089
Business	101,548	95,000	93,943	1,057
Operation and maintenance	738,388	697,448	679,317	18,131
Pupil transportation	338,197	336,305	332,753	3,552
Central	121,500	35,000	33,658	1,342
Other	40,709	50,000	45,500	4,500
Other - athletics	210,005	250,729	248,756	1,973
Community service	1,000	1,000	985	15
Total support services	<u>2,610,601</u>	<u>2,541,698</u>	<u>2,494,140</u>	<u>47,558</u>
Total expenditures	<u>7,261,153</u>	<u>7,289,418</u>	<u>7,206,589</u>	<u>82,829</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(442,340)</u>	<u>(490,460)</u>	<u>(432,036)</u>	<u>58,424</u>
OTHER FINANCING SOURCES (USES):				
Prior year revenue			2,799	2,799
Indirect cost transfer	-	23,000	20,000	(3,000)
Total other financing sources (uses)	<u>-</u>	<u>23,000</u>	<u>22,799</u>	<u>(201)</u>
Net change in fund balances	(442,340)	(467,460)	(409,237)	58,223
Fund balances:				
Beginning of year			<u>715,949</u>	
End of year			<u>\$ 306,712</u>	

See notes to financial statements.

**BRITTON DEERFIELD SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT PLAN
LAST 10 REPORTING UNIT FISCAL YEARS (AMOUNT DETERMINED AS OF 6/30 OF EACH YEAR)**

	<u>2016</u>	<u>2015</u>
A. Statutorily required contributions	\$ 853,703	\$ 808,326
B. Contributions in relation to statutorily required contributions	<u>853,703</u>	<u>808,326</u>
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
D. Reporting unit's covered-employee payroll	\$ 3,328,195	\$ 3,850,746
E. Contributions as a percentage of covered-employee payroll	25.65%	20.99%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is built prospectively. Ultimately, 10 years of data will be presented.

**BRITTON DEERFIELD SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY
MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNT DETERMINED AS OF 9/30 OF EACH YEAR)**

	<u>2015</u>	<u>2014</u>
A. Reporting unit's proportion of net pension liability (%)	0.04425%	0.04370%
B. Reporting unit's proportionate share of net pension liability	10,808,873	9,624,941
C. Reporting unit's covered employee payroll	3,752,650	3,850,746
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	288.033%	249.95%
E. Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is built prospectively. Ultimately, 10 years of data will be presented.



**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
Britton Deerfield Schools
Britton, 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 Britton Deerfield Schools (the "School District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 27, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Britton Deerfield Schools' internal control over financial reporting 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 the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's 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 School District'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 charge 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control that we considered to be significant deficiencies.

To the Board of Education
Britton Deerfield Schools
Britton, Michigan

2016-1 Segregation of Duties

Criteria: Adequate segregation of duties for the School District is necessary to minimize the likelihood that fraud or errors could occur and not be detected.

Condition: The School District has not achieved a complete segregation of duties among employees who have both access to assets and accounting responsibilities

Cause: The small size of the business office staff creates an inherent lack of segregation of duties.

Identification of repeat finding. This is a repeat finding from the immediate previous audit 2015-1

Effect: As a result of this condition, the School District lacks proper segregation of duties and is exposed to an increased risk of misstatement of its financial statements.

Management's Response: The School District has evaluated the manner in which they segregate duties and has implemented certain measures. However, the cost associated with adding additional staff to achieve a complete segregation is not justified by the expected benefits.

2016 – 2 Preparation of Financial Statements and Footnotes in accordance with GAAP

Criteria: Adequate design of internal control over the complete preparation of the financial statements and footnotes being audited.

Cause: The District does not have personnel with level of knowledge to update the footnotes completely.

Identification of repeat finding. This is a repeat finding from the immediate previous audit 2015-2

Effect: The District's design uses a template to prepare the financial statements, and prepares the footnotes with the best available information, however, may not be able to detect and correct misstatements timely.

Recommendation: From information gleaned from various seminars attended, consider gathering information on footnotes that will fit the School's needs, and apply appropriately.

Management's Response: The School District has evaluated the manner in which they prepare the financial statements and footnotes to those financial statements and will attempt to follow the recommendation made. However, the cost associated with this is not justified by the expected benefits.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the School District's financial statements are free from 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.

To the Board of Education
Britton Deerfield Schools
Britton, Michigan

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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker, Eaton & Owen
Adrian, Michigan

October 27, 2016

**BRITTON DEERFIELD SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015**

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds	
				2016	2015
ASSETS:					
Cash and cash equivalents	\$ 33,803	\$ 165,268	\$ 53,452	\$ 252,523	\$ 387,607
Due from other funds	-	141,043	-	141,043	7,327
Due from other governmental units	2,319	-	-	2,319	-
Taxes receivable	-	-	-	-	-
Inventory	863	-	-	863	1,198
Prepaid interest	-	-	-	-	-
Total assets	<u>\$ 36,985</u>	<u>\$ 306,311</u>	<u>\$ 53,452</u>	<u>\$ 396,748</u>	<u>\$ 396,132</u>
LIABILITIES AND FUNDS BALANCES:					
LIABILITIES:					
Due to other funds	\$ 5,000	\$ 141,043	\$ -	\$ 146,043	\$ 18,937
Salaries payable	4,712	-	-	4,712	4,537
Accrued expenditures	1,575	-	-	1,575	1,517
Total liabilities	<u>11,287</u>	<u>141,043</u>	<u>-</u>	<u>152,330</u>	<u>24,991</u>
Deferred inflows and Resources:					
Unearned revenue	2,317	-	-	2,317	2,452
FUND BALANCES:					
Restricted					
School lunch program	23,381	-	-	23,381	44,749
Debt service	-	165,268	-	165,268	264,142
Capital outlay	-	-	53,452	53,452	59,798
Total fund balances	<u>23,381</u>	<u>165,268</u>	<u>53,452</u>	<u>242,101</u>	<u>368,689</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 36,985</u>	<u>\$ 306,311</u>	<u>\$ 53,452</u>	<u>\$ 396,748</u>	<u>\$ 396,132</u>

See notes to financial statements.

BRITTON DEERFIELD SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Funds 2016</u>	<u>Total Nonmajor Governmental 2015</u>
REVENUES:					
Local sources:					
Property taxes		\$ 531,355		\$ 531,355	\$ 486,032
Investment earnings		18		18	103
Food sales	147,097			147,097	172,759
Other	7,770	8,207		15,977	4,204
Total local sources	154,867	539,580	-	694,447	663,098
State sources	12,660	-	-	12,660	12,546
Federal sources	193,382	-	-	193,382	192,830
Total revenues	360,909	539,580	-	900,489	868,474
EXPENDITURES:					
Current:					
Food service activities	354,194	-	-	354,194	363,373
Capital outlay	8,083	-	6,347	14,430	6,311
Debt service:					
Interest and fees	-	158,117	-	158,117	179,348
Total expenditures	362,277	158,117	6,347	526,741	549,032
Excess (deficiency) of revenues over (under) expenditures	(1,368)	381,463	(6,347)	373,748	319,442
OTHER FINANCING SOURCES (USES):					
Redemption of principal	-	(405,000)	-	(405,000)	(390,000)
Bond proceeds		3,310,000		3,310,000	
Proceeds to escrow agent		(3,416,942)		(3,416,942)	
Net bond premium and fees		31,605		31,605	
Transfers in		279,043		279,043	
Transfers out		(279,043)		(279,043)	
Indirect cost transfer	(20,000)	-	-	(20,000)	-
Total other financing sources (uses)	(20,000)	(480,337)	-	(500,337)	(390,000)
Net change in fund balances	(21,368)	(98,874)	(6,347)	(126,589)	(70,558)
Fund balances:					
Beginning of year	44,749	264,142	59,798	368,689	439,247
End of year	<u>\$ 23,381</u>	<u>\$ 165,268</u>	<u>\$ 53,451</u>	<u>\$ 242,100</u>	<u>\$ 368,689</u>

See notes to financial statements.

**BRITTON DEERFIELD SCHOOLS
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUND
 BALANCE SHEET
 FOR THE YEAR ENDED JUNE 30, 2016
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2015**

	School Lunch	
	2016	2015
ASSETS:		
Cash and cash equivalents	\$ 33,803	\$ 65,217
Due from other funds	-	5,777
Due from other governmental units	2,319	-
Inventory	863	1,198
Total assets	\$ 36,985	\$ 72,192
LIABILITIES:		
Due to other funds	\$ 5,000	\$ 18,937
Salaries payable	4,712	4,537
Accrued expenditures	1,575	1,517
Total liabilities	11,287	24,991
Deferred inflows of Resources		
Unearned revenue	2,317	2,452
FUND BALANCE:		
Restricted		
School lunch program	23,381	44,749
Total fund balances	23,381	44,749
Total liabilities, deferred inflows of resources and fund balance	\$ 36,985	\$ 72,192

See notes to financial statements.

BRITTON DEERFIELD SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	School Lunch	
	2016	2015
REVENUES:		
Local sources:		
Food sales	\$ 147,097	\$ 172,759
Investment earnings	-	19
Other	7,770	4,204
Total local sources	154,867	176,982
State sources	12,660	12,546
Federal sources	193,382	192,830
Total revenues	360,909	382,358
EXPENDITURES:		
Cost of goods sold - net	176,350	186,849
Salaries and wages	122,460	120,734
Employee benefits	40,892	40,223
Contracted services	4,455	1,490
Travel, workshops and conferences	395	321
Materials and supplies	376	3,146
Capital outlay	8,083	4,085
Miscellaneous	9,266	6,525
Total expenditures	362,277	363,373
Excess (deficiency) of revenues over (under) expenditures	(1,368)	18,985
OTHER FINANCING SOURCES (USES):		
Indirect cost transfer	(20,000)	-
Total other financing sources (uses)	(20,000)	-
Net change in fund balances	(21,368)	18,985
Fund balance:		
Beginning of year	44,749	25,764
End of year	\$ 23,381	\$ 44,749

See notes to financial statements.

**BRITTON DEERFIELD SCHOOLS
COMBINING BALANCE SHEET
DEBT FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015**

	<u>2005 Refunding Debt Deerfield</u>	<u>2005 Refunding Debt Britton</u>	<u>2006 Building and Site Debt</u>	<u>2016 Refunding Bonds Debt</u>	<u>Total</u>	
					<u>2016</u>	<u>2015</u>
ASSETS:						
Cash and cash equivalents	\$ 24,225	\$ 86,593	\$ 54,450	\$ -	\$ 165,268	\$ 262,592
Due from other funds		-		141,043	141,043	1,550
Total assets	<u>\$ 24,225</u>	<u>\$ 86,593</u>	<u>\$ 54,450</u>	<u>\$ 141,043</u>	<u>\$ 306,311</u>	<u>\$ 264,142</u>
LIABILITIES:						
Due to other funds	<u>\$ -</u>	<u>\$ 86,593</u>	<u>\$ 54,450</u>		<u>\$ 141,043</u>	<u>\$ -</u>
FUND BALANCE:						
Restricted						
Debt service	<u>24,225</u>	<u>-</u>	<u>-</u>	<u>141,043</u>	<u>165,268</u>	<u>264,142</u>
Total liabilities and fund balances	<u>\$ 24,225</u>	<u>\$ 86,593</u>	<u>\$ 54,450</u>	<u>\$ 141,043</u>	<u>\$ 306,311</u>	<u>\$ 264,142</u>

See notes to financial statements.

BRITTON DEERFIELD SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	2005 Refunding Debt Deerfield	2005 Refunding Debt Britton	2006 Building and Site Debt	2016 Refunding Bonds Debt	Total	
					2016	2015
REVENUES:						
Local sources:						
Taxes	\$ 152,079	\$ 157,590	\$ 221,686	\$ -	\$ 531,355	\$ 486,032
Investment earnings	7	8	3		18	36
Other	-	-	8,207		8,207	-
Total revenues	<u>152,086</u>	<u>157,598</u>	<u>229,896</u>	<u>-</u>	<u>539,580</u>	<u>486,068</u>
EXPENDITURES:						
Interest	11,830	24,100	58,984		94,914	177,348
Fees	200	40	300	62,663	540	2,000
Total expenditures	<u>12,030</u>	<u>24,140</u>	<u>59,284</u>	<u>62,663</u>	<u>158,117</u>	<u>179,348</u>
Excess (deficiency) of revenues over (under) expenditures	140,056	133,458	170,612	(62,663)	381,463	306,720
OTHER FINANCING SOURCES (USES):						
Redemption of principal	(140,000)	(140,000)	(125,000)		(405,000)	(390,000)
Bond proceeds				3,310,000	3,310,000	-
Proceeds to escrow agent				(3,416,942)	(3,416,942)	-
Net bond premium and fees				31,605	31,605	-
Transfers in				279,043	279,043	-
Transfers out		(86,593)	(192,450)		(279,043)	-
Total other financing sources (uses)	<u>(140,000)</u>	<u>(226,593)</u>	<u>(317,450)</u>	<u>203,706</u>	<u>(480,337)</u>	<u>(390,000)</u>
Net change in fund balances	56	(93,135)	(146,838)	141,043	(98,874)	(83,280)
Fund balances:						
Beginning of year	24,169	93,135	146,838	-	264,142	347,422
End of year	<u>\$ 24,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,043</u>	<u>\$ 165,268</u>	<u>\$ 264,142</u>

See notes to financial statements.

**BRITTON DEERFIELD SCHOOLS
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2015**

	2007 Sinking Fund	Building Capital Project	Total 2016	2015
ASSETS:				
Cash and cash equivalents	\$ 23,518	\$ 29,934	\$ 53,452	\$ 59,798
Total assets	\$ 23,518	\$ 29,934	\$ 53,452	\$ 59,798
FUND BALANCE:				
Restricted				
Capital outlay	23,518	29,934	53,452	59,798
Total liabilities and fund balances	\$ 23,518	\$ 29,934	\$ 53,452	\$ 59,798

See notes to financial statements.

BRITTON DEERFIELD SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	2007 <u>Sinking Fund</u>	Building <u>Capital Project</u>	<u>2016</u>	Total <u>2015</u>
REVENUES:				
Local sources:				
Investment earnings	\$ -	\$ -	\$ -	\$ 48
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>48</u>
EXPENDITURES:				
Capital outlay	<u>6,347</u>	<u>-</u>	<u>6,347</u>	<u>6,311</u>
Total expenditures	<u>6,347</u>	<u>-</u>	<u>6,347</u>	<u>6,311</u>
Excess (deficiency) of revenues over (under) expenditures	(6,347)	-	(6,347)	(6,263)
Fund balances:				
Beginning of year	<u>29,865</u>	<u>29,933</u>	<u>59,798</u>	<u>66,061</u>
End of year	<u>\$ 23,518</u>	<u>\$ 29,933</u>	<u>\$ 53,451</u>	<u>\$ 59,798</u>

See notes to financial statements.

**BRITTON DEERFIELD SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Balance July 1, 2015</u>	<u>Revenues and Transfers</u>	<u>Expenditures and Transfers</u>	<u>Balance June 30, 2016</u>
Moriarty Scholarship	\$ 8,748	\$ -	\$ 8,748	\$ -
Advance Diploma	11,014	1,670	12,684	-
Spaulding Education Fund	19,180	-	19,180	-
Frank Dick Scholarship	1,000	-	1,000	-
Monagin Scholarship	2,000	-	2,000	-
	<u>\$ 41,942</u>	<u>\$ 1,670</u>	<u>\$ 43,612</u>	<u>\$ -</u>

See notes to financial statements.

**BRITTON DEERFIELD SCHOOLS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
Cash and cash equivalents				
School activity accounts	\$ 194,425	\$ 207,162	\$ 244,102	\$ 157,485
Employee café plan	3,048	23,184	21,775	4,457
Britton parks and recreation	9,316	5,000	13,201	1,115
	<u>\$ 206,789</u>	<u>\$ 235,346</u>	<u>\$ 279,078</u>	<u>\$ 163,057</u>

See notes to financial statements.