BRECKENRIDGE COMMUNITY SCHOOL DISTRICT
Breckenridge, Michigan

Financial Statements
With Supplemental Information
June 30, 2016

Roslund Prestage & Company
Certified Public Accountants

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Breckenridge Community School District
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June 30, 2016

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Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Breckenridge Community School District

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 Breckenridge Community School District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2016, and the respective changes in financial position, 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, budgetary comparison and prospective 10-year trend information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.

October 24, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Breckenridge Community School District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2016. Please read this discussion and analysis in conjunction with the District's financial statement beginning on page 1.

I. Description of the Basic Financial Statements

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities on pages 1 and 2 provide information concerning the operation of the District as a whole. This reporting model takes into consideration the cost of capital assets of the district, as well as, reflects the District's operations on the accrual basis of accounting similar to that used in the private sector. Most notable is the fact that capital assets are not recorded as an expense at the time of purchase. Instead, under this model, capital assets are depreciated over their expected life. Accumulated depreciation is recorded as an offset to capital assets. This reporting model is intended to present a clearer picture of the cost of utilizing capital assets in the District's operations. This model generally has a long-term focus.

Fund Financial Statements

The Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance on pages 3 and 5 provide financial information for the individual governmental funds. The focus of this presentation is to present resources available at the beginning of the year, the receipt and use of resources during the year, and the balance of resources available at year-end to be used in future years. This model is referred to as modified accrual and is focused on available spendable resources. This model generally has a short-term focus.

Reconciliation

The statements on pages 4 and 6 reconcile the differences between the District-Wide Financial Statements and the Fund Financial Statements.

Trust and Agency Funds

The Statement of Net Position - Fiduciary Fund present the resource held for the benefit of other individuals and/or entities. These amounts are not reflected in the Government-Wide Financial Statements because these resources are not intended to be used to finance the operations of the District.

II. Condensed Government-Wide Financial Information

The change in assets, liabilities, and net position from the previous year for the government-wide financial statements were significant.

The decrease in capital assets net of depreciation indicates that capital assets are depreciating at a faster rate than they are being replaced. This was expected since the District does not make large purchases of fixed assets every year. There were capital assets purchased of $79,010 during the year while current year depreciation was $665,105.

The current liabilities decreased from the previous year by $596,994 as short term debt, or debt due within one year, has decreased because of the decreasing amount that the district needed to borrow for operations.

Noncurrent liabilities increased significantly due to the increase in net pension liability. Legislation was passed on June 25, 2012 effective for our fiscal year ending 6/30/2015 known as GASB 68. GASB 68 is an accounting standard that requires us to recognize and report a proportionate share of the state's pension plan liability (MPSERS) and pension expense within the restatement of our net position as of July 1, 2014. The net pension liability increased over prior year by $1,268,317, bringing our overall net position to ($6,002,424).

All information presented in Table 1 relates to governmental activities. The District does not have any business-type activities.

Table 1
Comparative Summary of Assets, Liabilities, and Net Position
At June 30, 2015 and 2016

	2016	2015	Difference
Current Assets	$ 3,439,806	$ 3,902,401	$ -462,595
Noncurrent Assets	6,996,125	7,583,809	-587,684
Total Assets	$ 10,435,931	$ 11,486,210	$ -1,050,279
Deferred Outflows of Resources	$ 1,309,464	872,631	$ 436,833
Current Liabilities	$ 2,724,332	$ 3,321,326	$ -596,994
Noncurrent Liabilities	14,726,118	14,126,455	599,663
Total Liabilities	$ 17,450,450	$ 17,447,781	$ 2,669
Deferred Inflows of Resources	$ 297,369	625,966	$ -328,597
Investment in Capital Assets			
(Net of Related Debt)	$ 1,606,754	$ 1,533,809	$ 72,945
Restricted	509,821	524,448	-14,627
Unrestricted	-8,118,999	-7,773,163	-345,836
Total Net Position	$ -6,002,424	$ -5,714,906	$ -287,518

Total revenues reported on the Statement of Activities varied slightly from the previous year, less than 1%.

Charges for Services increased substantially, by $56,624 or 56.2% year over year.

Operating Grants and Contributions decreased by $1,152,004 but because we moved a portion of the restricted state aid revenues down to non-restricted state aid revenues. Actual overall revenues per our state of activities fell only $76,090, or less than 1% year over year.

Property taxes decreased by $65,702 or 3.7% year over year.

Table 2

Comparative Summary of Program, General, and Total Revenues
Years Ended June 30, 2016 and 2015

	2016	2015	Difference
Charges for Services	$ 156,126	$ 100,502	$ 55,624
Operating Grants and Contributions	470,302	1,622,306	-1,152,004
Total Program Revenues	$ 626,428	$ 1,722,808	$ -1,096,380
Property Taxes	$1,709,701	$1,775,403	-$ 65,702
State Aid Not Restricted to Specific Purposes	5,191,670	4,554,321	637,349
Unrestricted Interest and Investment Earnings	3,752	4,356	-604
Restricted Interest and Investment Earnings	420	795	-375
Other	287,903	103,298	184,605
Total General Revenues	$7,193,446	$6,438,173	$ 755,273
Total Revenues	$7,819,874	$8,160,981	-$341,107

Total expenses vary from the previous year by $334,439. Most of these components that make up total expenses increased, with the exception of interest and fees on long term debt, as shown in Table 3.

Instruction costs increased from the previous year by $104,584 as we had higher costs in our teaching group and an increase in insurance costs.

The cost of **Support Services** increased during the year by $181,473 due to an increase in instructional staff support. Some of the areas that make up instructional staff support are counseling services, speech services, media and instruction related technology.

Athletics related expenditures increased minimally from the previous year.

Food Service costs increased slightly from the previous year. Costs continue to increase and we adjust what we charge to offset those increases.

Community Services costs increased minimally during the year due to a slight increase in events involving parent participation.

Depreciation is reported at $665,105 in this fiscal year. Assets are depreciated using a straight line calculation over their useful life.

Table 3
Comparative Summary of Program Expenses by Function and Total Expenses
Years Ended June 30, 2016 and 2015

	2016	2015	Difference
Instruction	$4,478,350	$4,373,766	104,584
Support Services	2,277,553	2,096,080	181,473
Athletics	219,384	217,148	2,236
Food Service	281,812	280,153	1,659
Community Services	11,102	10,453	649
Interest and Fees on Long-term Debt	174,086	190,763	-16,677
Depreciation – Unallocated	665,105	604,590	60,515
Total Expenses	$8,107,392	$7,772,953	334,439

III. Analysis of the Overall Financial Position and Results of Operations for Governmental Activities

Governmental Activities

The net position and changes in net position are presented in table 4 below. Since the District does not have any business-type activities, this change is entirely comprised of governmental type activities.

Table 4
Comparative Summary of Net Position and Changes in Net Position
Years Ended June 30, 2016 and 2015

	2016	2015	Difference
Net Position – Beginning	-$5,714,906	-$6,102,723	−$ 387,817
Increase (Decrease) in Net Position	-287,518	387,817	675,335
Net Position – Ending	-$6,002,424	-$5,714,906	

The District operates under the philosophy that it should maintain or grow fund balance from one year to the next based on the Fund Financial Statements (modified accrual). Most business officials contend that 12% to 18% fund balance is the optimal target for a district. With slight increases in funding, the district strives to break even while maintaining current programs and maintaining a fund balance above 5%.
The decrease in Net Position is a function of the difference between the District-Wide Financial Statements and the Fund Financial Statements. The reconciliation between

these two methods is presented on page 6. The differences include the payment of principal on outstanding bonds $713,629, and depreciation expense of ($665,105).

Statement of Activities

The Statement of Activities on page 2 is significantly different from the Statement of Revenues, Expenditures, and Changes in Fund Balance. This statement is organized by program listing the expenses in the first column, charges for services in the second column, grants/contributions in the third column, and net expense/revenue in the fourth column. This manner of presentation illustrates the expenses each program generates as well as the corresponding revenues. The net expense/revenue indicates the portion of that program that must be financed with general revenues of the district.

To help the user better understand this statement, the significant program revenues have been identified as follows:

Instruction:

Basic Programs	Great Start Readiness Program Revenues.
Added Needs	State Special Education funding, At Risk grant, Title I - Part A grant, Title II - Part A grant, Medicaid revenues and county special education tax levy, and vocational education from the intermediate school district.

Support Services:

Pupil Services	State Special Education funding, county special education tax levy and vocational education revenue from intermediate school district and Technology Infrastructure grant.
Instructional Staff	Title I, A grant, Title II A grant, county special education tax levy from intermediate school district and Technology Infrastructure grant.
Operations & Maintenance	Universal Service Funds and Miscellaneous revenue.
Pupil Transportation	Special Education funding, sale of used buses, county special education tax levy and vocational transportation revenue from intermediate school district, and Great Start Readiness Program revenue.

Central	State Headlee Obligation for Data Collection grant, Technology Infrastructure Grant, and Universal Service Funds.
Food Service	School meals sales, State School Lunch funds, and Federal National School Lunch Program.
Athletics	Gate receipts, tournament fees.

All other revenues are considered General Revenues and are listed at the bottom of the Statement of Activities.

IV. Significant Transactions and Changes in Individual Funds

The overall financial position of the individual governmental funds of the District did not change significantly from the previous year.

The General Fund realized an increase in fund equity due to a growth in state unrestricted revenues and a decrease in overall expenditures.

The Capital Projects Fund shows little to no change year over year as there was no activity of expenses in that fund and only interest earned on funds.

Food Service had an increase in fund balance due to a previous period adjustment in and from excellent management of resources.

The Debt Service Funds incurred a loss to the overall fund balance due to the levying of only what is needed for paying current debt service.

A comparison of the change in fund balance to the revenues and other financing sources for each of the governmental funds is as follows:

	Revenues and Other Financing Sources	Net Change in Fund Balance From Prior Year	Percent Change in Fund Balance as a Percent of Revenues and Other Financing Sources
General	$6,986,563	$ 114,833	1.64%
Food Service	292,228	13,603	4.65%
Total Debt Service	843,293	-28,468	-3.38%
Capital Projects	238	238	100%

General Fund

Approximately 78% of the General Fund budget is spent on salaries and benefits. As this is a large portion of the budget, every attempt is made to settle bargaining agreements. Bargaining units had contracts during the 2015-16 fiscal year.

Food Service Fund

The Food Service program for the District has not required any contribution from the General Fund in recent years because it has been operating at a profit or small loss. The District regularly builds fund equity in the Food Service Fund to set aside funds necessary to replace large equipment. Some small equipment purchases were made during the 2015-16 fiscal year as we strive to stay within the state allowance of remaining fund balance.

Debt Service Funds

The Debt Service Funds collect property taxes and receive interest earnings on bank deposits to finance the payment of interest and principal on bonds issued to construct and upgrade facilities and technology throughout the district. The tax rate is set each year at a level to pay the current year principal and interest payments on the bond issue. For fiscal year 2015-16 this levy was set at 2.52 mills. The levy is determined to generate sufficient revenues to pay the principal and interest payment of the 2008, 2010 and 2012 bond issues.

Capital Projects

The District had no capital expenditures related to the 2012 Bond Issue during the year. All projects were completed as of September 1, 2014 and any residual dollars are planned to be spent during the 16-17 fiscal year.

V. Changes to Budget and Comparison to Actual Results

It is required by State law to adopt the original budget before the beginning of the fiscal year. For the fiscal year ended June 30, 2016 the original budget was adopted on June 20, 2015. The original budget is adopted before the enrollment is known, some grants are awarded, and some staff is hired. Many assumptions are therefore made in constructing the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. The significant variances for the fiscal year ended June 30, 2016 are as follows:

General Fund

Changes from Original Budget to Final Budget

Local Sources – The district anticipated higher tax dollars based on increased delinquent taxes that had been received during the year.

State Sources – The original budget was based on enrollment estimates. Final budget used actual numbers based on student count data. There was a decrease in this number and state revenues were shown to reflect this decrease. The Great Start Readiness Program dollars were decreased due to not filling all slots that were made available. At Risk dollars increased because of a previous year deferral and MPSERS 147c was adjusted per the state with additional dollars being added. This was the largest impact to our budget.

Federal Sources – The original budget was amended to include actual dollars allocated to the district and actual dollars intended to be spent.

Other Sources – The original budget was amended to account for a decrease in revenues received from the intermediate school district in relation to Special and Vocational Education.

Basic Programs – The original budget was amended to include a decrease in expenses ($44,000) overall in this category. Decreases were associated with tuition/dual enrollment. Adjustments to wages and benefits were increased but the net impact of all changes was a decrease to Basic Programs.

Pupil Services – Increased slightly due to insurances increases and increases to the category of improvement of instruction.

General Administration – Increased between original and final budgets as we added the cost of a consortium to that line item that was, in previous years, reflected in instruction costs.

School Administration – Was increased to reflect additional costs in salary and benefits.

Business Services – A decrease was made to the final budget to reflect lower fees and payments and decreased unemployment costs.

Operations and Maintenance – The original budget was amended to reflect actual utility costs that were being incurred by the district for the year.
Pupil Transportation – The original budget was amended to show decreased costs in repairs and gas used by district buses for the year.

Variances between Final Budget and Actual Amounts

State Sources – Additional property tax revenue was realized after confirming local township taxable values were different than what was used for the final budget. But state aid was reduced to reflect the decrease in students above and beyond what was originally budgeted.
Federal Sources – Federal grants were adjusted to reflect actual expenditures in Those programs for the year.
Added Needs – At Risk grant changes reflected the deferred amount from previous year and an increased state allocation.
Support Services – Overall expenses were underspent by all support services.

Food Service Fund

Changes from Original Budget to Final Budget

Local Sources – The original budget was amended to more closely reflect actual student lunch sales.
State Sources – State sources were reflected to match what was seen on the state aid status report.
Federal Sources – The original budget was amended to reflect additional Federal reimbursement revenue in the school lunch program.
Food Service – The original budget was amended to reflect minimal additional expense associated with contractual services.

Variances between Final Budget and Actual Amounts

Food Service – Revenues were higher due to the previous period adjustment that was reimbursed back from the state within state aid. Actual expenses were slightly lower over previous year by about $1,528.

VI. Capital Assets and Long-Term Debt Activity during the Year

Capital Assets

A summary of the changes in the District's capital assets is presented on page 15. The significant additions and disposals are described as follows:

Buildings and Additions – A small building addition was added to fixed assets during fiscal year 2015-16.

Equipment – No additional equipment was added to fixed assets in 2015-16.

Furniture – Furniture was added and disposals made during the 15-16 fiscal year netting in a decrease overall to this category.

Long-Term Debt

A summary of the changes in long-term debt is presented on page 17. Detailed notes for these long-term debts are on page 16 and 17.

VII. Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations.

One of the most significant factors facing Breckenridge Community School District continues to be the economic condition of the State of Michigan. With state funding the primary source of revenue, the district monitors the state's periodic revenue-estimating conference in order to project revenue for the upcoming fiscal year's budget. In addition, local student enrollment is another revenue producing factor that the district monitors. The state foundation is based on a blended student count. This count is taken in October and February of each fiscal year. The blended count consists of 90% of count taken in October and 10% of the count taken in February, of the previous fiscal year. In addition to the state required count days, the district conducts monthly enrollment updates in order to monitor this important revenue source. For budgeting purposes, an estimated student count is used based on the district's enrollment history.

The District along with other schools throughout Michigan are faced with significant budget challenges as the State of Michigan continues to struggle to determine an effective method to provide adequate funding for public education. Districts must continue to provide quality educational services to their students while effectively managing their resources within the ever changing financial landscape for Michigan Schools.

The budget prepared for the 2015-16 school year was based on a $140 per student state funding increase and a decline in student enrollment of 20 students, projecting a modest increase in the district's fund balance.

Request for Information

This financial report is designed to provide our stakeholders with a general overview of the district's finances and to show the district's accountability for the funding it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Breckenridge Community School District, Central Office, 700 Wright Street, Breckenridge, MI 48615.

DISTRICT-WIDE
FINANCIAL STATEMENTS

Breckenridge Community School District
Statement of Net Position
June 30, 2016

Assets	
Current assets	
Cash and cash equivalents	$ 2,386,475
Due from other governmental units	987,706
Other current assets	65,625
Total current assets	3,439,806
Noncurrent assets	
Capital assets less accumulated depreciation	6,996,125
Total assets	10,435,931
Deferred Outflows of Resources	
Deferred outflow - related to pension	1,309,464
Liabilities	
Current liabilities	
Accounts payable	22,775
Accrued expenses	646,810
Accrued interest	26,618
Unearned revenue	9,075
Short-term note payable	1,285,000
Bonds payable, due within one year	670,000
Capital lease payable, due within one year	6,802
Compensated absences, due within one year	25,492
Retirement incentive, due within one year	31,760
Total current liabilities	2,724,332
Noncurrent liabilities	
Bonds payable, due beyond one year	4,690,000
Capital lease payable, due beyond one year	22,569
Compensated absences, due beyond one year	144,454
Premium on bonds, net of amortization	97,474
Retirement incentive, due beyond one year	4,400
Net pension liability	9,767,221
Total noncurrent liabilities	14,726,118
Total liabilities	17,450,450
Deferred Inflows of Resources	
Deferred inflow - related to pension	32,352
Deferred inflow - 147c allocation	265,017
Total deferred inflows of resources	297,369
Net position	
Net investment in capital assets	1,606,754
Restricted for:	
Capital projects	123,393
Debt service	309,916
Food service	76,512
Unrestricted	(8,118,999)
Total net position	$ (6,002,424)

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

Breckenridge Community School District
Statement of Activities
For the Year Ended June 30, 2016

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes Net Position
Governmental activities:				
Instruction	$ 4,478,350	29,647	$ 248,799	$ (4,199,904)
Support services	2,277,553	-	-	(2,277,553)
Athletics	219,384	47,696	-	(171,688)
Food service	281,812	70,616	221,503	10,307
Community services	11,102	8,167	-	(2,935)
Interest and fees on long-term debt	174,086	-	-	(174,086)
Depreciation - unallocated	665,105	-	-	(665,105)
Total governmental activities	$ 8,107,392	$ 156,126	$ 470,302	(7,480,964)
General revenues:				
Property taxes				1,709,701
State sources				5,191,670
Unrestricted interest and investment earnings				3,752
Restricted interest and investment earnings				420
Intermediate sources				253,314
Other general revenues				34,589
Total general revenues				7,193,446
Change in net position				(287,518)
Net position - beginning				(5,714,906)
Net position - ending				$ (6,002,424)

FUND FINANCIAL STATEMENTS

Breckenridge Community School District
Balance Sheet
Governmental Funds
June 30, 2016

	Major Fund General Fund	Total Non-major Funds	Totals
Assets			
Cash and cash equivalents	$ 1,905,376	$ 481,099	$ 2,386,475
Due from other funds	-	97,630	97,630
Due from other governmental units	986,127	1,579	987,706
Other current assets	65,625	-	65,625
Total assets	$ 2,957,128	$ 580,308	$ 3,537,436
Liabilities			
Accounts payable	$ 22,642	$ 133	$ 22,775
Due to other funds	27,276	70,354	97,630
Accrued expenditures	646,810	-	646,810
Unearned revenue	9,075	-	9,075
Short term note payable	1,285,000	-	1,285,000
Total liabilities	1,990,803	70,487	2,061,290
Fund balances			
Nonspendable	65,625	-	65,625
Restricted for:			
Food service	-	76,512	76,512
Debt service	-	309,916	309,916
Capital projects	-	123,393	123,393
Unassigned	900,700	-	900,700
Total fund balances	966,325	509,821	1,476,146
Total liabilities and fund balance	$ 2,957,128	$ 580,308	$ 3,537,436

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

Breckenridge Community School District
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Position of Governmental Activities on the Statement of Net Position
June 30, 2016

Total fund balance - governmental funds			$ 1,476,146
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, therefore, are not reported in the funds:			
Add:	Cost of capital assets	$ 13,816,832	
Deduct:	Accumulated depreciation	(6,820,707)	
			6,996,125
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:			
Deduct:	2008 Refunding Bonds	(1,490,000)	
Deduct:	2010 Bonds	(900,000)	
Deduct:	2012 Bonds	(2,970,000)	
Deduct:	Capital Lease	(29,371)	
Deduct:	Compensated absences payable	(169,946)	
Deduct:	Retirement incentive payable	(36,160)	
Deduct:	Accrued interest on long-term liabilities	(26,618)	
			(5,622,095)
Other amounts reported in the statement of activities that do not require current financial resources consist of:			
Add:	Deferred outflow - related to pension		1,309,464
Deduct:	Net pension liability		(9,767,221)
Deduct:	Deferred inflow - related to pension		(32,352)
Deduct:	Deferred inflow - 147c allocation		(265,017)
Deduct:	Premium on bonds (net of amortization) - 2008 bonds		(34,189)
Deduct:	Premium on bonds (net of amortization) - 2012 bonds		(63,285)
Total net position - governmental activities			$ (6,002,424)

Breckenridge Community School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	Major Fund General Fund	Total Non-major Funds	Totals
Revenues			
Local sources	$ 1,078,831	$ 819,016	$ 1,897,847
State sources	5,369,779	107,766	5,477,545
Federal sources	248,799	200,645	449,444
Other sources	253,312	8,332	261,644
Total revenues	6,950,721	1,135,759	8,086,480
Expenditures			
Instruction			
Basic programs	3,386,743	-	3,386,743
Added needs	948,270	-	948,270
Total instruction	4,335,013	-	4,335,013
Support services			
Pupil	290,422	-	290,422
Instructional staff	162,561	-	162,561
General administration	297,044	-	297,044
School administration	445,672	-	445,672
Business services	137,209	-	137,209
Operation and maintenance	615,194	-	615,194
Pupil transportation	334,026	-	334,026
Central	11,352	-	11,352
Athletics	213,746	-	213,746
Total support services	2,507,226	-	2,507,226
Food service	-	278,625	278,625
Community services	11,102	-	11,102
Facilities construction and improvement	2,883	-	2,883
Debt service			
Principal payments	6,471	690,000	696,471
Interest, fees and other	9,035	181,761	190,796
Total expenditures	6,871,730	1,150,386	8,022,116
Revenues over (under) expenditures	78,991	(14,627)	64,364
Other financing sources (uses)			
Proceeds from capital lease	35,842	-	35,842
Revenues and other financing sources over (under) expenditures and other financing uses	114,833	(14,627)	100,206
Fund balances - beginning	851,492	524,448	1,375,940
Fund balances - ending	$ 966,325	$ 509,821	$ 1,476,146

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

Breckenridge Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds		$ 100,206
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Add:	Capital asset purchases	79,010
Deduct:	Loss on disposal of capital assets	(1,589)
Deduct:	Depreciation expense	(665,105)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.		
Add:	Change in deferred outflow - related to pension	123,242
Deduct:	Increase in net pension liability	(1,268,317)
Add:	Change in deferred inflow - related to pension	907,205
Deduct:	Increase in accrual for compensated absences	(27,492)
Add:	Decrease in accrued interest on long term debt	3,879
Payment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).		
Add:	2008 refunding bonds	315,000
Add:	2010 bonds	105,000
Add:	2012 bonds	270,000
Add:	Capital lease	6,471
Deduct:	Proceeds from capital lease	(35,842)
Add:	Early retirement incentive	53,000
Revenue in support of pension contributions made subsequent to the measurement date		
Deduct:	Change in deferred inflow - 147c allocation	(265,017)
Other amounts reported in the statement of activities that do not require current financial resources		
Add:	2008 refunding bonds - amortization of premium	7,078
Add:	2012 bonds - amortization of premium	5,753
Change in net position - governmental activities		$ (287,518)

Breckenridge Community School District
Fiduciary Funds - Statement of Net Position
For the Year Ended June 30, 2016

Agency Fund

Assets		
Cash and cash equivalents	$	140,885
Liabilities		
Accounts payable		4,023
Due to student and other groups		136,862
Total liabilities		140,885
Net Position	$	-

-

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Breckenridge Community School District (the District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the District. All amounts shown are in dollars.

Reporting Entity

The District is governed by a seven member Board of Education 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. 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.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the District's reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

District-wide and Fund Financial Statements

The District-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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. All of the District-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items, including taxes and intergovernmental payments, not properly included among program revenues, are reported instead as general revenues.

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide Financial Statements **–** The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements **-** The 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 year end. 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 severance pay, are recorded only when payment is due.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental funds:

- The general fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The District reports the following non-major governmental funds:

- The debt service funds are used to record tax revenue, interest revenue, other revenue for payment of principal and other expenditures on the bond issues.

- The capital projects fund accounts for financial resources used for the acquisition, construction, and improvement of major capital facilities other than those financed by proprietary funds. These resources are derived from contributions from bond proceeds and the general fund.

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The school service funds are special revenue funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The District maintains full control of these funds. The school service fund maintained by the District is the food service fund.

Additionally, the District reports the following fund types:

- Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary fund net position and results of operations are not included in the District-wide statements. Agency funds are custodial in nature (i.e. assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a student activity fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

Budgetary Data
Budgets are adopted by the District for the general and special revenue funds. The budgets are adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level and control is exercised at the activity level. The budgeted revenues and expenditures for the major governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Cash and Cash Equivalents
The District's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The District's deposits are in accordance with statutory authority.

Receivables
Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Due from other governmental entities consist primarily of amounts due from the State of Michigan.

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

The District levied 18.0 mills for school general operations. The District also levied an additional 2.52 mills on all property in the District for the purpose of debt service.

State Aid Revenue
The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

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 categorical 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.

Capital Assets
Capital assets, which include property, plant and equipment, are reported in the governmental column in the District-wide financial statements. Capital assets are defined by the District as individual assets with an initial cost equal to or more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The District does not have infrastructure-type assets. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the District-wide financial statements.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings & Improvements	10 – 50
Computer & Related Equipment	5
Furniture & Equipment	5 – 20
Vehicles	5 – 8

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Compensated Absences
The District's policy allows full time, non-teacher employees to accumulate an unlimited amount of vacation days, and to carry the accumulation for an indefinite time into the future. Amounts accumulated are to be paid to the employee and recognized as an expense when vacation days are actually taken. Upon termination, no more than one year's accumulation will be paid to an employee and recognized as an expense. The vacation pay liability at year-end is $63,439.

Sick pay is accumulated at a rate of ten (10) days per year (maximum of 130 days) for teachers, administrators and twelve-month employees. Other employees accumulate sick days at a rate of nine (9) days per year. Amounts accumulated are to be paid to the employee and recognized as an expense when sick leave is actually taken. Upon termination of employment, all sick leave benefits are forfeited. Upon retirement, providing that notice is given to the Board of Education by May 1st of the year in which retirement is planned, teachers with a minimum of twelve (12) years of service in the Breckenridge Community School District, and who are eligible to receive retirement benefits from MPSERS, are paid sick leave at a rate of $80 for each unused sick day. The sick pay liability at year-end is $106,507.

Unearned Revenue
Unearned revenues arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the fund financial statements and District-wide financial statements, and revenue is recognized.

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category which relates to the pension plan. See Note 12 for additional information.

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 two items that qualify for reporting in this category: deferred inflow – related to pension sand deferred inflow – 147c allocation. See Note 12 for additional information regarding the deferred inflow – related to pensions. The Deferred inflow – 147c allocation pertains to 147c revenue in support of pension contributions made subsequent to the measurement date.

Long-Term Obligations
In the District-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the statement of net position.

Net Position and Fund Balances
Restricted net position shown in the District-wide financial statements will generally be different from amounts reported as reserved/designated fund balances in the governmental funds financial statements. This occurs because of differences in the measurement focus and basis of accounting used in the District-wide and fund financial statements and because of the use of funds to imply that restrictions exist.

<u>Fund Balances - Reserves and Designations</u>
Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District's Capital Projects and Debt Service fund balances are considered restricted.
- The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.
- Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Net Position – Restrictions
Net position in the District-wide financial statements are reported as restricted when constraints placed on net position use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

Unemployment Compensation
The District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method the District must reimburse the Employment Commission for all benefits charged against the District for the year. No provision has been made for possible future claims.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
Excess Of Expenditures Over Appropriations
Budgets are adopted at the functional level and on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is not employed in governmental funds.

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

- 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.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). 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, in the general fund are noted in the required supplementary information section.
- Management is 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.
- Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
- The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2016. The District does not consider these amendments to be significant.

During the current year the District incurred expenditures in excess of the amounts budgeted as indicated in the budget comparison schedules as unfavorable variances.

NOTE 3 - CASH AND CASH EQUIVALENTS
At June 30th, the carrying amount of the District's cash, deposits and investments was as follows:

Cash and Cash Equivalents	Amount
Petty Cash	464
Checking, Savings, Money Market Accounts and Certificates of Deposit	2,386,011
Total	2,386,475

At year-end, the bank balance was $2,433,397. Of the bank balance, $250,000 was covered by federal depository insurance and the remaining balance was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. See above for amount of deposits held by the District that are exposed to custodial credit risk because it is uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, it is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and prequalifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS
As of June 30th, due from other governmental units is comprised of the following amounts:

Due From	Amount
General Fund:	
State of Michigan – State Aid	940,497
State of Michigan – Title I	26,319
State of Michigan – Title II	19,975
GIRESD – TRIG	915
Total	987,706

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES
As of June 30th, interfund receivables and payables are comprised of the following amounts:

Due from Fund	Amount	Due to Fund	Amount
General Fund	27,276	2012 Bond	29,144
2008 Bond	70,354	2010 Bond	41,210
		Food Service	27,276
Total	97,630	Total	97,630

NOTE 6 – OTHER CURRENT ASSETS
Other current assets represent payments for the following expenses that will benefit future periods:

Other Current Assets	Amount
Insurance	65,625

NOTE 7 - CAPITAL ASSETS
A summary of changes in the District's capital assets follows:

Capital Assets	Beginning Balance	Additions	Disposals	Ending Balance
Buildings & Improvements	11,348,037	10,280	-	11,358,317
Computer & Related Equipment	727,497	-	-	727,497
Furniture & Equipment	1,046,991	41,489	(54,511)	1,033,969
Vehicles	801,735	27,241	(131,927)	697,049
Total Capital Assets	13,924,260	79,010	(186,438)	13,816,832
Accumulated Depreciation				
Buildings & Improvements	(4,625,473)	(448,044)	-	(5,073,517)
Computer & Related Equipment	(207,924)	(124,697)	-	(332,621)
Furniture & Equipment	(873,824)	(50,270)	52,922	(871,172)
Vehicles	(633,230)	(42,094)	131,927	(543,397)
Total Accumulated Depreciation	(6,340,451)	(665,105)	184,849	(6,820,707)
Net Capital Assets	7,583,809	586,095	(1,589)	6,996,125

Depreciation for the year ended June 30, 2016 totaled $604,589. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 8 - DUE TO OTHER GOVERNMENTAL UNITS
As of June 30th, the District was not indebted to other governmental units.

NOTE 9 - ACCRUED EXPENSES
Wages payable as of June 30th represents the remaining balance owed on teacher contracts to be paid during the summer months and wages earned for non-teacher employees but unpaid as of the end of the fiscal year. Also included are other accrued expenses as of June 30th.

Accrued Expenses	Amount
Salaries payable	390,698
Retirement	101,029
FICA	29,838
Health insurance	40,189
Accrued interest on State Aid Note	14,310
UAAL stabilization payable	69,412
Other accrued payroll liabilities	1,334
Total	646,810

NOTE 10 - SHORT-TERM NOTE PAYABLE
On August 22, 2015, the District borrowed $1,285,000 in two notes in the form of State Aid Notes for the purpose of providing funds for school operations. The interest rates are stated at 1.08% and 1.4625%, respectively. The maturity date for both notes is August 21, 2016.

On August 22, 2016 (after the end of the current fiscal year), the District borrowed $1,000,000 in one note in the form of a State Aid Note for the purpose of providing funds for school operations. The interest rate is stated at 0.83%. The maturity date for this note is August 21, 2017.

NOTE 11 - LONG-TERM DEBT

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

2008 REFUNDING BONDS

During the fiscal year ended June 30, 2008, the District advance refunded a general obligation bond issue with a general obligation bond refunding. The District issued $4,055,000 of general obligation refunding bonds for the purpose of advance refunding a portion of the District's outstanding 1998 bonds and paying costs associated with the issuance of the bonds. The proceeds of the bonds, together with funds on hand, will be used to establish an escrow fund to provide for payment of principal and interest and redemption premiums on the prior bonds being refunded. The escrow fund will consist of cash and direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

The bonds are a full faith and credit unlimited tax general obligation of the District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the District without limitation as to rate or amount. The bonds are dated March 27, 2008.

2010 BONDS

During the fiscal year ended June 30, 2010, the District issued a general obligation bond in the amount of $1,300,000. The bonds are a full faith and credit unlimited tax general obligation of the District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the District without limitation as to rate or amount. The bonds are dated February 24, 2010.

2012 BONDS

During the fiscal year ended June 30, 2013, the District issued a general obligation bond in the amount of $4,135,000. The bonds are a full faith and credit unlimited tax general obligation of the District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the District without limitation as to rate or amount. The bonds are dated November 28, 2012.

RETIREMENT INCENTIVE PAYABLE

Ten individuals are currently participating in the early retirement incentive program offered by the District. Under this program, the individuals will receive annual payments ranging from $1,760 to $15,000 each through the year 2018. Payments are made to a 403(b) plan.

CAPITAL LEASE - COPIER

During the fiscal year ended June 30, 2016, the District entered into a lease agreement for one copier which qualifies as a capital lease. Under the lease, principal and interest are due monthly totaling $8,117 per year.

See payment schedules in the back of this report.

Changes to Long-Term Debt
The changes in long-term debt during the year ended June 30, 2016 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Less: Current Portion	Total due after one year
Compensated Abs.	142,454	48,860	(21,368)	169,946	25,492	144,454
2008 Ref. Bonds	1,805,000	-	(315,000)	1,490,000	310,000	1,180,000
2010 Bonds	1,005,000	-	(105,000)	900,000	130,000	770,000
2012 Bonds	3,240,000	-	(270,000)	2,970,000	203,000	2,740,000
Early Ret. Incentive	89,160	-	(53,000)	36,160	31,760	4,400
Capital Lease - Coper	-	35,842	(6,471)	29,371	6,802	22,569
Total	6,281,614	84,702	(455,839)	5,595,477	734,054	4,861,423

The annual requirements to pay principal and interest on the outstanding obligations on June 30, 2016 are shown in the *Schedule of Long-Term Debt* at the back of this report.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEM
Pension
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description
The Michigan Public School Employees' Retirement System (System or MPSERS) 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 (ORS) 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 System’s financial statements are available at www.michigan.gov/mpsers-cafr.

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 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member 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.

Contributions and Funded 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 to the pension plan from the District were $771,432 for the year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of $9,767,221 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 2014. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the District's proportion was .03999 percent, which was an increase of .00141 percent from its proportion measured as of September 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of $900,978. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$32,352
Changes of assumptions	240,490	-
Net difference between projected and actual earnings on pension plan investments	49,854	-
Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions	280,311	-
Reporting Unit contributions subsequent to the measurement date	738,809	-
Total	$1,309,464	$32,352

$738,809 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)

Plan Year Ended September 30	Amount:
2016	102,846
2017	102,846
2018	89,806
2019	242,805

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

Valuation Date:	September 30, 2014
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
- MIP and Basic Plans (Non-Hybrid):	8.0%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. 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.

Notes:

- *Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.7158 for non-university employers 1.3923 for university employers]*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/mpsers-cafr).*

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	2.0	0.0
Total	100.0	

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

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

Sensitivity of *the District's* proportionate share of the net pension liability to changes in the discount rate

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

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	**Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%**	**1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%**
$12,592,452	$9,767,221	7,385,436

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued 2015 MPSERS CAFR (www.michigan.gov/documents/orsschools/MPSERS_CAFR_2015_Final_510211_7.pdf)

Payables to the Michigan Public School Employees' Retirement System (MPSERS)
At June 30, 2016, the District reported a payable of $170,441 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016, consisting of pension contribution payable plus any other amounts owed to the pension plan including the UAAL payments for July and August 2016.

Other Postemployment Benefits
Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, is currently funded on a cash disbursement basis. Beginning fiscal year 2013, it will be funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees. Dependents are eligible for health care coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Upon retirement, pension and other post-retirement benefits are paid by the State of Michigan from funding provided by the District.

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District participates in the SET/SEG risk pool for employee injuries (worker's compensation) and has purchased commercial insurance for claims relating to property loss, torts, errors and omissions, and for medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 14 - JOINT VENTURE

During the year ended June 30, 1999 the District elected to join the Middle Michigan Network for Educational Telecommunications (MMNET). As a member of MMNET, the District was required to purchase an interest in various communication equipment and services as well as pay for annual administrative cost incurred by Gratiot-Isabella RESD, the administrative agent. The payment of equipment and services was completed during the 2015 year.

The MMNET Consortium was established by a previously approved inter local Consortium Agreement. The purpose of MMNET is to provide for interactive voice/video/data interconnections and services required for, or useful in, the instruction and training of students and other persons utilizing the participants services, the conducting of research, or the administrative operations of the participants; and to enable the participants to cooperatively share their resources for the ownership, financing, installation, administration and operation of MMNET. The District does not have an explicit, measurable equity interest in MMNet. Therefore, an asset has not been reported in connection with the District's participation in this joint venture.

Additional information on MMNET, including separate financial statements, is available by contacting the fiscal agent at Gratiot-Isabella Regional Education Service District, 1131 East Center Street, Ithaca, Michigan 48847. Phone: 989-875-5101.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

PROSPECTIVE 10-YEAR TREND INFORMATION

Breckenridge Community School District
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Local sources	$ 1,047,884	$ 1,050,115	$ 1,078,831	$ 28,716
State sources	5,419,293	5,374,752	5,369,779	(4,973)
Federal sources	265,032	247,778	248,799	1,021
Other sources	270,000	253,312	253,312	-
Total revenues	7,002,209	6,925,957	6,950,721	24,764
Expenditures				
Instruction				
Basic programs	3,462,534	3,451,127	3,386,743	64,384
Added needs	982,428	957,623	948,270	9,353
Total instruction	4,444,962	4,408,750	4,335,013	73,737
Support services				
Pupil	273,772	291,545	290,422	1,123
Instructional staff	167,165	170,257	162,561	7,696
General administration	259,633	312,004	297,044	14,960
School administration	404,101	443,383	445,672	(2,289)
Business services	156,358	112,668	137,209	(24,541)
Operation and maintenance	651,594	645,716	615,194	30,522
Pupil transportation	367,001	333,268	334,026	(758)
Central	13,540	11,972	11,352	620
Athletics	232,671	215,880	213,746	2,134
Total support services	2,525,835	2,536,693	2,507,226	29,467
Community services	23,396	14,571	11,102	3,469
Facilities construction and improvement	5,500	7,785	2,883	4,902
Debt service	24,729	25,592	15,506	10,086
Total expenditures	7,024,422	6,993,391	6,871,730	121,661
Revenues over (under) expenditures	(22,213)	(67,434)	78,991	146,425
Other financing sources (uses)				
Proceeds from capital lease	-	-	35,842	35,842
Total other financing sources (uses)	-	-	35,842	35,842
Revenues and other financing sources over (under) expenditures and other financing uses	(22,213)	(67,434)	114,833	182,267
Fund balances - beginning	851,492	851,492	851,492	-
Fund balances - ending	$ 829,279	$ 784,058	$ 966,325	$ 182,267

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

Breckenridge Community School District
Required Supplemental Information
Michigan Public School Employees Retirement Plan
Prospective 10-year trend information

Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability	**Plan year Sept 30, 2015**	**Plan year Sept 30, 2014**
Reporting unit's proportion of net pension liability (%)	0.03999%	0.03858%
Reporting unit's proportionate share of net pension liability	$ 9,767,221	$ 8,498,904
Reporting unit's covered employee payroll	$ 3,383,836	$ 3,262,514
Reporting unit's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	288.6%	260.5%
Plan fiduciary net position as a percentage of total pension liability	62.92%	66.20%

Note: Amounts were determined as of 9/30 of each fiscal year.

Schedule of the Reporting Unit's Contributions	**Fiscal year June 30, 2015**	**Fiscal year June 30, 2014**
Statutorily required contributions	$ 926,377	$ 709,496
Contributions in relation to statutorily required contributions	$ 926,377	$ 709,496
Contribution deficiency (excess)	$ -	$ -
Reporting unit’s covered-employee payroll	$ 3,262,279	$ 3,225,898
Contributions as a percentage of covered-employee payroll	28.4%	22.0%

Note: Amounts were determined as of 6/30 of each year.

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms
Changes of assumptions: There were no changes of benefit assumptions

OTHER SUPPLEMENTAL INFORMATION

COMBINING SCHEDULES – NON-MAJOR GOVERNMENTAL FUNDS

SCHEDULE OF LONG-TERM DEBT

Breckenridge Community School District
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2016

	Food Service	Debt Service Funds 2008 Bond	Debt Service Funds 2010 Bond	Debt Service Funds 2012 Bond	Capital Project Fund 2012 Bond Proposal 1	Total Non-major Funds
Assets						
Cash and investments	$ 47,790	$ 309,916	$ -	$ -	$ 123,393	$ 481,099
Due from other funds	27,276	-	41,210	29,144	-	97,630
Due from other governmental units	1,579	-	-	-	-	1,579
Total assets	$ 76,645	$ 309,916	$ 41,210	$ 29,144	$ 123,393	$ 580,308
Liabilities						
Accounts payable	$ 133	$ -	$ -	$ -	$ -	$ 133
Due to other funds	-	70,354	-	-	-	70,354
Total liabilities	133	70,354	-	-	-	70,487
Fund Balance						
Restricted						
Food service	76,512	-	-	-	-	76,512
Debt service	-	239,562	41,210	29,144	-	309,916
Capital projects	-	-	-	-	123,393	123,393
Total fund balance	76,512	239,562	41,210	29,144	123,393	509,821
Total liabilities and fund balance	$ 76,645	$ 309,916	$ 41,210	$ 29,144	$ 123,393	$ 580,308

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

Breckenridge Community School District
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For The Year Ended June 30, 2016

		Debt Service Funds			Capital Project Fund	Total
	Food Service	2008 Bond	2010 Bond	2012 Bond	2012 Bond Proposal 1	Non-major Funds
Revenues						
Local sources	$ 62,393	$ 372,278	$ 129,035	$ 255,072	$ 238	$ 819,016
State sources	20,858	42,764	14,830	29,314	-	107,766
Federal sources	200,645	-	-	-	-	200,645
Other sources	8,332	-	-	-	-	8,332
Total revenues	292,228	415,042	143,865	284,386	238	1,135,759
Expenditures						
Food service	278,625	-	-	-	-	278,625
Bond principal	-	315,000	105,000	270,000	-	690,000
Bond interest	-	72,200	33,798	74,863	-	180,861
Other fees	-	750	-	150	-	900
Total expenditures	278,625	387,950	138,798	345,013	-	1,150,386
Revenues over (under) expenditures	13,603	27,092	5,067	(60,627)	238	(14,627)
Fund balance, beginning of year	62,909	212,470	36,143	89,771	123,155	524,448
Fund balance, end of year	$ 76,512	$ 239,562	$ 41,210	$ 29,144	$ 123,393	$ 509,821

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

Breckenridge Community School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2016

Fiscal Year	Interest Rate (%)	Annual Principal Due	Interest Due November	Interest Due May	Total
2008 Refunding Bonds - $4,055,000					
2017	4.00	$ 310,000	$ 29,800	$ 29,800	$ 369,600
2018	4.00	305,000	23,600	23,600	352,200
2019	4.00	300,000	17,500	17,500	335,000
2020	4.00	290,000	11,500	11,500	313,000
2021	4.00	285,000	5,700	5,700	296,400
Total 2008 Refunding Bonds		1,490,000	88,100	88,100	1,666,200
2010 Bonds - $1,300,000					
2017	3.00	130,000	15,324	15,324	160,648
2018	3.20	155,000	13,374	13,374	181,748
2019	3.40	180,000	10,894	10,894	201,788
2020	3.55	210,000	7,834	7,834	225,668
2021	3.65	225,000	4,106	4,106	233,212
Total 2010 Bonds		900,000	51,532	51,532	1,003,064
2012 Bonds - $4,135,000					
2017	2.00	230,000	34,731	34,731	299,462
2018	2.00	205,000	32,431	32,431	269,862
2019	2.00	185,000	30,381	30,381	245,762
2020	2.25	170,000	28,532	28,532	227,064
2021	2.25	170,000	26,619	26,619	223,238
2022	2.25	335,000	24,706	24,706	384,412
2023	2.50	335,000	20,937	20,937	376,874
2024	2.50	335,000	16,750	16,750	368,500
2025	2.50	335,000	12,563	12,563	360,126
2026	2.50	335,000	8,375	8,375	351,750
2027	2.50	335,000	4,188	4,188	343,376
Total 2012 Bonds		2,970,000	240,213	240,213	3,450,426
Early Retirement Incentive					
2017	-	$ 31,760	$ -	$ -	$ 31,760
2018	-	4,400	-	-	4,400
Total Retirement Incentive		36,160	-	-	36,160

Breckenridge Community School District
Schedule of Long-Term Debt
For the Year Ended June 30, 2016

Fiscal Year	Interest Rate (%)	Annual Principal Due	Annual Interest Due		Total
Capital Lease - Copiers					
2017	5.00	$ 6,802	$ 1,315	$ -	$ 8,117
2018	5.00	7,151	966	-	8,117
2019	5.00	7,516	601	-	8,117
2020	5.00	7,902	215	-	8,117
Total Retirement Incentive		29,371	3,097	-	32,468

DEBT SUMMARY				
2017	708,562	79,855	79,855	868,272
2018	676,551	69,405	69,405	815,361
2019	672,516	58,775	58,775	790,066
2020	677,902	47,866	47,866	773,634
2021	680,000	36,425	36,425	752,850
2022	335,000	24,706	24,706	384,412
2023	335,000	20,937	20,937	376,874
2024	335,000	16,750	16,750	368,500
2025	335,000	12,563	12,563	360,126
2026	335,000	8,375	8,375	351,750
2027	335,000	4,188	4,188	343,376
	5,425,531	379,845	379,845	6,185,221

5 YEAR GROUPINGS				
1st year	708,562	79,855	79,855	868,272
2nd year	676,551	69,405	69,405	815,361
3rd year	672,516	58,775	58,775	790,066
4th year	677,902	47,866	47,866	773,634
5th year	680,000	36,425	36,425	752,850
2nd 5 years	1,675,000	83,331	83,331	1,841,662
3rd 5 years	335,000	4,188	4,188	343,376
	5,425,531	379,845	379,845	6,185,221

Roslund Prestage & Company
Certified Public Accountants

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

To the Board of Education
Breckenridge Community School District

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 Breckenridge Community School District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 24, 2016.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the 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. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
October 24, 2016