



Brandywine Community Schools
Niles, Michigan

Financial Report

With Supplementary Information

June 30, 2024

BRANDYWINE COMMUNITY SCHOOLS
Niles, Michigan
June 30, 2024

BOARD OF EDUCATION

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BRANDYWINE COMMUNITY SCHOOLS
Niles, Michigan
June 30, 2024

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INDEPENDENT AUDITOR’S REPORT

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

Report on Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brandywine Community Schools (the “District”), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

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, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District’s and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Prior Period Restatement

As discussed in Note 14 to the financial statements, in fiscal year 2024 the District’s fund balance and net position has been restated as of June 30, 2023, as a result of a correction of error. Our opinion is not modified with respects to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2024 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 solely 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

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

Certified Public Accountants

St. Joseph, Michigan
October 28, 2024

This section of the Brandywine Community Schools (the “District”) annual financial report presents our discussion and analysis of the District’s financial performance during the year ended June 30, 2024. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

Using this Annual Report

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

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

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Required Supplementary Information

Other Supplementary Information

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

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

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

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

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

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

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

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

The District as a Whole

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

Table 1:

	June 30, 2024	June 30, 2023 (Restated)*
Assets		
Current assets	\$ 17,976,939	\$ 8,137,200
Noncurrent assets	13,674,832	15,329,512
Total Assets	<u>\$ 31,651,771</u>	<u>\$ 23,466,712</u>
Deferred Outflows of Resources	<u>\$ 8,916,750</u>	<u>\$ 10,453,933</u>
Liabilities		
Current liabilities	\$ 3,108,924	\$ 2,545,060
Noncurrent liabilities	39,533,754	38,003,426
Total Liabilities	<u>\$ 42,642,678</u>	<u>\$ 40,548,486</u>
Deferred Inflows of Resources	<u>\$ 7,021,915</u>	<u>\$ 5,634,441</u>
Net Position (Deficit)		
Net investment in capital assets	\$ 5,513,560	\$ 5,348,611
Restricted	10,291,613	1,292,290
Unrestricted	(24,901,245)	(18,903,183)
Total Net Position (Deficit)	<u>\$ (9,096,072)</u>	<u>\$ (12,262,282)</u>

*Restatement due to correction of error that increased Net Position by \$319,684.

The results of this year’s operations for the District as a whole are reported in the Statement of Activities (see Table 2), which shows the sources of revenue and functional expenses for the last two fiscal years.

Table 2:

	Year Ended	
	June 30, 2024	June 30, 2023 (Restated)*
Revenues		
Program Revenues		
Charges for services	\$ 378,584	\$ 417,705
Operating grants and contributions	14,278,875	12,137,108
General Revenues		
Property taxes	3,890,816	3,680,221
State foundation allowance	3,754,344	3,707,974
Other	220,100	370,694
Total Revenues	\$ 22,522,719	\$ 20,313,702
Functions/Program Expenses		
Instruction	\$ 9,566,961	\$ 9,868,150
Support services	6,795,069	6,117,739
Food services	921,173	881,988
Student activities	241,368	236,434
Community services	6,402	17,285
Athletics	449,014	482,352
Depreciation (unallocated)	1,239,609	1,239,161
Interest on long-term debt	136,913	184,840
Total Expenses	\$ 19,356,509	\$ 19,027,949
Change in Net Position	\$ 3,166,210	\$ 1,285,753
Beginning Net Position (Deficit)	(12,262,282)	(13,548,035)
Ending Net Position (Deficit)	\$ (9,096,072)	\$ (12,262,282)

*Restatement due to correction of error that increased other revenue by \$319,684.

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

The District's Funds

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

In the General Fund, the District's principal operating fund balance decreased by \$238,719 going from \$4,270,460 to \$4,031,741 for the 2023-24 school year. The foundation allowance was \$9,608 per student in fiscal year 2023-24 and at this time it looks like it remain for 2024-25.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The District adopted its final amendment to the budget in June of 2024 (a schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements). The budget changes throughout the 2023-24 year consisted of realignment of budget for tax revenue, state aid changes and federal grants. Expenditures were adjusted to correspond with the grant requirements and budget reductions. Maintenance projects not started and completed by year-end will be expended in the 2024-25 school year.

Financial Highlights – General Fund

Fiscal Year	Revenue	Expenditures	Fund Equity	Blended FTE Enrollment
2019-2020	\$ 13,707,841	\$ 13,301,418	\$ 3,425,326	1,341.01
2020-2021	15,055,354	14,416,220	4,064,460	1,325.24
2021-2022	15,073,676	14,417,352	4,720,784	1,275.76
2022-2023	17,546,795	17,997,119	4,270,460	1,283.86
2023-2024	19,394,139	19,632,858	4,031,741	1,311.30

Capital Assets and Debt Administration**Capital Assets**

At June 30th the District has invested in net capital assets, including land, buildings, and furniture and equipment as follows:

	2024	2023
Land	\$ 405,840	\$ 405,840
Construction in process	-	1,156,212
Building and building improvements	31,810,323	30,417,741
Site improvements	1,745,526	1,745,526
Furniture and equipment	2,166,932	2,073,575
Buses and other vehicles	978,771	978,771
Total capital assets	\$ 37,107,392	\$ 36,777,665
Less accumulated depreciation	(23,432,560)	(22,192,951)
Net capital assets	\$ 13,674,832	\$ 14,584,714

Debt

At the end of this year, the District had \$15,010,000 in General Obligation Bonds outstanding versus \$8,600,000 last year. In the current year the District obtain a new serial bond amount of \$7,550,000 for school improvements.

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

Other obligations include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the District's 2024-2025 fiscal year budget. There are many important factors affecting the budget, two of which are our student count and state per-pupil foundation allowance. The District funding is heavily dependent on the State's ability to fund local school decreases in enrollment and the increases in salaries, benefits and utility costs each year. The foundation allowance for the 2023-24 school year was \$9,608. In June of 2024, when our final budget amendment for the year was processed, we did not increase our budget revenue because we did not have an official increase per student at that time. As of the conclusion of the audit, we do know that the foundation allowance will remain the same in 2024-25.

The District also failed to anticipate the increase to overall operations and maintenance costs. We were able to see those during July and August as the final invoices of the year came through and were applied to 2023-24. We anticipate that these increases will remain consistent in 2024-25 and will be able to better anticipate their effects on our operations.

The 2024-25 school years' projected budget does consider an increase in student enrollment, and is using the assumption of approximately 1,340 students. There will be an increase in the expenses for salaries and benefits, which includes steps for all the employee groups eligible for steps. The health insurance CAP increase has been relatively insignificant, but the Administration anticipates an increase in November of 2024 after the conclusion of the Presidential election.

While the increase in student count is positive, the increases to salaries as well as the increased cost of ongoing maintenance projects, operational costs as well as the pending uncertainty related to the outcome of the presidential election still leave a great deal of uncertainty for the 2024-25 school year.

The District will amend the budget throughout the 2024-25 school year, as new information is available.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent's office at 1830 S. Third Street, Niles, Michigan 49120.

BRANDYWINE COMMUNITY SCHOOLSSTATEMENT OF NET POSITION (DEFICIT)
AS OF JUNE 30, 2024

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 13,050,015
Restricted cash and cash equivalents	1,166,662
Due from other governmental units	3,346,618
Inventory	2,880
Capital assets not being depreciated	405,840
Capital assets - net of accumulated depreciation	13,268,992
Net OPEB asset	410,764
Total assets	<u>\$ 31,651,771</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pension	\$ 7,127,759
Deferred outflows of resources related to OPEB	1,685,506
Deferred amount on debt refunding	103,485
Total deferred outflows of resources	<u>\$ 8,916,750</u>
Liabilities	
Accounts payable	\$ 831,828
Accrued salaries payable	1,464,905
Accrued interest	69,031
Unearned revenue	743,160
Noncurrent liabilities	
Bonds payable, due within one year	1,314,387
Bonds payable, due in more than one year	14,851,181
Net pension liability	23,337,785
Compensated absences	30,401
Total liabilities	<u>\$ 42,642,678</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pension	\$ 3,704,129
Deferred inflows of resources related to OPEB	3,317,786
Total deferred inflows of resources	<u>\$ 7,021,915</u>
Net Position (Deficit)	
Net investment in capital assets	\$ 5,513,560
Restricted for:	
Debt service	1,518,609
Capital projects	8,362,240
Net OPEB asset	410,764
Unrestricted	(24,901,245)
Total net position (deficit)	<u>\$ (9,096,072)</u>

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

BRANDYWINE COMMUNITY SCHOOLS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

Functions/Programs	Program Revenues				Governmental
	Expenses	Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions	Activities Net (Expense) Revenue and Changes in Net Position
Governmental activities:					
Instruction	\$ 9,566,961	\$ -	\$ 13,382,198	\$ -	\$ 3,815,237
Support services	6,795,069	-	-	-	(6,795,069)
Food services	921,173	130,747	896,677	-	106,251
Student activities	241,368	211,233	-	-	(30,135)
Community services	6,402	-	-	-	(6,402)
Athletics	449,014	36,604	-	-	(412,410)
Depreciation (Unallocated)	1,239,609	-	-	-	(1,239,609)
Interest on long-term debt	136,913	-	-	-	(136,913)
	<u>\$ 19,356,509</u>	<u>\$ 378,584</u>	<u>\$ 14,278,875</u>	<u>\$ -</u>	<u>\$ (4,699,050)</u>
General Revenues					
Property taxes, levied for general purposes					\$ 2,070,901
Property taxes, levied for debt services					1,448,514
Property taxes, levied for capital projects					371,401
State of Michigan aid, unrestricted					3,754,344
Interest					220,100
Total general revenues					<u>\$ 7,865,260</u>
Change in Net Position					\$ 3,166,210
Net Position (Deficit) - beginning of year, as previously presented					\$ (12,581,966)
Adjustment to beginning net position (deficit)					319,684
Net Position (Deficit) - beginning of year, as restated					<u>\$ (12,262,282)</u>
Net Position (Deficit) - end of year					<u>\$ (9,096,072)</u>

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

BRANDYWINE COMMUNITY SCHOOLS

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2024

	General Fund	2024 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,653,928	\$ 8,001,778	\$ 1,394,309	\$ 13,050,015
Restricted cash and cash equivalents	50,413	-	1,116,249	1,166,662
Due from other governmental units	3,329,756	-	16,862	3,346,618
Due from other governmental funds	211,355	-	649,029	860,384
Inventory	-	-	2,880	2,880
Total Assets	<u>\$ 7,245,452</u>	<u>\$ 8,001,778</u>	<u>\$ 3,179,329</u>	<u>\$ 18,426,559</u>
Liabilities				
Accounts payable	\$ 721,387	\$ 100,967	\$ 9,474	\$ 831,828
Accrued salaries and benefits	1,461,261	-	3,644	1,464,905
Due to other governmental funds	297,948	-	562,436	860,384
Unearned revenue	733,115	-	10,045	743,160
Total Liabilities	<u>\$ 3,213,711</u>	<u>\$ 100,967</u>	<u>\$ 585,599</u>	<u>\$ 3,900,277</u>
Fund Balances				
Non-spendable				
Inventory	\$ -	\$ -	\$ 2,880	\$ 2,880
Restricted for				
Food service	-	-	212,875	212,875
Debt service	-	-	1,518,609	1,518,609
Capital projects	-	7,900,811	461,429	8,362,240
Committed for				
Capital projects	-	-	248,356	248,356
Student activities	-	-	149,581	149,581
Assigned				
Budgeted deficit	296,502	-	-	296,502
Unassigned	3,735,239	-	-	3,735,239
Total Fund Balances	<u>\$ 4,031,741</u>	<u>\$ 7,900,811</u>	<u>\$ 2,593,730</u>	<u>\$ 14,526,282</u>
Total Liabilities and Fund Balance	<u>\$ 7,245,452</u>	<u>\$ 8,001,778</u>	<u>\$ 3,179,329</u>	<u>\$ 18,426,559</u>

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

BRANDYWINE COMMUNITY SCHOOLS**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION (DEFICIT)
AS OF JUNE 30, 2024**

Total Governmental Fund Balances	\$ 14,526,282
Total net position for governmental activities in the Statement of Net Position (Deficit) is different because:	
Deferred outflows of resources related to	
Pensions	7,127,759
OPEB	1,685,506
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	405,840
Capital assets - net of accumulated depreciation	13,268,992
Deferred costs from bond refundings not capitalized in the governmental funds.	103,485
Accrued interest is not included in government funds.	(69,031)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(30,401)
Bonds payable (includes premium)	(16,165,568)
Net pension liability	(23,337,785)
Net OPEB asset	410,764
Deferred inflows of resources related to pension changes in assumptions and changes in differences actual earnings on plan investments	
Pension	(3,704,129)
OPEB	<u>(3,317,786)</u>
Net Position (Deficit) of Governmental Activities	<u>\$ (9,096,072)</u>

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

BRANDYWINE COMMUNITY SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2024

	General Fund	2024 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 2,172,270	\$ -	\$ 2,161,895	\$ 4,334,165
State sources	15,287,651	-	147,375	15,435,026
Federal sources	1,451,931	-	749,302	2,201,233
Interdistrict sources	332,195	-	-	332,195
Interest	65,092	4,733	150,275	220,100
Total Revenues	<u>\$ 19,309,139</u>	<u>\$ 4,733</u>	<u>\$ 3,208,847</u>	<u>\$ 22,522,719</u>
Expenditures				
Instruction	\$ 11,152,729	\$ -	\$ -	\$ 11,152,729
Supporting services	7,217,987	-	1,302,326	8,520,313
Athletics	535,682	-	-	535,682
Community services	6,402	-	-	6,402
Capital outlay	720,058	100,967	-	821,025
Debt service				
Principal	-	-	1,140,000	1,140,000
Interest	-	-	221,023	221,023
Total Expenditures	<u>\$ 19,632,858</u>	<u>\$ 100,967</u>	<u>\$ 2,663,349</u>	<u>\$ 22,397,174</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (323,719)</u>	<u>\$ (96,234)</u>	<u>\$ 545,498</u>	<u>\$ 125,545</u>
Other Financing Sources (Uses)				
Transfers in	\$ 85,000	\$ -	\$ 246,666	\$ 331,666
Transfers out	-	(30,000)	(301,666)	(331,666)
Face value of bond issued	-	7,550,000	-	7,550,000
Premium of bond issued	-	532,366	-	532,366
Payment to bond agent fees	-	(55,321)	-	(55,321)
Total Other Financing Sources (Uses)	<u>\$ 85,000</u>	<u>\$ 7,997,045</u>	<u>\$ (55,000)</u>	<u>\$ 8,027,045</u>
Net Change in Fund Balances	<u>\$ (238,719)</u>	<u>\$ 7,900,811</u>	<u>\$ 490,498</u>	<u>\$ 8,152,590</u>
Fund Balance - Beginning of year, as previously presented	\$ 3,950,776	\$ -	\$ 2,103,232	\$ 6,054,008
Adjustment to beginning fund balances	319,684	-	-	319,684
Fund Balance - Beginning of year, as restated	<u>\$ 4,270,460</u>	<u>\$ -</u>	<u>\$ 2,103,232</u>	<u>\$ 6,373,692</u>
Fund Balance - End of year	<u>\$ 4,031,741</u>	<u>\$ 7,900,811</u>	<u>\$ 2,593,730</u>	<u>\$ 14,526,282</u>

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

BRANDYWINE COMMUNITY SCHOOLS

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2024

Net Change in Fund Balances - Total Governmental Funds	\$	8,152,590
Total change in net position reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense		(1,239,609)
Capital outlay		329,727
Change in accrued interest.		(32,277)
Change in the liability for compensated absences not reported in the governmental funds.		(13,964)
Repayment of bond and note payable principal and bond refunding are expenditures in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		
Issuance of new bonds (including premium)	\$	(8,082,366)
Bond payments		<u>1,140,000</u>
		(6,942,366)
Amortization of bond premium.		134,387
Amortization of deferred outflow related to debt refunding.		(18,000)
Change in pension expense related to pension.		1,279,566
Change in pension expense related to OPEB.		<u>1,516,156</u>
Change in Net Position of Governmental Activities	\$	<u><u>3,166,210</u></u>

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

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

BASIC FINANCIAL STATEMENTS

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**BASIC FINANCIAL STATEMENTS (CONCLUDED)**

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

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

Fund Statements – The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, deferred inflows of resources, liabilities, fund balance, revenue, and expenditures. An exception occurred this year when the District's year end federal grant request was received beyond 60 days after the end of the fiscal period. These funds were accrued to match the District's federal grant expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

Governmental Funds:

The District reports the following major governmental funds:

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

2024 Capital Projects Fund is a capital projects fund that is used to record bond and other revenues and for the payments for building construction and improvement of the District's facilities.

Additionally, the District reports the following fund types:

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

Debt Service Funds are used to record tax, interest and other revenue and the payment of principal and interest on bonds. The District's non-major debt service funds include the 2017 QZAB Bond Fund, 2013/2016 Refunding Bonds Fund and 2024 Bond Fund.

Capital Projects Funds are used to record bond and other revenues and the payments for building construction and improvement and large equipment expenditures by the District. The District's non-major capital projects funds include the Building and Site Fund and 2018 Capital Projects Fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized when incurred.

Revenues are generally considered available when they are received in cash (unless legally restricted for some future period), or when expected to be collected soon enough after year-end to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources.

BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with GAAP and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year-end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The appropriation level adopted by the Board is the level of control authorized under the Act. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the District to detect violations.

The Superintendent is authorized to transfer budget amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board.

Budgeted amounts are as originally adopted or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Cash and Cash Equivalents**

For the purposes of balance sheet classification, the District considers its investments in highly liquid pooled money funds to be cash equivalents.

Investments

Investments are stated at acquisition value based on a quoted market price. Certificates of deposits are stated at cost which approximates acquisition value and are included in cash and cash equivalents.

Inventories

Inventories are valued at cost on a first-in, first-out (“FIFO”) basis. Inventory in the Food Service Fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time inventory items are purchased. The inventory in the Food Service includes United States Department of Agriculture (“USDA”) commodities.

Capital Assets

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

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

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

Building and additions	20-50 years
Site and land improvements	10-20 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

Receivables and Payables

Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits. The District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Property Tax Revenue**

Property taxes are collected based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2024, the rates are as follows per \$1,000 assessed value.

General Fund	
Non-principal residence exemption	18 Mills
Commercial personal property	6 Mills
Debt Service Funds	
Building and Site (Sinking) Fund	3.9 Mills
	1 Mills

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

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of sources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available. The District’s items that qualify for reporting in this category are the deferred inflows of resources related to the pension and OPEB plans.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Compensated Absences**

Sick days are earned by teachers and administrators. Retiring employees who meet certain years of service requirements are paid for accumulated sick days up to a maximum number of days at a rate determined by their contracts. There is no contractual provision for payment of unused vacation. They may be used for vacation only.

The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which unpaid leave amounts are for employees who currently are eligible to receive termination payments. The amount reported is salary related and includes fringe benefits.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Leases/Software-based Information Technology Arrangements

As of June 30, 2024, the District had no right-of-use assets. The District's recognized right-of-use assets with an initial value of \$25,000 or more.

Fund Equity

The following are the District's fund balance classifications:

Non-Spendable Fund Balance - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Committed Fund Balance - includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Fund Equity (Concluded)**

Assigned Fund Balance – includes amounts that are constrained by the government’s intent to be used for a specific purpose, but are neither restricted nor committed.

Unassigned Fund Balance – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Fund Equity Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position Flow Assumptions

Sometimes the District will fund outlays for particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Risk Management

The District carries commercial insurance for risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; worker’s compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past fiscal year.

Use of Estimates

The preparation of financial statements in conformity with GAAP in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amount of expenditures during the reported period. Actual results may differ from those estimates.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Pension and Other Postemployment Benefit (“OPEB”) Plans

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

Net Position Deficit – As of June 30, 2024, the government-wide Statement of Net Position had a cumulative net position deficit of \$9,096,072.

NOTE 2. CASH AND CASH EQUIVALENTS

At June 30, 2024, the District’s cash and cash equivalents were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 13,050,015
Restricted cash and cash equivalents	1,166,662
	<u>\$ 14,216,677</u>

Bank Deposits

All cash of the District is on deposit with financial institutions which provide FDIC insurance coverage or in highly liquid pooled money funds. Restricted cash relates to Qualified Zone Academy Bond, it set-aside amount each year to meet the current year payment. See its respective note in the financial statements.

NOTE 2. CASH AND CASH EQUIVALENTS (CONCLUDED)

Credit Risk – State statutes and the District’s investment policy authorize the District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers’ acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of Credit Risk – The District has no policy that would limit the amount that may be invested with any one issuer.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, \$13,727,738 of the District’s bank balance of \$14,440,315 was exposed to custodial credit risk.

Custodial Credit Risk – Investments – In the case of investments, this is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of year-end, the District did not have any investments.

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

NOTE 3. CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Beginning Balance	Additions	Disposals / Reclassifications	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 405,840	\$ -	\$ -	\$ 405,840
Construction in process	1,156,212	-	1,156,212	-
Total capital assets not being depreciated	<u>\$ 1,562,052</u>	<u>\$ -</u>	<u>\$ 1,156,212</u>	<u>\$ 405,840</u>
Capital assets being depreciated				
Buildings and additions	\$ 30,417,741	\$ 236,370	\$ (1,156,212)	\$ 31,810,323
Site improvements	1,745,526	-	-	1,745,526
Equipment and furniture	2,073,575	93,357	-	2,166,932
Buses and other vehicles	978,771	-	-	978,771
Total capital assets being depreciated	<u>\$ 35,215,613</u>	<u>\$ 329,727</u>	<u>\$ (1,156,212)</u>	<u>\$ 36,701,552</u>
Less accumulated depreciation for				
Buildings and additions	\$ 19,077,533	\$ 998,369	\$ -	\$ 20,075,902
Site improvements	674,363	70,744	-	745,107
Equipment and furniture	1,621,401	127,199	-	1,748,600
Buses and other vehicles	819,654	43,297	-	862,951
Total accumulated depreciation	<u>\$ 22,192,951</u>	<u>\$ 1,239,609</u>	<u>\$ -</u>	<u>\$ 23,432,560</u>
Net capital assets being depreciated	<u>\$ 13,022,662</u>			<u>\$ 13,268,992</u>
Net capital assets	<u>\$ 14,584,714</u>			<u>\$ 13,674,832</u>

Depreciation for the fiscal year ended June 30, 2024 amounted to \$1,239,609. The District determined that it was impractical to allocate depreciation to the various governmental activities, as the assets serve multiple functions.

NOTE 4. LONG-TERM DEBT

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

The following is a summary of debt transactions of the District for the year ended June 30, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 8,600,000	\$ 7,550,000	\$ 1,140,000	\$ 15,010,000	\$ 1,180,000
Premium on bonds	757,589	532,366	134,387	1,155,568	134,387
Compensated absences	16,438	13,963	-	30,401	-
Total Bonds	<u>\$ 9,374,027</u>	<u>\$ 8,096,329</u>	<u>\$ 1,274,387</u>	<u>\$ 16,195,969</u>	<u>\$ 1,314,387</u>

NOTE 4. LONG-TERM DEBT (CONTINUED)

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

General Obligation Bonds	
\$11,975,000 serial bond due in annual installments of \$885,000 to \$1,310,000 through May 1, 2028, interest at 2.00% to 2.35%	\$ 4,960,000
\$2,500,000 school building and site bond due in one installment of \$2,500,000 on June 1, 2032, interest at 0.00%	2,500,000
\$7,550,000 school building and site bond due in annual installments of \$100,000 to \$855,000 through May 1, 2038, interest at 4.00% to 5.00%.	<u>7,550,000</u>
Total general obligation bonds	<u><u>\$ 15,010,000</u></u>

Future principal and interest requirements for bonds are as follows:

<u>Year Ending June 30</u>	General Obligations Bonds		Total
	Direct Borrowing		
	<u>Principal</u>	<u>Interest</u>	
2025	\$ 1,180,000	\$ 466,279	\$ 1,646,279
2026	1,215,000	480,025	1,695,025
2027	1,355,000	437,500	1,792,500
2028	1,410,000	383,300	1,793,300
2029	615,000	326,900	941,900
2030-2034	3,445,000	1,246,500	4,691,500
2035-2038	5,790,000	418,000	6,208,000
Unamortized Premium	1,155,568	-	1,155,568
	<u>\$ 16,165,568</u>	<u>\$ 3,758,504</u>	<u>\$ 19,924,072</u>

Interest expense of \$136,913 was not charged to activities as the District considers its debt and related assets to impact multiple activities and allocation was not practical.

Compensated Absences

Accrued compensated absences at year-end consist of \$30,401 of accrued sick leave and vacation benefits. The entire vested amount is considered long-term, as the amount expended each year is expected to be offset by vacation time earned for the year.

NOTE 4. LONG-TERM DEBT (CONCLUDED)

Advance Refunding

The District has defeased 2006, 2013/2016, and 2016 bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunding bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District’s financial statements. As of June 30, 2024, \$9,100,000 of bonds considered defeased are still outstanding.

NOTE 5. INTERFUND ACTIVITY

The composition of interfund balances as of June 30, 2024 is as follows:

Due To/From Other Funds:

Due From	Due To				Total
	General Fund	2018 Capital Project Fund	Building and Site Fund	Debt Service Funds	
General Fund	\$ -	\$ 166,000	\$ -	\$ 131,948	\$ 297,948
Food Service Fund	211,265	-	-	-	211,265
Student Activity Fund	90	-	-	-	90
Debt Service Funds	-	-	351,081	-	351,081
Total	<u>\$ 211,355</u>	<u>\$ 166,000</u>	<u>\$ 351,081</u>	<u>\$ 131,948</u>	<u>\$ 860,384</u>

The Student Activity Fund owes the General Fund for various expenditures.

The Food Service Fund owes the General Fund for the varies food and operation expenditures.

The General Fund owes the 2018 Capital Project Fund for the capital project expenditures during the year.

The General Fund owes the Building and Site Fund for miscellaneous expenditures during the year.

The Debt Service Funds owes the General Fund and Building and Site Fund for debt payments for the year.

NOTE 5. INTERFUND ACTIVITY (CONCLUDED)

Interfund Transfers:

Transfers Out	Transfers In			Total
	General Fund	Debt Service Funds	Building and Site Fund	
Food Service Fund	\$ 85,000	\$ -	\$ -	\$ 85,000
Building and Site Fund	-	166,666	-	166,666
2024 Capital Project Fund	-	30,000	-	30,000
2018 Capital Project Fund	-	-	50,000	50,000
Total	<u>\$ 85,000</u>	<u>\$ 196,666</u>	<u>\$ 50,000</u>	<u>\$ 331,666</u>

The transfer to the General Fund from the Food Service Fund was for indirect costs.

The transfer to the Debt Service Funds from the Building and Site Fund was made to assist with the eventual payoff of the QZAB payment for the year.

The transfer to the Debt Service Funds from the 2024 Capital Project Fund was for the payoff of old debt.

The transfer to the Building and Site Fund from the 2018 Capital Project Fund was made to assist expenditures for the year.

NOTE 6. UNEARNED REVENUE

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

Description of Unearned Revenue	General	Food	Total
	Fund	Service Fund	
At-Risk	\$ 425,641	\$ -	\$ 425,641
31aa Mental health grant	307,474	-	307,474
Funds in students' lunch accounts at year-end	-	10,045	10,045
Total	<u>\$ 733,115</u>	<u>\$ 10,045</u>	<u>\$ 743,160</u>

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM

Plan Description - The Michigan Public School Employees’ Retirement System (“MPERS”) (“System”) 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. MPERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.michigan.gov/orsschools.

The System’s pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System’s health plan provides all retirees with option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees’ Retirement Act.

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 of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

Benefits Provided - Overall – participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plan offered by MPERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension - Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (“DB”) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (“MIP”). Basic Plan member’s contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (“MIP”) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Pension Reform 2010 - On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System ("MPERS") who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution ("DC") tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012 - On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan ("MIP")-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k)-account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation ("FAC") - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017 - On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Benefits Provided - Other Postemployment Benefit ("OPEB") - 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, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, 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.

Retiree Healthcare Reform of 2012 - Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

Regular Retirement (no reduction factor for age) - Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan ("MIP") members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan ("PPP") members, age 60 with 10 years of credited service.

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member’s pension is determined by their pension election under PA 300 of 2012.

Member Contributions - Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution plan are not required to make additional contributions.

Employer Contributions - Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and OPEB. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2023 were determined as of the September 30, 2020 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2020 are amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

The Districts’ contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other Postemployment benefit
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

The District’s pension contributions for the year ended June 30, 2024 were equal to the required contribution total. Total defined benefit and defined pension contributions were approximately \$2,553,000.

The District’s OPEB contributions for the year ended June 30, 2024 were equal to the required contribution total. Total defined benefit and defined contribution OPEB contributions were approximately \$494,000.

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (“UAAL”) Stabilization Rate (100% for pension and 0% for OPEB).

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

The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The District’s proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university employers</u>	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Total pension liability	\$ 94,947,828,557	\$ 95,876,795,620
Plan fiduciary net position	62,581,762,238	58,268,076,344
Net pension liability	32,366,066,319	37,608,719,276
Proportionate share	0.07210%	0.07209%
Net pension liability for the District	23,337,785	27,113,502

For the year ended June 30, 2024, the District recognized pension expense of \$2,757,207.

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 736,703	\$ 35,750
Changes of assumptions	3,162,376	1,823,354
Net difference between projected and actual earnings on pension plan investments	-	477,567
Changes in proportion and differences between District contributions and proportionate share of contributions	87,054	184,568
District contributions subsequent to the measurement date*	3,141,626	-
Revenues in support of contributions subsequent to the measurement date	-	1,182,890
Total	<u>\$ 7,127,759</u>	<u>\$ 3,704,129</u>

*The contributions subsequent to the measure date as a reduction of the net pension liability in the following year.

Deferred inflows of resources of \$1,182,890 resulting from the pension portion of State Aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2024.

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

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

Year Ending	Amount:
2024	\$ 421,936
2025	354,764
2026	1,027,783
2027	(339,589)
	\$ 1,464,894

OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB asset was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation date of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The District’s proportion of the net OPEB asset was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university employers</u>	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Total other postemployment benefits liability	\$ 11,223,648,949	\$ 12,522,713,324
Plan fiduciary net position	11,789,347,341	10,404,650,683
Net other postemployment benefits liability (asset)	(565,698,392)	2,118,062,641
Proportionate share	0.07261%	0.07157%
Net other postemployment benefits liability (asset) for the District	(410,764)	1,515,897

For the year ended June 30, 2024, the District recognized OPEB benefit of \$741,162.

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,103,946
Change of assumptions	914,433	110,115
Net difference between projected and actual earnings on OPEB investments	1,252	-
Changes in proportion and differences between District contributions and proportionate share of contributions	63,610	103,725
District contributions subsequent to the measurement date*	706,211	-
Total	<u>\$ 1,685,506</u>	<u>\$ 3,317,786</u>

*The contributions subsequent to the measure date as a reduction of the OPEB in the following year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending</u>	<u>Amount:</u>
2024	\$ (793,910)
2025	(713,539)
2026	(277,401)
2027	(256,386)
2028	(196,660)
Thereafter	(100,595)
	<u>\$ (2,338,491)</u>

Actuarial Assumptions

Investment Rate of Return for Pension - 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus, and Pension Plus 2 groups.

Investment Rate of Return for OPEB - 6.00% a year, compounded annually net of investment and administrative expenses.

Salary Increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%.

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**Mortality Assumptions:**

Retirees: PubT-2010 Male and Female Healthy Annuitant Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Active: PubT-2010 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale from 2010.

Disabled Retirees: PunNS-2010 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Experience Study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2022. Assumption changes as a result of an experience study for the periods 2017 through 2022 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2023 valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments - The pension rate was 6.00% (MIP, Basic, and Pension Plus Plan, and Pension Plus 2 plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB 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.

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members.

Healthcare Cost Trend Rate for Other Postemployment Benefit – Pre 65, 7.50% for year one and graded to 3.5% in year fifteen. Post 65, 6.25% for year one and graded to 3.5% in year fifteen.

Additional Assumptions for Other Postemployment Benefit Only - Applies to individuals hired before September 4, 2012:

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (CONTINUED)

The target asset allocation as September 30, 2023 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0%	5.8%
International Equity Pools	15.0%	6.8%
Private Equity Pools	16.0%	9.6%
Real Estate and Infrastructure Pools	10.0%	6.4%
Fixed Income Pools	13.0%	1.3%
Absolute Return Pools	9.0%	4.8%
Real Return / Opportunistic Pools	10.0%	7.3%
Short Term Investment Pools	2.0%	0.3%
TOTAL	100.0%	

*Long-term rates of return are net of administrative expenses and 2.7% inflation.

Rate of Return - For fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 8.29% and 7.94% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount Rate - A single discount rate of 6.00% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 6.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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.

OPEB Discount Rate - A single discount rate of 6.00% was used to measure the total OPEB asset. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. 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 school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

NOTE 7. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONCLUDED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
\$ 31,529,279	\$ 23,337,785	\$ 16,518,070

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate - The following presents the Reporting Unit's proportionate share of the net OPEB asset calculated using a single discount rate of 6.00%, as well as what the Reporting Unit's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1- percentage point lower or 1- percentage point higher than the current rate:

1% Decrease	Current Discount Rate	1% Increase
\$ 425,839	\$ (410,764)	\$ (1,129,743)

Sensitivity to the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit asset calculated using the healthcare cost trend rate, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit asset would be if it were calculated using a healthcare cost trend rate that is 1- percentage point lower or 1- percentage point higher than the current rate:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ (1,131,536)	\$ (410,764)	\$ 369,347

Pension and OPEB Plan Fiduciary Net Position - Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System Annual Comprehensive Financial Report.

Payable to the Pension and OPEB Plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability ("UAAL").

NOTE 8. QUALIFIED ZONE ACADEMY BOND (RESTRICTED CASH)

The District issued \$2,500,000 (General Obligation Limited Tax) Qualified Zone Academy Bond and a set-aside amount of \$166,666 is required each year. Interest will be earned at variable rates on the sinking fund and will be used to reduce the final set-aside payment. Interest is eliminated through a tax credit. Sinking fund deposits are accounted for in the 2017 QZAB Bond Debt Fund. The total funds deposited as of June 30, 2024 amount to \$1,166,662, which is classified as restricted cash. Of the \$1,166,662, \$765,168 was deposited in the 2017 QZAB fund, \$351,081 in the Building and Site Fund, and \$50,413 in the General Fund.

NOTE 9. CONTINGENT LIABILITIES

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

NOTE 10. TAX ABATEMENTS

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by various municipalities within the District. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. For the fiscal year ended June 30, 2024, the District's property tax revenues were reduced by approximately \$4,000 under these programs.

NOTE 11. BUILDING AND SITE FUND (SINKING FUND)

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

NOTE 12. CAPITAL PROJECTS BOND EXPENDITURES

The District maintains one bond capital project fund: 2024 Capital Projects Fund. These fund includes capital project activities funded with bonds. For these capital project, the District has complied with the applicable provisions of Section 1351a of the Revised School Code.

The 2024 Capital Projects Fund is not yet considered substantially complete and a subsequent year audit expected.

NOTE 13. UPCOMING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;

NOTE 13. UPCOMING PRONOUNCEMENTS (CONCLUDED)

- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI;

The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

NOTE 14. PRIOR PERIOD RESTATEMENT

The District has restated its previously issued 2023 financial statements for the cash equivalents balances. The accompanying financial statements 2024 have been restated to reflect the corrections. At June 30, 2024, fund balance increased by \$319,684, as well as, cash and cash equivalents in the General Fund. The fund balance and net position restatement for June 30, 2024 are as follows:

	<u>General Fund</u>	<u>Governmental Activities</u>
Fund balance/net position (deficit), as previously reported	\$ 3,950,776	\$ (12,581,966)
Correction of error	<u>319,684</u>	<u>319,684</u>
Fund balance/net position (deficit), as restated	<u>\$ 4,270,460</u>	<u>\$ (12,262,282)</u>

NOTE 15. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 25, 2024, the date that the financial statements were available to be issued. No events or transactions occurred during this period which requires recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

BRANDYWINE COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Amended Budget</u>		
Revenues				
Local sources	\$ 2,062,552	\$ 2,189,483	\$ 2,172,270	\$ (17,213)
State sources	13,895,000	14,966,617	15,287,651	321,034
Federal sources	850,000	1,288,885	1,451,931	163,046
Interdistrict sources	280,000	515,481	332,195	(183,286)
Interest	-	-	65,092	65,092
Total Revenues	<u>\$ 17,087,552</u>	<u>\$ 18,960,466</u>	<u>\$ 19,309,139</u>	<u>\$ 348,673</u>
Expenditures				
Instruction				
Basic programs	\$ 7,080,000	\$ 8,744,836	\$ 8,353,618	\$ 391,218
Added needs	2,300,000	2,521,730	2,765,491	(243,761)
Adult and continuing education	20,000	25,567	33,620	(8,053)
Supporting services				
Pupil	844,000	917,943	1,002,739	(84,796)
Instructional staff	1,000,000	608,968	977,623	(368,655)
General administration	550,000	594,514	464,918	129,596
School administration	925,000	883,552	932,539	(48,987)
Business	440,000	489,718	505,200	(15,482)
Operation and maintenance	1,800,000	1,795,178	2,098,666	(303,488)
Pupil transportation services	883,848	1,002,293	970,636	31,657
Central services	120,000	171,272	265,666	(94,394)
Athletic activities	537,623	589,045	535,682	53,363
Community services	14,120	17,700	6,402	11,298
Capital outlay	850,000	866,151	720,058	146,093
Total Expenditures	<u>\$ 17,364,591</u>	<u>\$ 19,228,467</u>	<u>\$ 19,632,858</u>	<u>\$ (404,391)</u>
Deficiency Revenues Under Expenditures	<u>\$ (277,039)</u>	<u>\$ (268,001)</u>	<u>\$ (323,719)</u>	<u>\$ (55,718)</u>
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 85,000	\$ 85,000
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,000</u>	<u>\$ 85,000</u>
Net Change in Fund Balance	<u>\$ (277,039)</u>	<u>\$ (268,001)</u>	<u>\$ (238,719)</u>	<u>\$ 29,282</u>
Fund Balance - Beginning of year, as previously presented	\$ 3,950,776	\$ 3,950,776	\$ 3,950,776	
Adjustment to beginning fund balance	319,684	319,684	319,684	
Fund Balance - Beginning of year, as restated	<u>\$ 4,270,460</u>	<u>\$ 4,270,460</u>	<u>\$ 4,270,460</u>	
Fund Balance - End of year	<u>\$ 3,993,421</u>	<u>\$ 4,002,459</u>	<u>\$ 4,031,741</u>	

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

BRANDYWINE COMMUNITY SCHOOLS

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability	0.07210%	0.07209%	0.07157%	0.07255%	0.07407%	0.07477%	0.07275%	0.07012%	0.07183%	0.07018%
District's proportionate share of net pension liability	\$ 23,337,785	\$ 27,113,502	\$ 16,944,712	\$ 24,923,040	\$ 24,529,987	\$ 22,475,994	\$ 18,851,480	\$ 17,494,506	\$ 17,544,560	\$ 15,458,169
District's covered-employee payroll	\$ 7,330,045	\$ 6,993,486	\$ 6,447,145	\$ 6,386,111	\$ 6,353,022	\$ 6,431,778	\$ 6,223,055	\$ 5,852,933	\$ 6,151,428	\$ 6,149,723
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	318.39%	387.70%	262.83%	390.27%	386.12%	349.45%	302.93%	298.90%	285.21%	251.36%
Plan fiduciary net position as a percentage of total pension liability	65.91%	60.77%	72.60%	59.49%	60.08%	62.12%	63.96%	61.01%	63.17%	66.20%

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

BRANDYWINE COMMUNITY SCHOOLS

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 2,552,973	\$ 3,368,930	\$ 2,304,055	\$ 2,144,519	\$ 1,988,071	\$ 1,982,703	\$ 1,918,155	\$ 1,723,383	\$ 1,630,168	\$ 1,285,287
Contributions in relation to statutorily required contributions	<u>2,552,973</u>	<u>3,368,930</u>	<u>2,304,055</u>	<u>2,144,519</u>	<u>1,988,071</u>	<u>1,982,703</u>	<u>1,918,155</u>	<u>1,723,383</u>	<u>1,630,168</u>	<u>1,285,287</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,023,293	\$ 7,109,014	\$ 6,624,838	\$ 6,385,285	\$ 6,375,990	\$ 6,427,378	\$ 6,412,270	\$ 6,322,676	\$ 6,006,359	\$ 6,178,279
Contributions as a percentage of covered-employee payroll	31.82%	47.39%	34.78%	33.59%	31.18%	30.85%	29.91%	27.26%	27.14%	20.80%

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

BRANDYWINE COMMUNITY SCHOOLS

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability (asset)	0.07261%	0.07157%	0.07105%	0.07197%	0.07268%	0.07553%	0.07244%
District's proportionate share of net OPEB liability (asset)	\$ (410,764)	\$ 1,515,897	\$ 1,084,562	\$ 3,855,661	\$ 5,216,782	\$ 6,003,618	\$ 6,414,855
District's covered-employee payroll	\$ 7,330,045	\$ 6,993,486	\$ 6,447,145	\$ 6,386,111	\$ 6,353,022	\$ 6,431,778	\$ 6,223,055
District's proportionate share of net OPEB liability (asset) as a percentage of its covered-employee payroll	-5.60%	21.68%	16.82%	60.38%	82.11%	93.34%	103.08%
Plan fiduciary net position as a percentage of total OPEB liability (asset)	105.04%	83.09%	87.33%	59.76%	48.67%	43.10%	36.53%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

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

BRANDYWINE COMMUNITY SCHOOLS

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 493,976	\$ 565,812	\$ 481,133	\$ 512,006	\$ 500,142	\$ 497,186	\$ 457,981
Contributions in relation to statutorily required contributions	<u>493,976</u>	<u>565,812</u>	<u>481,133</u>	<u>512,006</u>	<u>500,142</u>	<u>497,186</u>	<u>457,981</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,023,293	\$ 7,109,014	\$ 6,624,838	\$ 6,385,285	\$ 6,375,990	\$ 6,427,378	\$ 6,412,270
Contributions as a percentage of covered-employee payroll	6.16%	7.96%	7.26%	8.02%	7.84%	7.74%	7.14%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

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

NOTE 1- PENSION INFORMATION

Benefit changes- there were no changes of benefit terms in 2023.

Changes of assumptions – the assumption changes for 2023 were:

- Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

NOTE 2 – OPEB INFORMATION

Benefit changes – there were no changes of benefit terms in 2023.

Changes of assumptions – the assumption changes for 2023 were:

- Healthcare cost trend rate:
 - Pre 65 decreased to 7.50% from year one graded to 3.50% for year fifteen from 7.75% for year one graded to 3.50% for year fifteen.
 - Post 65 increased to 6.25% for year one graded to 3.50% for year fifteen from 5.25% for year one and graded to 3.50% for year fifteen.
- Mortality assumptions were updated to the Pub-2010 Male and Female Retiree Mortality Tables from the RP-2014 Male and Female Healthy Annuitant table.

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations in Budgeted Funds — See previous Budgetary Comparison Schedule for budget variances as they apply to the District.

**OTHER SUPPLEMENTARY
INFORMATION**

BRANDYWINE COMMUNITY SCHOOLS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2024

	Special Revenue Funds		Debt Service Funds			Capital Project Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Student Activity Fund	2017 QZAB Bond Debt Fund	2013/2016 Refunding Bonds Fund	2024 Bond Fund	Building and Site Fund	2018 Capital Projects Fund	
Assets								
Cash and cash equivalents	\$ 430,441	\$ 149,671	\$ -	\$ 240,412	\$ 30,000	\$ 461,429	\$ 82,356	\$ 1,394,309
Restricted cash and cash equivalents	-	-	765,168	-	-	351,081	-	1,116,249
Due from other governmental units	16,862	-	-	-	-	-	-	16,862
Due from other governmental funds	-	-	401,494	81,535	-	-	166,000	649,029
Inventory	2,880	-	-	-	-	-	-	2,880
Total Assets	\$ 450,183	\$ 149,671	\$ 1,166,662	\$ 321,947	\$ 30,000	\$ 812,510	\$ 248,356	\$ 3,179,329
Liabilities								
Accounts payable	\$ 9,474	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,474
Accrued salaries payable	3,644	-	-	-	-	-	-	3,644
Due to other governmental funds	211,265	90	-	-	-	351,081	-	562,436
Unearned revenue	10,045	-	-	-	-	-	-	10,045
Total Liabilities	\$ 234,428	\$ 90	\$ -	\$ -	\$ -	\$ 351,081	\$ -	\$ 585,599
Fund Balances								
Non-spendable								
Inventory	\$ 2,880	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,880
Restricted for								
Food service	212,875	-	-	-	-	-	-	212,875
Debt service	-	-	1,166,662	321,947	30,000	-	-	1,518,609
Capital projects	-	-	-	-	-	461,429	-	461,429
Committed for								
Capital projects	-	-	-	-	-	-	248,356	248,356
Student activities	-	149,581	-	-	-	-	-	149,581
Total Fund Balances	\$ 215,755	\$ 149,581	\$ 1,166,662	\$ 321,947	\$ 30,000	\$ 461,429	\$ 248,356	\$ 2,593,730
Total Liabilities and Fund Balances	\$ 450,183	\$ 149,671	\$ 1,166,662	\$ 321,947	\$ 30,000	\$ 812,510	\$ 248,356	\$ 3,179,329

BRANDYWINE COMMUNITY SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	Special Revenue Funds		Debt Service Funds			Capital Project Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Student Activity Fund	2017 QZAB Bond Debt Fund	2013/2016 Refunding Bonds Fund	2024 Bond Debt Fund	Building and Site Fund	2018 Capital Projects Fund	
Revenues								
Local sources	\$ 130,747	\$ 211,233	\$ -	\$ 1,448,514	\$ -	\$ 371,401	\$ -	\$ 2,161,895
State sources	147,375	-	-	-	-	-	-	147,375
Federal sources	749,302	-	-	-	-	-	-	749,302
Interest	-	-	-	19,948	-	128,908	1,419	150,275
Total revenues	<u>\$ 1,027,424</u>	<u>\$ 211,233</u>	<u>\$ -</u>	<u>\$ 1,468,462</u>	<u>\$ -</u>	<u>\$ 500,309</u>	<u>\$ 1,419</u>	<u>\$ 3,208,847</u>
Expenditures								
Support services								
Food services	\$ 1,060,958	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,060,958
Student activities	-	241,368	-	-	-	-	-	241,368
Debt service								
Principal	-	-	-	1,140,000	-	-	-	1,140,000
Interest	-	-	-	221,023	-	-	-	221,023
Total expenditures	<u>\$ 1,060,958</u>	<u>\$ 241,368</u>	<u>\$ -</u>	<u>\$ 1,361,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,663,349</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (33,534)</u>	<u>\$ (30,135)</u>	<u>\$ -</u>	<u>\$ 107,439</u>	<u>\$ -</u>	<u>\$ 500,309</u>	<u>\$ 1,419</u>	<u>\$ 545,498</u>
Other Financing Sources (Uses)								
Transfers in	\$ -	\$ -	\$ 166,666	\$ -	\$ 30,000	\$ 50,000	\$ -	\$ 246,666
Transfers out	(85,000)	-	-	-	-	(166,666)	(50,000)	(301,666)
Total other financing sources (uses)	<u>\$ (85,000)</u>	<u>\$ -</u>	<u>\$ 166,666</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ (116,666)</u>	<u>\$ (50,000)</u>	<u>\$ (55,000)</u>
Net change in fund balance	\$ (118,534)	\$ (30,135)	\$ 166,666	\$ 107,439	\$ 30,000	\$ 383,643	\$ (48,581)	\$ 490,498
Fund balance - beginning of year	334,289	179,716	999,996	214,508	-	77,786	296,937	2,103,232
Fund balance - end of year	<u>\$ 215,755</u>	<u>\$ 149,581</u>	<u>\$ 1,166,662</u>	<u>\$ 321,947</u>	<u>\$ 30,000</u>	<u>\$ 461,429</u>	<u>\$ 248,356</u>	<u>\$ 2,593,730</u>

BRANDYWINE COMMUNITY SCHOOLS

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY
2017 GENERAL OBLIGATION LIMITED TAX QUALIFIED ZONE ACADEMY BONDS
JUNE 30, 2024

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

Payments Due	June 1st
Interest Rate	0.00%
Original Issue	<u>\$ 2,500,000</u>

BRANDYWINE COMMUNITY SCHOOLS

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY
2016 REFUNDING BONDS (2006 REFUNDING AND 2003 BUILDING AND SITE)
JUNE 30, 2024

Payments Due: Year Ended June 30	May 1st Principal	May 1st Interest	November 1st Interest	Total
2025	\$ 1,180,000	\$ 91,738	\$ 91,737	\$ 1,363,475
2026	1,215,000	72,563	72,562	1,360,125
2027	1,255,000	51,300	51,300	1,357,600
2028	1,310,000	26,200	26,200	1,362,400
Total	<u>\$ 4,960,000</u>	<u>\$ 241,801</u>	<u>\$ 241,799</u>	<u>\$ 5,443,600</u>

Interest Rate 2.00% - 2.35%

Original Issue \$ 11,975,000

BRANDYWINE COMMUNITY SCHOOLS**SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY
2024 SCHOOL BUILDING AND SITE BONDS, SERIES I
JUNE 30, 2024**

<u>Payments Due: Year Ended June 30</u>	<u>May 1st Principal</u>	<u>May 1st Interest</u>	<u>November 1st Interest</u>	<u>Total</u>
2025	\$ -	\$ 167,450	\$ 115,354	\$ 282,804
2026	-	167,450	167,450	334,900
2027	100,000	167,450	167,450	434,900
2028	100,000	165,450	165,450	430,900
2029	615,000	163,450	163,450	941,900
2030	640,000	151,150	151,150	942,300
2031	660,000	138,350	138,350	936,700
2032	685,000	125,150	125,150	935,300
2033	715,000	111,450	111,450	937,900
2034	745,000	97,150	97,150	939,300
2035	775,000	82,250	82,250	939,500
2036	815,000	62,875	62,875	940,750
2037	845,000	42,500	42,500	930,000
2038	855,000	21,375	21,375	897,750
Total	<u>\$ 7,550,000</u>	<u>\$ 1,663,500</u>	<u>\$ 1,611,404</u>	<u>\$ 10,824,904</u>

Interest Rate 4.00 - 5.00%

Original Issue \$ 7,550,000

**SINGLE AUDIT
INFORMATION**

BRANDYWINE COMMUNITY SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/Project Number	Federal Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2023	Federal Funds/ In- Kind Payments	Federal Expenditures	Accrued (Deferred) Revenue June 30, 2024
<u>U.S Department of Agriculture</u>								
Passed through the Michigan Department of Education:								
Child Nutrition Cluster								
National School Lunch Program:								
Non-Cash Assistance (Donated Foods) - Entitlement Commodities - 2023/2024	N/A	10.555	\$ 61,169	\$ -	\$ -	\$ 61,169	\$ 61,169	\$ -
Non-Cash Assistance (Donated Foods) - Bonus - 2023/2024	N/A	10.555	-	-	-	-	-	-
Total Non-Cash Assistance - National School Lunch Program			<u>\$ 61,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,169</u>	<u>\$ 61,169</u>	<u>\$ -</u>
Cash Assistance:								
National School Lunch Program	231960	10.555	\$ 417,439	\$ 349,746	\$ 9,355	\$ 77,048	\$ 67,693	\$ -
National School Lunch Program	241960	10.555	446,808	-	-	446,808	446,808	-
Total Cash Assistance - National School Lunch Program			<u>\$ 864,247</u>	<u>\$ 349,746</u>	<u>\$ 9,355</u>	<u>\$ 523,856</u>	<u>\$ 514,501</u>	<u>\$ -</u>
Total National Lunch Program			<u>\$ 925,416</u>	<u>\$ 349,746</u>	<u>\$ 9,355</u>	<u>\$ 585,025</u>	<u>\$ 575,670</u>	<u>\$ -</u>
School Breakfast Program								
School Breakfast Program	231970	10.553	\$ 127,216	\$ 107,560	\$ 3,830	\$ 23,487	\$ 19,657	\$ -
School Breakfast Program	241970	10.553	145,712	-	-	145,712	145,712	-
Total School Breakfast Program			<u>\$ 272,928</u>	<u>\$ 107,560</u>	<u>\$ 3,830</u>	<u>\$ 169,199</u>	<u>\$ 165,369</u>	<u>\$ -</u>
Summer Food Service Program for Children:								
SFSP Operating	230900	10.559	\$ 9,215	\$ 5,124	\$ 5,124	\$ 9,215	\$ 4,091	\$ -
SFSP Operating	240900	10.559	4,172	-	-	-	4,172	4,172
Total Summer Food Service Program for Children			<u>\$ 13,387</u>	<u>\$ 5,124</u>	<u>\$ 5,124</u>	<u>\$ 9,215</u>	<u>\$ 8,263</u>	<u>\$ 4,172</u>
Total Cash Assistance			<u>\$ 1,150,562</u>	<u>\$ 462,430</u>	<u>\$ 18,309</u>	<u>\$ 702,270</u>	<u>\$ 688,133</u>	<u>\$ 4,172</u>
Total Child Nutrition Cluster			<u>\$ 1,211,731</u>	<u>\$ 462,430</u>	<u>\$ 18,309</u>	<u>\$ 763,439</u>	<u>\$ 749,302</u>	<u>\$ 4,172</u>
Total U.S. Department of Agriculture			<u>\$ 1,211,731</u>	<u>\$ 462,430</u>	<u>\$ 18,309</u>	<u>\$ 763,439</u>	<u>\$ 749,302</u>	<u>\$ 4,172</u>

The Notes to Schedule of Expenditures of Federal Awards is an integral part of this statement.

BRANDYWINE COMMUNITY SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/Project Number	Federal Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2023	Federal Funds/ In-Kind Payments	Federal Expenditures	Accrued (Deferred) Revenue June 30, 2024
<u>U.S. Department of Education</u>								
Passed through Michigan Department of Education								
Grants to Local Educational Agencies - Title I, Part A								
Title I, Part A 2022	221530	84.010	\$ 284,754	\$ 241,774	\$ -	\$ (4,085)	\$ (4,085)	\$ -
Title I, Part A 2023	231530	84.010	321,655	264,625	120,523	164,059	43,536	-
Title I, Part A 2024	241530	84.010	330,063	-	-	-	330,063	330,063
Total Title I, Part A			<u>\$ 936,472</u>	<u>\$ 506,399</u>	<u>\$ 120,523</u>	<u>\$ 159,974</u>	<u>\$ 369,514</u>	<u>\$ 330,063</u>
Title II, Part A - Supporting Effective Instruction								
Title II, Part A 2023	230520	84.367	\$ 75,562	\$ 54,288	\$ 13,582	\$ 23,299	\$ 9,717	\$ -
Title II, Part A 2024	240520	84.367	47,268	-	-	-	47,268	47,268
Total Title II, Part A			<u>\$ 122,830</u>	<u>\$ 54,288</u>	<u>\$ 13,582</u>	<u>\$ 23,299</u>	<u>\$ 56,985</u>	<u>\$ 47,268</u>
Title IV, Part A - Student Support and Academic Enrichment Grant								
Title IV, Part A 2023	230750	84.424	\$ 34,488	\$ 11,929	\$ 1,901	\$ 1,901	\$ -	\$ -
Title IV, Part A 2024	240750	84.424	39,130	-	-	-	5,137	5,137
Total Title IV, Part A			<u>\$ 73,618</u>	<u>\$ 11,929</u>	<u>\$ 1,901</u>	<u>\$ 1,901</u>	<u>\$ 5,137</u>	<u>\$ 5,137</u>
Education Stabilization Fund								
American Rescue Plan - Homeless II								
COVID-19 American Rescue Plan - Homeless II	211012	84.425W	\$ 9,489	\$ 3,583	\$ 3,583	\$ 3,583	\$ -	\$ -
Total American Rescue Plan - Homeless II			<u>\$ 9,489</u>	<u>\$ 3,583</u>	<u>\$ 3,583</u>	<u>\$ 3,583</u>	<u>\$ -</u>	<u>\$ -</u>
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)								
Passed through Michigan Department of Education								
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II) 2020-2021	213712	84.425D	\$ 742,431	\$ 501,601	\$ 202,848	\$ 443,678	\$ 240,830	\$ -
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II) 2020-2021	213782	84.425D	65,970	-	-	65,970	65,970	-
Total COVID 19 - Elementary and Secondary School Emergency Relief Fund (ESSER II) - Passed through Michigan Department of Education			<u>\$ 808,401</u>	<u>\$ 501,601</u>	<u>\$ 202,848</u>	<u>\$ 509,648</u>	<u>\$ 306,800</u>	<u>\$ -</u>

The Notes to Schedule of Expenditures of Federal Awards is an integral part of this statement.

BRANDYWINE COMMUNITY SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/Project Number	Federal Assistance Listing Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2023	Federal Funds/ In-Kind Payments	Federal Expenditures	Accrued (Deferred) Revenue June 30, 2024
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER III) 2021-2022	213713	84.425U	\$ 1,668,581	\$ 999,414	\$ 621,564	\$ 1,290,731	\$ 669,167	\$ -
Total COVID 19 - Elementary and Secondary School Emergency Relief Fund (ESSER III) - Passed through Michigan Department of Education			\$ 1,668,581	\$ 999,414	\$ 621,564	\$ 1,290,731	\$ 669,167	\$ -
Total Education Stabilization Fund			\$ 2,476,982	\$ 1,501,015	\$ 824,412	\$ 1,800,379	\$ 975,967	\$ -
Total US Department of Education Passed Through Michigan Department of Education			\$ 3,619,391	\$ 2,077,214	\$ 964,001	\$ 1,989,136	\$ 1,407,603	\$ 382,468
Passed through the Muskegon Intermediate School District								
Title III - Limited English Proficient Students								
Title III, Part A 2024	240580	84.365	\$ 5,173	\$ -	\$ -	\$ 5,173	\$ 5,173	\$ -
Total Title III, Part A			\$ 5,173	\$ -	\$ -	\$ 5,173	\$ 5,173	\$ -
Total US Department of Education Passed Through Muskegon Intermediate School District			\$ 5,173	\$ -	\$ -	\$ 5,173	\$ 5,173	\$ -
Passed through the Berrien RESA								
Career and Technical Education - Basic Grants to State - Perkins V								
Total Career and Technical Education - Basic Grants to State - Perkins V 2023-2024	N/A	84.048	\$ 23,766	\$ -	\$ -	\$ 23,766	\$ 23,766	\$ -
Total Career and Technical Education - Basic Grants to State - Perkins V			\$ 23,766	\$ -	\$ -	\$ 23,766	\$ 23,766	\$ -
Total US Department of Education Passed Through Berrien RESA			\$ 23,766	\$ -	\$ -	\$ 23,766	\$ 23,766	\$ -
Total U.S. Department of Education			\$ 3,648,330	\$ 2,077,214	\$ 964,001	\$ 2,018,075	\$ 1,436,542	\$ 382,468
<u>U.S. Department of Health and Human Services</u>								
Passed through the Berrien RESA								
Medicaid Cluster								
Medicaid Outreach - 2023-2024	N/A	93.778	\$ 15,389	\$ -	\$ -	\$ 15,389	\$ 15,389	\$ -
Total Medicaid Cluster			\$ 15,389	\$ -	\$ -	\$ 15,389	\$ 15,389	\$ -
Total U.S. Department of Health and Human Services			\$ 15,389	\$ -	\$ -	\$ 15,389	\$ 15,389	\$ -
Total Federal Financial Assistance			\$ 4,875,450	\$ 2,539,644	\$ 982,310	\$ 2,796,903	\$ 2,201,233	\$ 386,640

The Notes to Schedule of Expenditures of Federal Awards is an integral part of this statement.

SECTION I – SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of auditors report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes

No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

Yes

None reported

Noncompliance material to financial statements noted?

Yes

No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Yes

No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

Yes

None reported

Type of auditors report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CRF 200.516 (a)?

Yes

No

Identification of major programs:

<u>Federal Assistance</u>	
<u>Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.425D, 84.425U, 84.425W & 84.425C	Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes

No

SECTION II –STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Finding: 2023-001 – Material Audit and Reclassification Entries

Finding Type	Material Weakness Related to Internal Control Over Financial Reporting
Criteria	The unadjusted trial balance should not require any material audit adjustments or reclassification entries.
Condition	Prior to the closing of the year end, multiple reclassification and adjusting journal entries, material to the financial statements were proposed by their independent audit firm.
Cause	Multiple accounts were materially incorrect when the District gave their independent auditors the unadjusted trial balance. The auditors had to propose material adjust and reclassification entries.
Effect	Without the proposed audit adjustments, the financial statements would have been materially misstated.
Recommendation	The District should review the unadjusted trial balance and reconcile balances to the District’s internal and external support to make sure the trial balance is materially correct. Some items the District could reconcile to are the following – County property tax settlement statements that shows what fund the property taxes should be posted to, State aide status reports, grant section auditors report, payroll accrual reports from payroll system and do a comparison of the unadjusted trial balance to the previous years and explore unusual or unexpected account balances.
District’s Response	The District understands the importance of not having material audit adjustment and reclassification entries. The District will continue to work with Berrien RESA and ask questions throughout the year to our audit firm when questions and or issues come up. We also will reconcile our year end trial balance to internal and external (County property tax settlements, grant section auditor report, state aide reports and internal reports etc.) along with comparing the ending unadjusted trial balance to prior year trial balance to investigate unusual items before handing the final unadjusted trial balance to our independent auditors. We believe this will greatly reduce our year end audit and reclassification entries.
Status of Finding	During the audit, material entries and reclassification were proposed by the auditors. Finding will be repeated as Finding 2024-001.

Finding: 2023-002 – Budget Variance

Finding Type –	Material Weakness Related to Noncompliance with Laws and Regulations
Criteria –	The Uniform Budgeting and Accounting Act (the “Act”) establishes the budgeting requirements for local units of government. Noncompliance with this Act includes, but is not limited to, net change in fund balance being less than the budgeted amount.
Condition –	The District’s General Fund expenditures exceeded budgeted expenditures (see Required Supplementary Information – Budgetary Comparison Schedule).

BRANDYWINE COMMUNITY SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2024

Cause	The District did not accurately amend the fiscal year budget because year-end accruals were not booked.
Effect	Actual expenditures spent was in excess of budgeted expenditures.
Recommendation	Budgets should be sufficiently conservative to allow for unexpected decreases in revenue and/or unexpected increases in expenditures. Budgets should be amended as new information comes to light regarding such decreases or increases. Accruals should also be properly booked in order to have accurate information when deciding how to amend the budget.
District's Response	– The District is aware of this deficiency and continues to take steps to ensure accuracy of budgeted amounts, amending budgeted amounts as needed, given information known at the time. The District feels the variance for this year is an anomaly and does not expect this condition to continue in the future. Along with this, accruals will be properly recorded in the future, allowing the Board to have accurate numbers when amending the budget.
Status of Finding	Finding will not be repeated due to revenues being over collected by 3.4% while expenditures were overspent by 3.5% which netted to a .1% net budget variance from the District's \$18.9 million dollar budget.
Finding: 2023-003 – Federal Assistance Listing Number, Federal Agency, and Program Name – 84.425W, 84.425C, 84.425U & 84.425D, Education Stabilization Fund, U.S. Department of Education	
Finding Type	Significant Deficiency in Internal Control Over Compliance and Noncompliance with Laws and Regulations and Other Matters (<i>Uniform Guidance</i>).
Criteria	The District is required to spend on allowable activities and related costs for which expenditures have been incurred prior to making the request for grant monies.
Condition	The District incurred the expenditures but was unable to bridge the accounting records supporting the transactions requested upon by the auditor in a timely manner.
Questioned Costs	None
Context	The District could not provide a general ledger detail or schedule identifying the expenditures that were allocated towards the District's federal grant draws when requested. The District had the support in multiple places and it took some time to get the support needed for the request.
Cause	The District could not provide grant detail in a timely manner when requested by the District's auditors.
Effect	Without the proper documentation, there is a risk expenditures were not properly drawn for that grant.
Recommendation	For each draw, the Business Office personnel should attach expenditure detail to support the draw. By doing this the District would have support readily available when it is requested. It should be noted, that detail was eventually provided to the District's auditors which agreed to the grant activity to the draw.

District’s Response The District is improving their implemented policy that the support for any federal draw is immediately attached to the federal request. This will make the information readily available when requested.

Status of Finding Finding will be repeated as Finding 2024-003.

SECTION III – FINANCIAL STATEMENT FINDINGS

Finding: 2024-001 – Material Audit and Reclassification Entries

Finding Type Material Weakness Related to Internal Control Over Financial Reporting

Criteria The unadjusted trial balance should not require any material audit adjustments or reclassification entries.

Condition Prior to the closing of the year end, multiple reclassification and adjusting journal entries, material to the financial statements were proposed by their independent audit firm.

Cause Multiple accounts were materially incorrect when the District gave their independent auditors the unadjusted trial balance. The auditors had to propose material adjust and reclassification entries.

Effect Without the proposed audit adjustments, the financial statements would have been materially misstated.

Recommendation The District should review the unadjusted trial balance and reconcile balances to the District’s internal and external support to make sure the trial balance is materially correct. Some items the District could reconcile to are the following – County property tax settlement statements that shows what fund the property taxes should be posted to, State aide status reports, grant section auditors report, payroll accrual reports from payroll system and do a comparison of the unadjusted trial balance to the previous years and explore unusual or unexpected account balances.

District’s Response The District understands the importance of not having material audit adjustment and reclassification entries. The District will continue to work with Berrien RESA and ask questions throughout the year to our audit firm when questions and or issues come up. We also will reconcile our year end trial balance to internal and external (County property tax settlements, grant section auditor report, state aide reports and internal reports etc.) along with comparing the ending unadjusted trial balance to prior year trial balance to investigate unusual items before handing the final unadjusted trial balance to our independent auditors. We believe this will greatly reduce our year end audit and reclassification entries.

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding: 2024-002 – Schedule of Expenditures of Federal Award Preparation

Finding Type	Material Weakness in Internal Control Over Compliance and Noncompliance with Laws and Regulations and Other Matters (<i>Uniform Guidance</i>)
Criteria	The District is required to provide an accurate listing of federal grants to prepare the District’s Schedule Expenditures of Federal Awards.
Condition	During the audit, the District provided a listing of federal grants that was incorrect to the District’s external auditors. By doing this the District’s federal grants listing was incomplete and incorrect causing the auditor’s preliminary major program determination to be incorrect. If this was not discovered by the District’s external auditors, the incorrect major program would have been tested creating an audit failure.
Questioned Costs	None
Cause	The District had multiple mispostings in the federal award accounts which affected the District’s preliminary Schedule Expenditures of Federal Awards.
Effect	Without the correct federal expenditures listing, there is a risk that a major program would be missed.
Recommendation	We recommend that the District review the federal revenue accounts compared to the District’s Grant Auditor Report, Berrien RESA report, and other federal grant documents while preparing the District’s Schedule Expenditures of Federal Awards. The District should also compare the District’s federal expenditures in the District’s general ledger. Any reconciling items between the revenue and expenses should be reconciled and accounted for.
District’s Response	The District plans on reviewing federal revenue accounts with the District’s Grant Auditor Report, Berrien RESA report, and other federal grant documents and reconcile to federal grant expenditures in the District’s general ledger when preparing the District’s Schedule of Federal Awards.

Finding: 2024-003 – Federal Assistance Listing Number, Federal Agency, and Program Name – 84.425C, 84.425W, 84.425U & 84.425D, Education Stabilization Fund, U.S. Department of Education

Finding Type	Significant Deficiency in Internal Control Over Compliance and Noncompliance with Laws and Regulations and Other Matters (<i>Uniform Guidance</i>).
Criteria	The District is required to spend on allowable activities and related costs for which expenditures have been incurred prior to making the request for grant monies.
Condition	The District incurred the expenditures but was unable to bridge the accounting records supporting the transactions requested by the auditor in a timely manner.
Questioned Costs	None

Context	The District could not provide a general ledger detail or schedule identifying the expenditures that were allocated towards the District’s federal grant draws when requested. The District had the support in multiple places and it took some time to get the support needed for the request.
Cause	The District could not provide grant detail in a timely manner when requested by the District’s auditors.
Effect	Without the proper documentation, there is a risk expenditures were not properly drawn for that grant.
Recommendation	For each draw, the Business Office personnel should attach expenditure detail to support the draw. By doing this the District would have support readily available when it is requested. It should be noted, that the detail that eventually was provided to the District’s auditors was in line with the grant activity related to the grant and the draw.
District’s Response	The District is improving their current policy for support for any federal draw is immediately attached to the federal request. This will make the information readily available when requested.

BRANDYWINE COMMUNITY SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2024

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Brandywine Community Schools (the “District”) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

The District qualified as high-risk auditee status. Management has utilized the NexSys, Cash Management System and the Grant Auditor Report in preparing the Schedule.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principals contained in Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3. FOOD DISTRIBUTION

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

NOTE 4. SCHEDULE OF RECONCILIATION OF EXPENDITURES WITH EXPENDITURES FOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The actual Federal source expenditures amounted to \$2,201,233 per the audit of the financial statements. The related expenditures are composed of the following:

	<u>Amount</u>
Actual cash expenditures	\$ 2,140,064
Non- cash entitlement commodities	61,169
Non- cash entitlement bonus commodities	-
	<u><u>\$ 2,201,233</u></u>

BRANDYWINE COMMUNITY SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2024

NOTE 5. INDIRECT COSTS

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

NOTE 6. PASS-THROUGH SUBRECIPIENTS

The District did not pass-through any federal award dollars to any subrecipients.

**MANAGEMENT COMPLIANCE
LETTER**



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brandywine Community Schools, (the “District”) as of and for the year ended June 30, 2024, 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 28, 2024.

Report on 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying findings and questions costs as item 2024-001 that we consider to be material weakness.

**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, Concluded***

Report on 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 financial statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

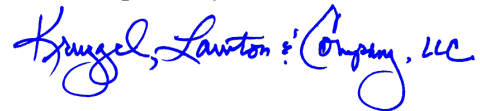
The District’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 District’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
October 28, 2024



**Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Brandywine Community Schools’ (the “District”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2024. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District’s and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District’s federal programs.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance, Continued

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-002 and 2024-003. Our opinion on each major federal program is not modified with respect to these matters.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance, Continued

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-003 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance, Concluded**

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

Respectfully submitted,

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

Certified Public Accountants

St. Joseph, Michigan
October 28, 2024