Walden Green Montessori

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2019

Walden Green Montessori

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Walden Green Montessori
Spring Lake, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Walden Green Montessori (the School), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Walden Green Montessori as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information on pages 3 through 8 and 37 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2019, on our consideration of Walden Green Montessori'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 Walden Green Montessori'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 Walden Green Montessori's internal control over financial reporting and compliance.

Muskegon, Michigan
October 21, 2019

This section of Walden Green Montessori's annual financial report presents our discussion and analysis of the School's financial performance during the year ended June 30, 2019. Please read it in conjunction with the School'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 Walden Green Montessori financially as a whole. The School-wide financial statements provide information about the activities of the whole School, presenting both an aggregate view of the School's finances and a longer-term view of those finances. 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 School's operations in more detail than the School-wide financial statements. The basic financial statements are comprised of the following elements:

- **Management's Discussion and Analysis (MD&A)**
- **Basic Financial Statements**
  - School-wide Financial Statements
  - Fund Financial Statements
  - Notes to Financial Statements
- **Required Supplementary Information**
  - Budgetary Information for the General Fund

Reporting the School as a Whole—School-wide Financial Statements

Operating profit or loss for the fiscal year is one of the most important questions asked about the School. The Statement of Activities reports information on the School as a whole and its activities in a way that helps answer this question. We prepare this statement using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and Statement of Activities report the School's net position—the difference between assets/deferred outflows and liabilities/deferred inflows—as one way to measure the School's financial health or financial position. Over time, increases or decreases in the School'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 School's operating results. However, the School'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 School.

The Statement of Net Position and Statement of Activities report the governmental activities for the School, which encompass all of the School's services, including instruction and support services. Unrestricted state aid (foundation allowance revenue) and state and federal grants finance most of these activities.

Reporting the School's Most Significant Funds—Fund Financial Statements

The School's fund financial statements provide detailed information about the most significant funds—not the School as a whole. Walden Green Montessori used two funds in the current year – the General Fund and the Debt Service Fund. The funds use the following accounting approach:

Governmental funds—All of the School's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using the modified accrual method of 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 School 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 School's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation.

The School as a Whole

Recall that the Statement of Net Position provides the perspective of the School as a whole. The following table provides a summary of the School's net position as of June 30, 2019 and 2018.

Statement of Net Position	2019	2018
Assets		
Current Assets and Other Assets	$ 1,630,559	$ 1,442,588
Capital Assets	2,757,289	2,811,695
Total Assets	4,387,848	4,254,283
Deferred Outflows of Resources		
Related to other postemployment benefits	19,454	5,750
Related to Pensions	126,036	79,200
Total Assets and Deferred Outflows of Resources	4,533,338	4,339,233
Liabilities		
Current Liabilities	300,189	273,208
Noncurrent Liabilities	3,700,170	3,763,615
Total Liabilities	4,000,359	4,036,823
Deferred Inflows of Resources		
Related to other postemployment benefits	24,258	3,825
Related to Pensions	55,840	44,476
Total Liabilities and Deferred Inflows of Resources	4,080,457	4,085,124
Net Position		
Net investment in capital assets	(256,782)	(304,232)
Restricted for debt service	527,295	510,723
Unrestricted	182,368	47,618
Total Net Position	$ 452,881	$ 254,109

The above analysis focuses on net position, which can be used as an indicator of the School's financial health. Current assets, defined as assets available for the School's use within one year, increased by $187,971 primarily due to the increase in cash and investments as well as an increase in dues from other governmental units. Capital assets decreased by $54,406 due to the current year's depreciation exceeding current year additions. Overall, total assets and deferred outflows of resources increased by $194,105. Total liabilities and deferred inflows of resources decreased by $4,667; primarily due to the payment on long term debt. The impact on the net investment in capital assets (which represents the School's net position invested in buildings and equipment less accumulated depreciation and related debt) was a decrease of $47,450. The unrestricted net position balance of $182,368 is used to provide working capital and cash flow requirements as well as providing for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School as a whole are reported in the Statement of Activities, which shows the changes in net position for fiscal year 2019.

Statement of Activities

	2019	2018
Functions/Programs		
Program Revenue		
Charges for Services	$ 18,291	$ 16,967
Operating Grants	258,351	174,903
Capital Grants	-	24,558
General Revenues		
Grants and Contributions not Restricted to Specific Programs	1,939,369	1,770,116
Investment Earnings	9,730	5,043
Total Revenues	2,225,741	1,991,587
Expenses		
Instruction	1,051,322	991,240
Support Services	773,122	675,586
Community services	350	-
Interest of Long-term Debt	202,175	207,885
Total Governmental Activities	2,026,969	1,874,711
Change in Net Position	198,772	116,876
Net Position - Beginning of Year	254,109	137,233
Net Position - End of Year	**$ 452,881**	**$ 254,109**

Change in Net Position
The School experienced an increase in net position of $198,772. The total revenues were up $234,154 largely due to grants and state aid contributions. Total expenses were up by $152,258 largely due to an increase in instruction and operations and maintenance.

As discussed above, the net cost shows the financial burden that was placed on the School by each of these functions. Since unrestricted state aid constitutes the vast majority of district operating revenue sources, the Board of Directors and administration must annually evaluate the needs of the School and balance those needs with state-prescribed available unrestricted resources.

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

In the General Fund, our principal operating fund, the fund balance increased $149,418 during the year and ended the year with a positive fund balance of $918,075.

General Fund Budgetary Highlights
Over the course of the year, the School revises its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. (A schedule showing the School's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements).

Local and state revenues were amended down as the School became aware that revenues from the Intermediate School District and the State of Michigan would be less than originally anticipated.

There were revisions made to the 2018-2019 General Fund original budget. Budgeted expenditures for instruction (both basic programs and added needs) were decreased by a total of $201,714 due to lower costs related to staffing and lower program costs. Pupil support services budgeted expenditures were increased by $38,175 based on program need. Administration was amended down by $67,455 due to lower than expected costs in legal services, fees, staffing costs and other expenses. Operations and Maintenance budget was decreased by $28,955 due to decrease costs in supplies and maintenance of the equipment and repairs. Other categories were adjusted to match anticipated expenditures as the year progressed.

Local revenues were greater than budget, because monies received from the intermediate school district were greater than anticipated.

Actual results for expenditures for the year ended June 30, 2019 were close to budgeted amounts.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2019, the School had $2,757,289 (net of accumulated depreciation) invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of $54,406 from last year.

	2019	2018
Land	$ 319,638	$ 319,638
Construction in progress	-	4,705
Building and improvements	2,393,620	2,463,452
Furniture and equipment	44,031	23,900
	$ 2,757,289	$ 2,811,695

We present more detailed information about our capital assets in the notes to the financial statements.

Long-term Obligations

At June 30, 2019, the School had $3,327,915 in bonds relating to building construction. The School made its scheduled debt payments during the current year. In addition, the School incurred no new debt.

Economic Factors and Next Year's Budget

Our appointed officials and administration considered many factors when setting the School's 2020 fiscal year budget. One of the most important factors affecting the budget is our student count. The fiscal year 2020 budget anticipates an increase in enrollment of approximately 6 students. The State foundation allowance is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2020 fiscal year is 90 percent and 10 percent of the October 2019 and February 2020 student counts, respectively. The original 2020 budget was adopted in June 2019 and anticipated a decrease from fund balance of $25,812.

Approximately 87 percent of total General Fund revenue comes from the state foundation grant. As a result, direct funding is heavily dependent on the state's ability to fund local school operations. Based on early enrollment data at the start of the 2020 school year, we anticipate that the fall student count will be below the estimates used in creating the fiscal 2020 budget. Once the final student count and related per pupil funding is validated, state law requires the School to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School's revenue is heavily dependent on state funding and the health of the state's School Aid Fund, the actual revenue received depends on the state's ability to collect revenues to fund its appropriation to schools. The state periodically holds a revenue-estimating conference to estimate revenues.

Contacting the School Financial Management

The financial report is designed to provide a general overview of the School's finances for all those interested in the School's finances. If you have any questions about this report or need additional information, contact Walden Green Montessori, 17339 Roosevelt Road, Spring Lake, Michigan 49456.

Walden Green Montessori
STATEMENT OF NET POSITION
June 30, 2019

	Governmental activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 692,029
Investments	517,942
Receivables	885
Due from other governmental units	383,703
Prepaid items	36,000
Total current assets	1,630,559
Noncurrent assets	
Capital assets, net	
Nondepreciable	319,638
Depreciable	2,437,651
Total noncurrent assets	2,757,289
Total assets	4,387,848
DEFERRED OUTFLOWS OF RESOURCES	
Related to other postemployment benefits	19,454
Related to pensions	126,036
Total deferred outflows of resources	145,490
Total assets and deferred outflows of resources	4,533,338
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	62,642
Due to other governmental units	18,590
Unearned revenue	103,957
Bonds and other obligations, due within one year	115,000
Total current liabilities	300,189
Noncurrent liabilities	
Bonds and other obligations, less amounts due within one year	3,212,915
Net other postemployment benefits liability	104,099
Net pension liability	383,156
Total noncurrent liabilities	3,700,170
Total liabilities	4,000,359
DEFERRED INFLOWS OF RESOURCES	
Related to other postemployment benefits	24,258
Related to pensions	55,840
Total deferred inflows of resources	80,098
Total liabilities and deferred inflows of resources	4,080,457
NET POSITION	
Net investment in capital assets	(256,782)
Restricted for debt service	527,295
Unrestricted	182,368
Total net position	**$ 452,881**

The accompanying notes are an integral part of this statement.

Walden Green Montessori
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019

		Program Revenue		Net (Expense) Revenue and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for services**	**Operating grants and contributions**	**Governmental activities**
Governmental activities				
Instruction	$ 1,051,322	$ 18,291	$ 242,606	$ (790,425)
Support services	773,122	-	15,745	(757,377)
Community services	350	-	-	(350)
Interest on long-term debt	202,175	-	-	(202,175)
Total governmental activities	**$ 2,026,969**	**$ 18,291**	**$ 258,351**	(1,750,327)
General revenues				
Grants and contributions not restricted to specific programs				1,939,369
Investment earnings				9,730
Total general revenues				1,949,099
Change in net position				198,772
Net position at beginning of year				254,109
Net position at end of year				**$ 452,881**

The accompanying notes are an integral part of this statement.

Walden Green Montessori
BALANCE SHEET
Governmental Funds
June 30, 2019

	General Fund	Debt Service Fund	Total governmental funds
ASSETS			
Cash and cash equivalents	$ 692,029	$ -	$ 692,029
Investments	-	517,942	517,942
Receivables	885	-	885
Due from other governmental units	383,703	-	383,703
Due from other funds	-	57,500	57,500
Prepaid items	36,000	-	36,000
Total assets	**$ 1,112,617**	**$ 575,442**	**$ 1,688,059**
LIABILITIES			
Accounts payable	$ 4,673	$ -	$ 4,673
Accrued liabilities	9,822	-	9,822
Due to other governmental units	18,590	-	18,590
Due to other funds	57,500	-	57,500
Unearned revenue	103,957	-	103,957
Total liabilities	194,542	-	194,542
FUND BALANCES			
Nonspendable - prepaid items	36,000	-	36,000
Restricted for debt service	-	575,442	575,442
Assigned to subsequent year's budget appropriation of fund balance	25,812	-	25,812
Unassigned	856,263	-	856,263
Total fund balances	918,075	575,442	1,493,517
Total liabilities and fund balances	**$ 1,112,617**	**$ 575,442**	**$ 1,688,059**

The accompanying notes are an integral part of this statement.

Walden Green Montessori
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2019

Total fund balance—governmental funds		$ 1,493,517
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds.		
Cost of capital assets	$ 3,900,194	
Accumulated depreciation	(1,142,905)	2,757,289
Deferred inflows and outflows of resources related to pensions and other postemployment benefits are not reported in the governmental funds.		
Deferred outflows of resources - related to other postemployment benefits	19,454	
Deferred inflows of resources - related to other postemployment benefits	(24,258)	
Deferred outflows of resources - related to pensions	126,036	
Deferred inflows of resources - related to pensions	(55,840)	65,392
Accrued interest in governmental activities is not reported in the governmental funds.		(48,147)
Long-term obligations in governmental activities are not due and payable in the current period and are not reported in the governmental funds.		(3,815,170)
Net position of governmental activities		**$ 452,881**

The accompanying notes are an integral part of this statement.

Walden Green Montessori

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Governmental Funds

For the year ended June 30, 2019

	General Fund	Debt Service Fund	Total governmental funds
REVENUES			
Local sources			
Investment earnings	$ 104	$ 9,626	$ 9,730
Fees and charges	18,291	-	18,291
Other	117,934	-	117,934
Total local sources	136,329	9,626	145,955
State sources	1,974,434	-	1,974,434
Federal sources	107,265	-	107,265
Total revenues	2,218,028	9,626	2,227,654
EXPENDITURES			
Current			
Instruction	981,490	-	981,490
Support services	756,158	-	756,158
Community services	-	-	-
Debt service			
Principal repayment	-	110,000	110,000
Interest and other charges	-	200,748	200,748
Capital outlay	14,712	-	14,712
Total expenditures	1,752,360	310,748	2,063,108
Excess (deficiency) of revenues over (under) expenditures	465,668	(301,122)	164,546
OTHER FINANCING SOURCES (USES)			
Transfers in	-	316,250	316,250
Transfers out	(316,250)	-	(316,250)
Total other financing sources (uses)	(316,250)	316,250	-
Net change in fund balances	149,418	15,128	164,546
Fund balances at beginning of year	768,657	560,314	1,328,971
Fund balances at end of year	**$ 918,075**	**$ 575,442**	**$ 1,493,517**

The accompanying notes are an integral part of this statement.

Walden Green Montessori

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURESAND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

Net change in fund balances—total governmental funds		$ 164,546
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities these costs are depreciated over their estimated useful lives.		
Depreciation expense	$ (77,591)	
Capital outlay	23,185	(54,406)
Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.		101,856
Interest expense on long-term obligations is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid.		1,444
Some other postemployment benefit related expenses reported in the Statement of Activites do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		2,311
Some pension related expenses reported in the Statement of Activites do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(16,979)
Change in net position of governmental activities		**$ 198,772**

The accompanying notes are an integral part of this statement.

Walden Green Montessori
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
June 30, 2019

	Agency funds
ASSETS	
Cash and cash equivalents	**$ 140**
LIABILITIES	
Deposits held for others	**$ 140**

The accompanying notes are an integral part of this statement.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity
The School is governed by an appointed five member Board of Directors (Board), which has responsibility and control over all activities related to education within the School. The School receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities.

Generally accepted accounting principles require that if the School is considered to be financially accountable for other organizations, those organizations should be included as component units in the School's financial statements. Since no organizations met this criterion, none are included in the financial statements.

Basis of Presentation—Government-wide and Fund Financial Statements
The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the School. All fiduciary activities are reported only in the fund financial statements. Governmental activities normally are supported by intergovernmental revenues and other nonexchange transactions.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The fund financial statements provide information about the School's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements—Continued

During the course of operations the School has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

State and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

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

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued
The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

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

All other revenue items are considered to be measurable and available only when cash is received by the government.

The agency fund has no measurement focus, but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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

Cash and Investments
The School's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the School are reported at fair value (generally based on quoted market prices). Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School intends to hold the investment until maturity.

State statutes authorize the School to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The School is also authorized to invest in U. S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The School's deposits and investments are in accordance with statutory authority.

Inventories and Prepaid Items
All inventories are valued at cost using the first-in/first-out method. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Capital Assets
Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year.

As the School constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, and equipment, of the School are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Years
Buildings and improvements	10-50
Furniture and equipment	3-10

Long-term Obligations
In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Defined Benefit Plan
For purposes of measuring the net pension and net other postemployment benefits (OPEB) liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

Deferred Outflows/Inflows of Resources
In addition to assets, the Statement of Net 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/expenditures) until then.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Deferred Outflows/Inflows of Resources—Continued
In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position Flow Assumption
Sometimes the government will fund outlays for a 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 School's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions
Sometimes the School 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 School's policy to consider restricted fund balance to have been depleted before using any of the 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.

Fund Balance Policies
Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the School that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the School for specific purposes but do not meet the criteria to be classified as committed. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses

Program Revenues
Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted state aid, interest and other internally dedicated resources are reported as general revenues rather than as program revenues.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting
Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at year end.

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

1. The Director submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain comments.
3. Prior to July 1, the budget is legally adopted by Board of Directors resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the General Fund are noted in the required supplementary information section.
4. Formal budgetary integration is employed as a management control device during the year.
5. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2019.

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2019, the School had the following investments:

Investment Type	Fair value	Weighted average maturity (Days)	Standard & Poor's rating	Percent
Money Market Fund	$ 517,942	25	AAAm	100%

Interest rate risk
The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk
State law limits investments in commercial paper and corporate bonds to the three highest classifications issued by nationally recognized statistical rating organizations. The School has no investment policy that would further limit its investment choices.

Concentration of credit risk
The School does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the School investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits
In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to it. As of June 30, 2019, $160,012 of the School's bank balance of $760,669 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments
The School does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

NOTE D—FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has ability to access.

Level 2 Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019.

Money market funds: Valued at amortized cost which approximates fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the School's assets at fair value on a recurring basis as of June 30, 2019:

	Assets at Fair Value as of June 30, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ -	$ 517,942	$ -	$ 517,942

NOTE E—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	$ 319,638	$ -	$ -	$ 319,638
Construction in progress	4,705	-	4,705	-
Total capital assets, not being depreciated	324,343	-	4,705	319,638
Capital assets, being depreciated:				
Buildings and improvements	3,192,427	-	-	3,192,427
Furniture and equipment	432,302	27,890	72,063	388,129
Total capital assets, being depreciated	3,624,729	27,890	72,063	3,580,556
Less accumulated depreciation:				
Buildings and improvements	728,975	69,832	-	798,807
Furniture and equipment	408,402	7,759	72,063	344,098
Total accumulated depreciation	1,137,377	77,591	72,063	1,142,905
Total capital assets, being depreciated, net	2,487,352	(49,701)	-	2,437,651
Capital assets, net	**$ 2,811,695**	**$ (49,701)**	**$ 4,705**	**$ 2,757,289**

Depreciation

Depreciation expense has been charged to functions as follows:

Instruction	$ 69,832
Support services	7,759
	$ 77,591

NOTE F—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2019 is as follows:

Due to/from other funds:

Receivable fund	Payable fund	Amount
Debt Service Fund	General Fund	**$ 57,500**

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers
The General Fund transferred $316,250 to the Debt Service Fund to fund debt service payments.

NOTE G—LONG-TERM OBLIGATIONS

The School issues bonds, notes and other contractual commitments to provide for the acquisition, construction and improvement of major capital facilities and for the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School.

The following is a summary of long-term obligations activity for the School for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due within one year
Governmental activities					
Bonds	$ 3,575,000	$ -	$ 110,000	$ 3,465,000	$ 115,000
Discount	(145,229)	-	(8,144)	(137,085)	-
	$ 3,429,771	**$ -**	**$ 101,856**	**$ 3,327,915**	**$ 115,000**

The governmental activities bonds are secured by future state aid of the School. If the School defaults, the bonds are callable.

General obligation bonds consist of the following:

	Interest Rate	Date of Maturity	Balance
General obligation bonds			
2006 Limited Obligation Revenue Bond	5-5.625%	October 2036	**$ 3,465,000**

NOTE G—LONG-TERM OBLIGATIONS—Continued

The annual requirements of principal and interest to amortize the bonds as of June 30, 2019 follow:

Year ending June 30,	Principal	Interest	Total
2020	$ 115,000	$ 192,588	$ 307,588
2021	120,000	186,550	306,550
2022	130,000	180,250	310,250
2023	135,000	173,425	308,425
2024	145,000	166,000	311,000
2025-2029	850,000	701,900	1,551,900
2030-2034	1,120,000	435,094	1,555,094
2035-2037	850,000	89,297	939,297
	$ 3,465,000	**$ 2,125,104**	**$ 5,590,104**

NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description
The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System.

The 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 the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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. Depending on the plan option selected (Basic, Member Investment Plan (MIP), Pension Plus, Pension Plus 2), member retirement benefits for DB plan members are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Benefits Provided – Pension—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 who became a member 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 percent of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50 percent (up to 1 percent 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 service 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.

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus plan described above and a DC plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus plan. If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Employees in the Pension Plus and DC plans are immediately vested in their own contributions and earnings on those contributions. The employee becomes vested in the employer match contribution at the following rates: 50 percent after two years of service, 75 percent after three years of service, and 100 percent after four years of service. Non-vested contributions are forfeited upon termination of employment. Forfeitures during a plan year are credited to a forfeitures account. Forfeitures are first applied to restore any forfeited amounts that are required to be restored. The remaining amounts in the forfeitures account may be maintained in reserve, used to cover a portion of the plan's administrative expenses or offset future employer contributions, as determined by the plan administrator.

Pension Reform 2017
On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan (Pension Plus 2) 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 new hybrid plan is 6 percent. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85 percent for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Benefits Provided – Pension—Continued

Regular Retirement

The pension benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation (FAC). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan member, who became a member of MPSERS prior to July 1, 2010, the averaging period is 36 consecutive months. For a Pension Plus member, who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a Basic Plan member, this period is the 60 consecutive months yielding the highest total wages. 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.

Post-Retirement Adjustments

A retiree who became a Member Investment Plan member prior to July 1, 2010, receives an annual post-retirement non-compounded increase of three percent of the initial pension in the October following twelve months of retirement. Basic Plan members do not receive an annual post-retirement increase, but are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions. Pension Plus members do not receive an annual post-retirement increase.

Plan Status

The Basic, MIP, and Pension Plus plans are closed to new entrants. The Pension Plus 2 plan and the DC plan are still open to new entrants.

Benefits Provided – 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 healthcare 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 percent beginning January 1, 2013; 90 percent for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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.

NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Benefits Provided – OPEB—Continued

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

Contributions – Pension and OPEB

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period for the 2018 fiscal year.

The schedules below summarize the contribution rates in effect for the System's fiscal year ended September 30, 2018.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0 %	17.89 %
Member Investment Plan	3.0 - 7.0	17.89
Pension Plus Plan	3.0 - 6.4	16.61
Pension Plus 2 Plan	3.0 - 6.4	19.74
Defined Contribution	0.0	13.54

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.0 %	6.44 %
Personal Healthcare Fund	0.0	6.13

The School District's pension contributions for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were approximately $34,000, including Section 147c contributions.

For the year ended June 30, 2019, the School and employee defined contribution plan contributions were approximately $4,200 and $1,000, respectively.

The School District's OPEB contributions for the year ended June 30, 2019 were equal to the required contribution total. OPEB contributions were approximately $9,000.

NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
At June 30, 2019, the School reported a liability of $383,156 for its proportionate share of the net pension liability and a liability of $104,099 for its proportionate share of the net OPEB liability.

The net pension and OPEB liabilities were measured as of September 30, 2018, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities were determined by an actuarial valuation rolled forward from September 30, 2017. The School District's proportion of the net pension and OPEB liabilities was determined by dividing each employer's statutorily required pension and OPEB contributions to the system during the measurement period by the percent of pension and OPEB contributions, respectively, required for all applicable employers during the measurement period. At September 30, 2018 and 2017, the School's pension proportion was 0.00127 and 0.00128 percent, respectively. At September 30, 2018 and 2017, the School's OPEB proportion was 0.00131 and 0.00128 percent, respectively.

For the year ended June 30, 2019, the School recognized pension expense of $49,231 and OPEB expense of $5,469.

At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Pension		OPEB	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 1,778	$ 2,784	$ -	$ 19,376
Changes of assumptions	88,739	-	11,024	-
Net difference between projected and actual earnings on pension plan investments	-	26,198	-	4,001
Changes in proportion and differences between School contributions and proportionate share of contributions	8,638	12,433	2,594	881
State of Michigan Section 147c UAAL rate stabilization state aid payments subsequent to the measurement date	-	14,425	-	-
School contributions subsequent to the measurement date	26,881	-	5,836	-
Total	**$ 126,036**	**$ 55,840**	**$ 19,454**	**$ 24,258**

NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources—Continued

The School District contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions and OPEB, in the chart above, will be recognized as a reduction of the net pension liability and the net OPEB liability, respectively, in the year ended June 30, 2020. The State of Michigan Section 147c UAAL rate stabilization state aid payments subsequent to the measurement date reported as deferred inflows of resources will be recognized as revenue in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in expense as follows:

Year ending June 30,	Pension	OPEB
2020	$ 25,840	$ (2,663)
2021	16,748	(2,663)
2022	10,279	(2,663)
2023	4,873	(1,878)
2024	-	(773)

Actuarial assumptions

Valuation Assumptions

Investment rate of return –	7.05% a year for the MIP and Basic plans 7% a year for the Pension Plus plan 6% a year for the Pension Plus 2 plan 7.15% a year for OPEB
Salary increases –	2.75%-11.55%
Inflation –	2.75%
Cost-of-living pension adjustments –	3% annual non-compounded for MIP members
Healthcare cost trend rate –	7.5% Year 1 graded to 3.0% Year 12

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

Mortality Assumptions

The healthy life post-retirement mortality tables used in this valuation of the System were the RP-2014 Male and Female Healthy Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience Study

The annual actuarial valuation report of the System used for these statements is dated September 30, 2017. Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources—Continued

Long-Term Expected Rate of Return on Investments
The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7 %
Private Equity Pools	18.0	9.2
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	-
Total	**100.0** %	

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

Discount rate
In the current year, the discount rates used to measure the total pension and OPEB liabilities were 7.05 percent (7 percent for the Pension Plus plan and 6 percent for the Pension Plus 2 plan), and 7.15 percent, respectively. The discount rates used to measure the total pension and OPEB liability as of June 30, 2018 were 7.5 percent (7 percent for the Pension Plus Plans). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension and OPEB plans' 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 and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

Sensitivity of the net pension liability to changes in the discount rate
The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.05 percent (7 percent for Pension Plus plan and 6 percent for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1 % Lower (6.05% / 6.0% / 5.0%)	Discount Rate (7.05% / 7.0% / 6.0%)	1 % Higher (8.05% / 8.0% / 7.0%)
$ 503,054	$ 383,156	$ 283,540

NOTE H—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Sensitivity of the net OPEB liability to changes in the discount rate—Continued
The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15 percent, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1 % Lower (6.15%)	Discount Rate (7.15%)	1 % Higher (8.15%)
$ 124,969	$ 104,099	$ 86,545

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate
The following presents the School's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher:

1% Lower	Current Healthcare Cost Trend Rate	1% Higher
$ 85,621	$ 104,099	$ 125,298

Pension and OPEB Plans Fiduciary Net Position
Detailed information about the pension and OPEB plans' fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System Comprehensive Annual Financial Report available at www.michigan.gov/orsschools.

Payable to the pension and OPEB plan
At year end the School is current on all required pension and OPEB payments. Accruals for July and August deferred payroll and for July and August Section 147c amounts are not considered payables for this purpose.

NOTE I—COMMITMENTS AND CONTINGENCIES

Operating Leases

The School has a lease agreement expiring August 2022. Rental expense for the year ended June 30, 2019 was $13,464. The following is a schedule of future minimum rental payments required under operating leases for the School's double wide modular classroom:

Year ending June 30,	Amount
2020	$ 13,464
2021	13,464
2022	13,464
2023	2,244
	42,636

The School also has a month-to-month lease for classroom space for $1,500 per month. Rental expense for the year ended June 30, 2019 was $18,000.

Grant Programs

The School participates in grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

NOTE J—OTHER INFORMATION

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2019 or any of the prior three years.

Employee Services Agreement

The School leases its employees, with the exception of one employee, from an employee leasing company (Company) and is not required to have these School employees covered by MPSERS. Expenditures for employee costs such as salaries and wages, payroll taxes, and benefits under the management services agreements have been recorded and reported in conformance with the State of Michigan's standard chart of accounts.

NOTE K—UPCOMING ACCOUNTING PRONOUNCEMENT

GASB Statement 84—*Fiduciary Activities* was issued by the GASB in January 2017 and will be effective for the School's 2020 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

GASB Statement 87—*Leases* was issued by the GASB in June 2017 and will be effective for the School's 2021 fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

Walden Green Montessori
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2019

	Budgeted amounts			Variance with final budget-positive (negative)
	Original	Final	Actual	
REVENUES				
Local sources	$ 147,500	$ 131,723	$ 136,329	$ 4,606
State sources	2,113,567	1,974,490	1,974,434	(56)
Federal sources	111,068	107,259	107,265	6
Total revenues	2,372,135	2,213,472	2,218,028	4,556
EXPENDITURES				
Instruction				
Basic programs	940,956	818,860	811,805	7,055
Added needs	250,355	170,737	169,685	1,052
Support services				
Pupil	70,218	108,393	108,353	40
Instructional staff	-	-	40	(40)
General administration	131,160	130,436	130,631	(195)
School administration	381,858	314,403	305,122	9,281
Business	17,200	17,160	17,160	-
Operations and maintenance	190,950	161,995	161,080	915
Pupil transportation services	7,000	1,335	1,334	1
Central	33,000	32,099	32,088	11
Community services	-	350	350	-
Facilities acquisition	21,464	14,712	14,712	-
Outgoing transfers and other transactions	316,250	316,250	316,250	-
Total expenditures	2,360,411	2,086,730	2,068,610	18,120
Excess (deficiency) of revenues over (under) expenditures	**$ 11,724**	**$ 126,742**	149,418	**$ 22,676**
Fund balance at beginning of year			768,657	
Fund balance at end of year			**$ 918,075**	

Walden Green Montessori
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the School's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement System
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
School's proportion of the net pension liability (%)	0.00127%	0.00128%	0.00135%	0.00127%	0.00123%	-	-	-	-	-
School's proportionate share of the net pension liability	$ 383,156	$ 330,705	$ 337,056	$ 309,221	$ 271,939	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$ 110,619	$ 101,461	$ 114,947	$ 96,230	$ 93,006	$ -	$ -	$ -	$ -	$ -
School's proportionate share of the net pension liability as a percentage of its covered payroll	346.37%	325.94%	293.23%	321.34%	292.39%	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	62.36%	64.21%	63.27%	63.17%	66.20%	-	-	-	-	-

Note: For years prior to 2015 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Walden Green Montessori

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of School's Pension Contributions

Last 10 Fiscal Years (Amounts were determined as of 6/30 of each year)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contributions	$ 19,404	$ 18,075	$ 20,354	$ 20,934	$ 20,770	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the statutorily required contributions	19,404	18,075	20,354	20,934	20,770	-	-	-	-	-
Contribution deficiency (excess)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
School's covered payroll	$ 110,164	$ 102,135	$ 107,095	$ 105,354	$ 94,500	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered payroll	17.61%	17.70%	19.01%	19.87%	21.98%	-	-	-	-	-

Note: For years prior to 2015 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Walden Green Montessori
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of School's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement System
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each year)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
School's proportion of the net OPEB liability (%)	0.00131%	0.00128%	-	-	-	-	-	-	-	-
School's proportionate share of the net OPEB liability	$ 104,099	$ 113,139	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$ 110,619	$ 101,461	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	94.11%	111.51%	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	42.95%	36.39%	-	-	-	-	-	-	-	-

Note: For years prior to 2018 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Walden Green Montessori

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of School's OPEB Contributions

Last 10 Fiscal Years (Amounts were determined as of 6/30 of each year)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contributions	$ 8,815	$ 7,131	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the statutorily required contributions	8,815	7,131	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$110,164	$102,135	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered payroll	8.00%	6.98%	-	-	-	-	-	-	-	-

Note: For years prior to 2018 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Changes of benefit terms: There were no changes of benefit terms in 2019.

Changes of assumptions: There were no changes of benefit assumptions in 2019.

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*

Board of Directors
Walden Green Montessori
Spring Lake, 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 the *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 Walden Green Montessori as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Walden Green Montessori's basic financial statements, and have issued our report thereon dated October 21, 2019.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Walden Green Montessori's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Walden Green Montessori's internal control. Accordingly, we do not express an opinion on the effectiveness of Walden Green Montessori's internal control.

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

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

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

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

Brickley DeLong, P.C.

Muskegon, Michigan
October 21, 2019

COMPLIANCE

NONE

SIGNIFICANT DEFICIENCIES

NONE

To the Board of Directors
Walden Green Montessori
Spring Lake, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Walden Green Montessori for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you during our conference on October 21, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Walden Green Montessori are described in Note A to the financial statements. During the year ended June 30, 2019, the school adopted the following new accounting standard: GASB Statement 88—*Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements,* which modifies required disclosures. We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate**s** affecting Walden Green Montessori's financial statements were:

Management's estimate of depreciation is based on the estimated useful life of capital assets.

The estimates used to calculate the net pension liability and other postemployment benefits liability and related deferred inflows/outflows of resources which were provided by the Office of Retirement Services.

We evaluated the key factors and assumptions used to develop these estimate**s** in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures(s) affecting the financial statements were:

The disclosure of significant pension and other post-employment benefit obligations in Note H and their impact on the School's net position.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 21, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express any opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the To the Board of Directors and management of Walden Green Montessori and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Brickley DeLong, P.C.

Muskegon, Michigan
October 21, 2019