Walden Green Montessori

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2015

WALDEN GREEN MONTESSORI

Walden Green Montessori

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INDEPENDENT AUDITORS' REPORT

October 19, 2015

Board of Education
Walden Green Montessori
Spring Lake, Michigan

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, 2015, 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.

Auditors' 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.

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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, 2015, 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.

Emphasis of Matter – Change in Accounting Principle

As described in Note J to the financial statements, Walden Green Montessori implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

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 information on pages 3 through 7 and 34 through 37 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 19, 2015, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Walden Green Montessori's internal control over financial reporting and compliance.

Brickley DeLong, P.C.

Muskegon, Michigan

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, 2015. Please read it in conjunction with the School's financial statements, which immediately follow this section.

<u>Using this Annual Report</u>

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

<u>Reporting the School as a Whole—School-wide Financial Statements</u>

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 Activities and the Statement of Net Position 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 actual 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, 2015 and 2014.

Statement of Net Position	2015	as restated 2014
Assets		
Current Assets and Other Assets	$ 1,382,526	$ 1,575,782
Capital Assets	3,068,930	3,155,446
Total Assets	4,451,456	4,731,228
Deferred Outflows of Resources		
Related to Pensions	26,804	13,058
Total Assets and Deferred Outflows of Resources	4,478,260	4,744,286
Liabilities		
Current Liabilities	179,293	211,237
Noncurrent Liabilities	3,882,278	3,985,406
Total Liabilities	4,061,571	4,196,643
Deferred Inflows of Resources		
Related to Pensions	30,063	-
Total Liabilities and Deferred Inflows of Resources	4,091,634	4,196,643
Net Position		
Net investment in capital assets	(319,821)	(315,161)
Restricted for debt service	486,140	479,547
Unrestricted	220,307	383,257
Total Net Position	$ 386,626	$ 547,643

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, decreased by $193,256 primarily due to the decrease in cash and investments as a result of expenditures in excess of revenues for the year. Capital assets decreased by $86,516 due to the current year's depreciation exceeding current year additions. Overall, total assets and deferred outflows of resources decreased by $266,026. Total liabilities and deferred inflows of resources decreased by $105,009; primarily fueled by the school making scheduled long-term obligation payments. 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 $4,660. The unrestricted net position balance of $220,307 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. During the year, the School adopted GASB 68 and GASB 71 which required the restatement of the beginning equity and resulted in deferred outflows of resources related to pensions, net pension liability and deferred inflows of resources related to pensions.

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 2015.

Statement of Activities

	2015	2014
Functions/Programs		
Program Revenue		
Charges for Services	$ 32,535	$ 52,963
Operating Grants	233,459	236,753
Capital Grants	23,514	-
General Revenues		
Grants and Contributions Not Restricted to Specific Programs	1,247,704	1,403,112
Investment Earnings	1,110	1,191
Gain on sale of asset	2,100	-
Total Revenues	1,540,422	1,694,019
Expenses		
Instruction	864,516	924,001
Support Services	612,904	620,270
Community Services	1,125	-
Interest of Long-term Debt	222,894	227,331
Total Governmental Activities	1,701,439	1,771,602
Change in Net Position	(161,017)	(77,583)
Net Position - Beginning of Year, as restated	547,643	900,379
Net Position - End of Year	$ 386,626	$ 822,796

Change in Net Position

The School experienced a decrease in net position of $161,107. The total revenues are down $153,597 largely due to a decrease in grant revenue. Total expenses are down by $70,163 largely due to a decrease in instruction services.

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 decreased $162,905 during the year and ended the year with a positive fund balance of $812,093.

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).

There were revisions made to the 2014-2015 General Fund original budget. Costs for instruction were decreased by $91,207 due to lower costs related to staffing and lower program costs while pupil support services were increased by $12,459 due to additional evaluation and students needs. Administration costs were decreased by $13,243 due to lower costs in staffing, supplies, and overall budgeted office expenses. Operations and Maintenance costs were decreased by $19,194 due to lower costs in labor, supplies and maintenance of the equipment and repairs. Other categories were adjusted to match anticipated expenditures as the year progressed.

Actual results for the year ended June 30, 2015 were close to budgeted amounts.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2015, the School had $3,068,930 (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 $86,516 from last year.

	2015	2014
Land	$ 319,638	$ 319,638
Building and improvements	2,641,108	2,704,684
Furniture and equipment	108,184	125,956
Vehicles	-	5,168
	$ 3,068,930	$ 3,155,446

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

Long-term Obligations
At June 30, 2015, the School had $3,705,339 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 2016 fiscal year budget. One of the most important factors affecting the budget is our student count. The fiscal year 2016 budget anticipates an increase in enrollment of approximately 18 students. The State foundation allowance is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2016 fiscal year is 90 percent and 10 percent of the October 2015 and February 2015 student counts, respectively. The original 2016 budget was adopted in June 2015 and anticipated a decrease in fund balance of $49,867.

Approximately 85 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 2016 school year, we anticipate that the fall student count will be below the estimates used in creating the fiscal 2016 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, 2015

	Governmental activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 602,542
Investments	482,046
Receivables	2,001
Due from other governmental units	259,531
Prepaid items	36,406
Total current assets	1,382,526
Noncurrent assets	
Capital assets, net	
Nondepreciable	319,638
Depreciable	2,749,292
Total noncurrent assets	3,068,930
Total assets	4,451,456
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	26,804
Total assets and deferred outflows of resources	4,478,260
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	61,772
Unearned revenue	22,521
Bonds and other obligations, due within one year	95,000
Total current liabilities	179,293
Noncurrent liabilities	
Bonds and other obligations, less amounts due within one year	3,610,339
Net pension liability	271,939
Total noncurrent liabilities	3,882,278
Total liabilities	4,061,571
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	30,063
Total liabilities and deferred inflows of resources	4,091,634
NET POSITION	
Net investment in capital assets	(319,821)
Restricted for debt service	486,140
Unrestricted	220,307
Total net position	**$ 386,626**

The accompanying notes are an integral part of this statement.

Walden Green Montessori
STATEMENT OF ACTIVITIES
For the year ended June 30, 2015

		Program Revenue			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for services**	**Operating grants and contributions**	**Capital grants and contributions**	**Governmental activities**
Governmental activities					
Instruction	$ 864,516	$ 32,535	$ 232,070	$ 23,514	$ (576,397)
Support services	612,904	-	1,389	-	(611,515)
Community services	1,125	-	-	-	(1,125)
Interest on long-term debt	222,894	-	-	-	(222,894)
Total governmental activities	**$ 1,701,439**	**$ 32,535**	**$ 233,459**	**$ 23,514**	(1,411,931)
General revenues					
Grants and contributions not restricted to specific programs					1,247,704
Investment earnings					1,110
Gain on sale of asset					2,100
Total general revenues					1,250,914
Change in net position					(161,017)
Net position at beginning of year, as restated					547,643
Net position at end of year					**$ 386,626**

The accompanying notes are an integral part of this statement.

Walden Green Montessori
BALANCE SHEET
Governmental Funds
June 30, 2015

	General Fund	Debt Service Fund	Total governmental funds
ASSETS			
Cash and cash equivalents	$ 602,542	$ -	$ 602,542
Investments	-	482,046	482,046
Receivables	2,001	-	2,001
Due from other governmental units	259,531	-	259,531
Due from other funds	-	57,500	57,500
Prepaid items	36,406	-	36,406
Total assets	**$ 900,480**	**$ 539,546**	**$ 1,440,026**
LIABILITIES			
Accounts payable	$ 520	$ -	$ 520
Accrued liabilities	7,846	-	7,846
Due to other funds	57,500	-	57,500
Unearned revenue	22,521	-	22,521
Total liabilities	88,387	-	88,387
FUND BALANCES			
Nonspendable - prepaid items	36,406	-	36,406
Restricted for debt service	-	539,546	539,546
Committed to capital projects	600,000	-	600,000
Assigned to subsequent year's budget appropriation of fund balance	49,867	-	49,867
Unassigned	125,820	-	125,820
Total fund balances	812,093	539,546	1,351,639
Total liabilities and fund balances	**$ 900,480**	**$ 539,546**	**$ 1,440,026**

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, 2015

Total fund balance—governmental funds		$ 1,351,639
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	$ 3,918,949	
Accumulated depreciation	(850,019)	3,068,930
Deferred inflows and outflows of resources related to pensions are not reported in the governmental funds.		
Deferred outflows of resources - related to pensions	26,804	
Deferred inflows of resources - related to pensions	(30,063)	(3,259)
Accrued interest in governmental activities is not reported in the governmental funds.		(53,406)
Long-term obligations in governmental activities are not due and payable in the current period and are not reported in the governmental funds.		(3,977,278)
Net position of governmental activities		**$ 386,626**

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, 2015

	General Fund	Debt Service Fund	Total governmental funds
REVENUES			
Local sources			
Investment earnings	$ 1,050	$ 60	$ 1,110
Fees and charges	25,347	-	25,347
Other	127,225	-	127,225
Total local sources	153,622	60	153,682
State sources	1,288,098	-	1,288,098
Federal sources	73,028	-	73,028
Total revenues	1,514,748	60	1,514,808
EXPENDITURES			
Current			
Instruction	769,736	-	769,736
Supporting services	579,400	-	579,400
Community services	1,125	-	1,125
Debt service			
Principal repayment	-	90,000	90,000
Interest and other charges	-	220,842	220,842
Capital outlay	13,242	-	13,242
Total expenditures	1,363,503	310,842	1,674,345
Excess (deficiency) of revenues over (under) expenditures	151,245	(310,782)	(159,537)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	316,250	316,250
Transfers out	(316,250)	-	(316,250)
Proceeds from sale of capital assets	2,100	-	2,100
Total other financing sources (uses)	(314,150)	316,250	2,100
Net change in fund balances	(162,905)	5,468	(157,437)
Fund balances at beginning of year	974,998	534,078	1,509,076
Fund balances at end of year	**$ 812,093**	**$ 539,546**	**$ 1,351,639**

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, 2015

Net change in fund balances—total governmental funds	$	(157,437)
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		(105,311)
Governmental funds report the entire proceeds from the sale of capital assets as revenue, but the Statement of Activities reports only the gain or loss on the sale or impairment of capital assets.		(4,719)
Donations of capital assets increase net position in the Statement of Activities, but do not appear in the governmental funds because they are not current financial resources.		23,514
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.		81,856
Interest expense on long-term obligations is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid.		1,125
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.		(45)
Change in net position of governmental activities	**$**	**(161,017)**

The accompanying notes are an integral part of this statement.

Walden Green Montessori

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

Fiduciary Funds

June 30, 2015

	Agency funds
ASSETS	
Cash and cash equivalents	**$ 100**
LIABILITIES	
Deposits held for others	**$ 100**

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 government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the 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 public school 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 in the business-type activities.

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

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, 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, 2015.

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2015, the School had the following investments:

Investment Type		Fair value	Weighted average maturity (Days)	Standard & Poor's rating	Percent
Money Market Fund	$	482,046	26	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, 2015, $2,624 of the School's bank balance of $640,011 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—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	$ 319,638	$ -	$ -	$ 319,638
Capital assets, being depreciated:				
Buildings and improvements	3,176,545	-	-	3,176,545
Furniture and equipment	399,252	23,514	-	422,766
Vehicles and equipment	13,481	-	13,481	-
Total capital assets, being depreciated	3,589,278	23,514	13,481	3,599,311
Less accumulated depreciation:				
Buildings and improvements	471,861	63,576	-	535,437
Furniture and equipment	273,296	41,286	-	314,582
Vehicles and equipment	8,313	449	8,762	-
Total accumulated depreciation	753,470	105,311	8,762	850,019
Total capital assets, being depreciated, net	2,835,808	(81,797)	4,719	2,749,292
Capital assets, net	**$ 3,155,446**	**$ (81,797)**	**$ 4,719**	**$ 3,068,930**

Depreciation
Depreciation expense has been charged to functions as follows:

Instruction	$ 94,780
Support services	10,531
	$ 105,311

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2015 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 finance operations.

NOTE F—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, 2015:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due within one year
Governmental activities					
Bonds	$ 3,965,000	$ -	$ 90,000	$ 3,875,000	$ 95,000
Discount	(177,805)	-	(8,144)	(169,661)	-
	$ 3,787,195	**$ -**	**$ 81,856**	**$ 3,705,339**	**$ 95,000**

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	**$ 3,875,000**

NOTE F—LONG-TERM OBLIGATIONS—Continued

The annual requirements of principal and interest to amortize the bonded debt outstanding as of June 30, 2015 follow:

Year ending June 30,	Principal	Interest	Total
2016	$ 95,000	213,625	$ 308,625
2017	100,000	208,875	308,875
2018	105,000	203,875	308,875
2019	110,000	198,363	308,363
2020	115,000	192,588	307,588
2021-2025	680,000	864,250	1,544,250
2026-2030	900,000	654,687	1,554,687
2031-2035	1,185,000	372,094	1,557,094
2036-2037	585,000	41,484	626,484
	$ 3,875,000	**$ 2,949,841**	**$ 6,824,841**

NOTE G—EMPLOYEE BENEFITS

Employee Retirement System

Plan Description
The Michigan Public School Employees' Retirement System (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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html.

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

A DB member or Pension Plus 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 G—EMPLOYEE BENEFITS—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% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional 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% employer match (up to 3% 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% after two years of service, 75% after three years of service, and 100% 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.

Regular Retirement

The retirement 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.

NOTE G—EMPLOYEE BENEFITS—Continued

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 postretirement 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.

Contributions
The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." Schools are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits. 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 schedule below summarizes pension contribution rates in effect for the System's fiscal year ended September 30, 2014.

Pension Contribution Rates

Benefit Structure	**Member**	**Employer**
Basic	0.0 - 4.0 %	18.34 - 19.61 %
Member Investment Plan	3.0 - 7.0	18.34 - 19.61
Pension Plus	3.0 - 6.4	18.11
Defined Contribution	0.0	15.44 - 16.61

The School's pension contributions for the year ended June 30, 2015 were equal to the required contribution total. Pension contributions were approximately $32,000, including the Section 147 contributions.

NOTE G—EMPLOYEE BENEFITS—Continued

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

At June 30, 2015, the School reported a liability of $271,939 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2013, and rolled-forward using generally accepted actuarial procedures. The School's proportionate share of the net pension liability was based on its statutorily required contributions in relation to all participating schools' statutorily required contributions for the measurement period. At September 30, 2014, the School's proportion was 0.00123 percent.

For the year ended June 30, 2015, the School recognized pension expense of $22,028. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 10,034	$ -
Net difference between projected and actual earnings on pension plan investments	-	30,063
School contributions subsequent to the measurement date	16,770	-
Total	**$ 26,804**	**$ 30,063**

The School contributions subsequent to the measurement date of $16,770, reported as deferred outflows of resources related to pensions above, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2016	$ (4,907)
2017	(4,907)
2018	(4,907)
2019	(5,308)

NOTE G—EMPLOYEE BENEFITS—Continued

Actuarial assumptions
Valuation Assumptions

Investment rate of return –	8.0% a year for the Non-Hybrid groups and 7.0% a year for the Hybrid group (Pension Plus plan), both rates are compounded annually net of investment and administrative expenses.
Salary increases –	3.5%
Inflation –	2.5%
Cost-of-living adjustments –	3% annual non-compounded for MIP members

Mortality Assumptions
The healthy life post-retirement mortality table used in this valuation of the System was the RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB. The final rates used include no margin for future mortality improvement. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

Experience Study
The annual actuarial valuation report of the System used for these statements is dated September 30, 2013. An assumption experience study is performed every five years. The actuarial assumptions used in the September 30, 2013 valuation were based on the results of an actuarial experience study for the period October 1, 2007 to September 30, 2012. As a result of this actuarial experience study, the actuarial assumptions were adjusted to more closely reflect actual experience.

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

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 %	4.8 %
Alternative Investment Pools	18.0	8.5
International Equity	16.0	6.1
Fixed Income Pools	10.5	1.5
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	15.5	6.3
Short Term Investment Pools	2.0	(0.2)
Total	**100.0** %	

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

NOTE G—EMPLOYEE BENEFITS—Continued

Discount rate

The discount rate used to measure the total pension liability was 8 percent (7 percent for the Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 8 percent (7 percent for Pension Plus Plan), as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1% Lower (7%)	Discount Rate (8%)	1% Higher (9%)
School's proportionate share of the net pension liability	$ 358,528	$ 271,939	$ 198,987

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2014 Comprehensive Annual Financial Report, available here: http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html.

Other Post-employment Benefits

Benefit provisions of the post-employment 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, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80 percent beginning January 1, 2013; 90 percent for those Medicare eligible and enrolled in the insurances as of that date.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to contribute 3 percent of their compensation to offset employer contributions for health care benefits of current retirees.

NOTE G—EMPLOYEE BENEFITS—Continued

Retiree Healthcare Reform of 2012

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

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

Employer Contributions

The School's postemployment healthcare contributions to MPSERS for the year ended June 30, 2015 were approximately $3,000.

NOTE H—COMMITMENTS AND CONTINGENCIES

Commitments

Operating Leases

The School has a lease agreement expiring August 2019. Rental expense for the year ended June 30, 2015 was $11,220. 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
2016	$ 13,464
2017	13,464
2018	13,464
2019	13,464
2020	2,244
	$ 56,100

NOTE H—COMMITMENTS AND CONTINGENCIES—Continued

Contingencies

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 I—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, 2015 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 J—CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2015, the School adopted the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 68—*Accounting and Financial Reporting for Pensions* and GASB Statement No. 71—*Pension Transition for Contributions Made Subsequent to the Measurement Date*

GASB Statement No. 68 requires governments that participate in cost-sharing defined benefit pension plans to report their proportionate share of the plan's net pension liability in their statement of net position.

GASB Statement No. 71 addressed the issue of contributions made to the cost-sharing defined benefit plans after the measurement date for the year in which GASB Statement No. 68 is implemented.

The restatement of the beginning of the year net position is as follows:

	Governmental activities
Beginning net position	$ 822,796
Deferred outflows of resources - related to pensions	13,058
Net pension liability	(288,211)
Beginning net position, as restated	**$ 547,643**

The effect on the change in net position of the prior year is undeterminable.

NOTE K—UPCOMING ACCOUNTING PRONOUNCEMENT

GASB Statement 75—*Accounting and Financial Reporting for Postemployment Benefits other than Pensions* was issued by the GASB in June 2015 and will be effective for the School's 2018 fiscal year. The statement requires governments that participate in postemployment benefits other than pensions (OPEB) to report in their Statement of Net Position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Cost-sharing employers will be required to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The net OPEB liability recorded in the Statement of Net Position on July 1, 2017 will be very significant.

REQUIRED SUPPLEMENTARY INFORMATION

Walden Green Montessori
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2015

	Budgeted amounts			Variance with final budget-positive (negative)
	Original	Final	Actual	
REVENUES				
Local sources	$ 170,600	$ 152,960	$ 153,622	$ 662
State sources	1,268,297	1,288,098	1,288,098	-
Federal sources	73,415	74,472	73,028	(1,444)
Incoming transfers and other transactions	-	-	2,100	2,100
Total revenues	1,512,312	1,515,530	1,516,848	1,318
EXPENDITURES				
Instruction				
Basic programs	652,483	603,978	603,057	921
Added needs	211,239	168,537	166,679	1,858
Support services				
Pupil	52,000	64,459	63,735	724
Instructional staff	-	-	718	(718)
General administration	90,010	89,650	89,546	104
School administration	285,899	273,016	272,390	626
Business	17,000	16,560	16,560	-
Operations and maintenance	131,800	112,606	112,381	225
Pupil transportation services	8,000	3,529	3,529	-
Central	21,108	20,541	20,541	-
Community services	-	1,126	1,125	1
Outgoing transfers and other transactions	332,714	329,491	329,492	(1)
Total expenditures	1,802,253	1,683,493	1,679,753	3,740
Excess (deficiency) of revenues over (under) expenditures	**$ (289,941)**	**$ (167,963)**	(162,905)	**$ 5,058**
Fund balance at beginning of year			974,998	
Fund balance at end of year			**$ 812,093**	

Walden Green Montessori

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the School District'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)

	2015	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
School District's proportion of the net pension liability (%)	0.00123%	-	-	-	-	-	-	-	-	-
School District's proportionate share of the net pension liability	$ 271,939	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District's covered-employee payroll	$ 93,006	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	292.39%	-	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	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 District's Contributions

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contributions	$ 20,770	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the statutorily required contributions	20,770	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
School District's covered-employee payroll	$ 94,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered-employee payroll	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.

Changes of benefit terms: There were no changes of benefit terms in 2015.

Changes of assumptions: There were no changes of benefit assumptions in 2015.