Grand Rapids Child Discovery Center

Year Ended
June 30, 2015

Financial Statements

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GRAND RAPIDS CHILD DISCOVERY CENTER

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INDEPENDENT AUDITORS' REPORT

October 28, 2015

Board of Directors
Grand Rapids Child Discovery Center
Grand Rapids, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the *Grand Rapids Child Discovery Center* (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.

Independent 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 auditors' 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 and the general fund of the Grand Rapids Child Discovery Center as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 68

As described in Note 13, the School implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in the current year. Accordingly, beginning net position of governmental activities was restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules for the pension plan 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 28, 2015 on our consideration of the Grand Rapids Child Discovery Center'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Rehmann Robson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

This section of the annual financial report presents our discussion and analysis of the Grand Rapids Child Discovery Center's (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.

Financial Highlights

- The School implemented GASB Statement No. 68 in the current year. In addition to expanded disclosure requirements, the School is required to report its proportionate share of the MPSERS net pension liability on the statement of net position. This change has resulted in a negative total net position of governmental activities of $1,990,539.

- The School's total net position increased by $84,378.

- As of the close of the current fiscal year, the School's general fund reported ending fund balance of $112,298, a decrease of $310 in comparison with the prior year.

- At the end of the current fiscal year, unassigned fund balance of the general fund was $104,711 or 4.7% percent of total general fund expenditures.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School financially as a whole. The *government-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. The *fund financial statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Management's Discussion and Analysis (MD&A) (Required Supplementary Information)

Basic Financial Statements:
- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Required Supplementary Information - Pension Schedules

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

One of the most important questions asked about the School is, "As a whole, what is the School's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School's financial statements, report information on the School as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School’s net position - the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as reported in the statement of net position - as a 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 quality services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial 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 the *statement of activities* report the governmental activities for the School, which encompass all of the School’s services, including instruction, supporting services, and community services. Unrestricted school aid (foundation allowance revenue) and state and federal grants finance most of these activities.

Reporting the School's Fund - Governmental Fund Financial Statements

All of the School's services are reported in the general fund, which is a *governmental fund.* 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 an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the 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 a reconciliation included in the basic financial statements.

Management's Discussion and Analysis

The School as a Whole

Recall that the statement of net position provides the perspective of the School as a whole. The table below provides a summary of the School's net position as of June 30, 2015 and 2014.

	Net Position	
	2015	**2014**
Assets		
Current and other assets	$ 453,546	$ 469,062
Capital assets, net	780,350	799,406
Total assets	1,233,896	1,268,468
Deferred outflows of resources	391,380	-
Liabilities		
Current and other liabilities	316,990	329,583
Long-term liabilities	526,356	557,141
Net pension liability	2,496,482	-
Total liabilities	3,339,828	886,724
Deferred inflows of resources	275,987	-
Net position		
Net investment in capital assets	253,994	242,265
Restricted	7,587	11,745
Unrestricted (deficit)	(2,252,120)	127,734
Total net position	$ (1,990,539)	$ 381,744

The above analysis focuses on the net position. The change in net position of the School's governmental activities is discussed below.

The School's total net position was a deficit of $1,990,539 at June 30, 2015. Capital assets totaling $780,350 at June 30, 2015, less the long-term debt used to finance the acquisition of those assets ("net investment in capital assets") was $253,994. The remaining amounts in net position at June 30, 2015 consists of a deficit of $2,252,120 that is unrestricted and $7,587 that is restricted for capital improvements.

The deficit of $2,252,120 in unrestricted net position of governmental activities at June 30, 2015 represents the accumulated results of past years' operations. The deficit balance is primarily the result of the requirement to report the School's proportionate share of the net pension liability on the statement of net position. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year.

	Change in Net Position	
	2015	2014
Revenues		
Program revenues:		
Charges for services	$ 97,509	$ 60,204
Operating grants and contributions	475,781	434,990
Capital grants and contributions	-	2,323
General revenues:		
Grants and contributions not restricted to specific programs	1,639,469	1,657,758
Private donations	24,821	35,228
Unrestricted investment earnings	5	21
Total revenues	2,237,585	2,190,524
Expenses		
Instruction	1,335,999	1,428,519
Supporting services	667,173	584,619
Community services	70,829	65,608
Unallocated depreciation	47,975	40,369
Interest on long-term debt	31,231	30,269
Total expenses	2,153,207	2,149,384
Change in net position	84,378	41,140
Net position, beginning of year	381,744	340,604
Restatement for GASB 68	(2,456,661)	-
Net position (deficit), end of year	$ (1,990,539)	$ 381,744

As reported in the statement of activities, the cost of the School's governmental activities in 2015 was $2,153,207. Certain activities were partially funded or by other governments and organizations that subsidized certain programs with operating grants $475,781. The School paid for the remaining public benefit portion of our governmental activities with $1,639,469 in unrestricted grants and contributions.

The School experienced an increase in net position of $84,378 in 2015. Details of the primarily reasons for the change are described below.

As discussed above, the net cost shows the financial burden that was placed on the School by each of these functions. Since unrestricted school aid constitutes the vast majority of School 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 $84,378 increase in net position resulted mainly from the decrease in net pension liability from June 30, 2014 to June 30, 2015 (including deferred outflows/inflows) of $75,572, reflected as a reduction of expenses on the Statement of Activities. School operating revenues and expenses otherwise approximated each other in 2014-15 due to close budget oversight and expense monitoring during the fiscal year.

The School's General Fund

As noted earlier, reviewing the general fund helps the reader consider whether the School is being accountable for the resources the State and others provide to it and may provide more insight into the School's overall financial health.

At June 30, 2015, the general fund reported a total fund balance of $112,298, a decrease of $310 from the 2013-14 as compared to the final budgeted change in fund balance amount of $5,220.

General Fund Budgetary Highlights

Over the course of the year, the School revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A statement showing the School's original and amended budgets compared with amounts actually paid and received is provided as part of the basic financial statements.

The original FY15 budget was approved by the board on June 30, 2014. The first amendment was prepared and approved on April 13, 2015. There were various changes throughout the year and it was a transition year for the new principal and executive director; that is why the budget was not amended until April. However, the School continued to monitor it throughout the year. The main adjustments to the budget approved on April 13, 2015 were:

Income Adjustments

- Increased Discovery Care Program - Summer Care income by $26,000
- Increased State aid per updated State aid report in March by $84,736
- Increased Title I income by $17,914
- Increased Act 18 income by $4,740
- Added Medicaid reimbursement income of $5,000

Expenditure Adjustments

- Total instructional expenditures includes an increase in wages and corresponding benefits for the GREA increase, increased substitute teacher wages due to maternity leave, and an unplanned unemployment claim from prior school year - total increase of $103,065
- Net decrease between Title 1, 31A, & Special Ed costs due to reclassification of staff - $47,269
- Increase for audit, legal fees, and GRPS agency fee - $15,847
- Increase for expenditures under office of the principal - re-classifying of expenditures - $44,045
- Increase in expenditures due to an increased student base for Discovery Care (Before & After Care) Program - $9,270
- Increase in capital outlay for building improvements - $31,450
- Increase in debt service for principal and interest on lease payments - $21,320

Management's Discussion and Analysis

The final budget was prepared and approved on June 29, 2015. The main adjustments to the budget approved on April 13, 2015 were:

Income Adjustments
- Decrease in State aid by approximately $5,000
- Increased Medicaid reimbursement income by approximately $9,000

Expenditure Adjustments
- Decrease in instructional expenditures by approximately $10,000
- Increase between Title 1, 31A, & Special Ed by approximately $10,000
- Decrease in audit, legal fees, and GRPS agency fee by approximately $10,000
- Decrease in expenditures under office of the principal by approximately $9,000
- Decrease in expenditures under Discovery Care (Before & After Care) Program - $9,270
- Decrease in capital outlay for building improvements by approximately $2,500

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2015, the School had approximately $780,000 invested in a broad range of capital assets, including buildings, building improvements and furnishings and equipment, net of accumulated depreciation.

	Capital Assets (Net of Depreciation)	
	2015	2014
Land	$ 100,000	$ 100,000
Buildings and improvements	605,670	604,115
Furniture and equipment	74,680	95,291
Total capital assets, net	$ 780,350	$ 799,406

Additional information on the School's capital assets can be found in Note 5 to the financial statements.

Long-term Debt

During 2015, the School paid $16,543 of principal on its outstanding commercial mortgage, and made principal payments in the amount of $18,697 on all outstanding capital leases. In addition, the School signed a new capital leases for the purchase of equipment in the amount of $4,455.

	Long-term Debt	
	2015	2014
Commercial mortgage	$ 477,330	$ 493,873
Capital leases	49,026	63,268
Total installment debt	$ 526,356	$ 557,141

Additional information on the School’s debt can be found in Note 7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our Board of Directors and administration consider many factors when setting the School's subsequent fiscal year budget. The two most important factors affecting the budget are our student count and the State foundation amount per pupil. State aid revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2015-16 fiscal year is 10 percent of the February 2015 student count and 90 percent of the September 2015 student count. The State has established our 2015-16 foundation allowance at $7,391 per pupil (an increase of $140 from the previous year), which is expected to generate $2,032,240 in total State aid, including categorical grants. Once the funding is validated, State law requires the School to amend its general fund budget if actual resources are not sufficient to fund original appropriations.

Contacting the School's Financial Management

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Grand Rapids Child Discovery Center, 409 Lafayette Ave. SE, Grand Rapids, Michigan 49503.

Additionally, the School's budget for fiscal year 2016 is presented on its website, which is located at www.childdiscoverycenter.org.

BASIC FINANCIAL STATEMENTS

GRAND RAPIDS CHILD DISCOVERY CENTER

Statement of Net Position

June 30, 2015

	Governmental Activities
Assets	
Cash and cash equivalents	$ 61,045
Receivables	392,501
Capital assets:	
Not being depreciated	100,000
Being depreciated, net	680,350
Total assets	1,233,896
Deferred outflows of resources	
Deferred pension amounts	391,380
Liabilities	
Accounts payable	37,494
Accrued expenses	228,445
Line of credit	51,051
Long-term debt:	
Due within one year	36,411
Due in more than one year	489,945
Net pension liability	2,496,482
Total liabilities	3,339,828
Deferred inflows of resources	
Deferred pension amounts	275,987
Net position	
Net investment in capital assets	253,994
Restricted for capital improvements	7,587
Unrestricted (deficit)	(2,252,120)
Total net position	$ (1,990,539)

The accompanying notes are in integral part of these financial statements.

GRAND RAPIDS CHILD DISCOVERY CENTER

Statement of Activities
For the Year Ended June 30, 2015

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue
Governmental activities				
Instruction	$ 1,335,999	$ -	$ 451,012	$ (884,987)
Supporting services	667,173	-	24,769	(642,404)
Community services	70,829	97,509	-	26,680
Unallocated depreciation	47,975	-	-	(47,975)
Interest on long-term debt	31,231	-	-	(31,231)
Total governmental activities	$ 2,153,207	$ 97,509	$ 475,781	(1,579,917)
General revenues				
Grants and contributions not restricted to specific programs:				
Unrestricted school aid				1,639,469
Private donations				24,821
Unrestricted investment earnings				5
Total general revenues				1,664,295
Change in net position				84,378
Net position, beginning of year, as restated				(2,074,917)
Net position, end of year				$ (1,990,539)

The accompanying notes are in integral part of these financial statements.

GRAND RAPIDS CHILD DISCOVERY CENTER

Balance Sheet
General Fund
June 30, 2015

Assets		
Cash and cash equivalents	$	61,045
Receivables		392,501
Total assets	$	453,546
Liabilities		
Accounts payable	$	37,494
Accrued expenditures		228,445
Line of credit		51,051
Total liabilities		316,990
Deferred inflows of resources		
Unavailable revenue - long-term receivable		24,258
Fund balance		
Restricted		7,587
Unassigned		104,711
Total fund balance		112,298
Total liabilities, deferred inflows of resources and fund balance	$	453,546

The accompanying notes are in integral part of these financial statements.

GRAND RAPIDS CHILD DISCOVERY CENTER

Reconciliation

Fund Balance for the General Fund to Net Position of
Governmental Activities
June 30, 2015

Fund balance - general fund	$ 112,298
Amounts reported for *governmental activities* in the statement of net position are difference because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements.	
Capital assets not being depreciated	100,000
Capital assets being depreciated, net	680,350
The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.	
Deferred inflows for long-term receivable	24,258
Certain liabilities, such as bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Long-term debt	(526,356)
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(2,496,482)
Deferred outflows related to the net pension liability	391,380
Deferred inflows related to the net pension liability	(275,987)
Net position of governmental activities	$ (1,990,539)

The accompanying notes are in integral part of these financial statements.

GRAND RAPIDS CHILD DISCOVERY CENTER

Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended June 30, 2015

Revenues	
Local sources	$ 126,139
State sources	1,891,078
Federal sources	91,953
Interdistrict sources	131,028
Total revenues	2,240,198
Expenditures	
Current:	
Instructional services	1,380,435
Supporting services	695,725
Community services	73,413
Debt service:	
Principal	35,240
Interest and fiscal charges	31,231
Capital outlay	28,919
Total expenditures	2,244,963
Revenues under expenditures	(4,765)
Other financing sources	
Issuance of long-term debt	4,455
Net changes in fund balance	(310)
Fund balance, beginning of year	112,608
Fund balance, end of year	$ 112,298

The accompanying notes are in integral part of these financial statements.

GRAND RAPIDS CHILD DISCOVERY CENTER

Reconciliation

Net Changes in Fund Balance of the General Fund to Change in
Net Position of Governmental Activities
For the Year Ended June 30, 2015

Net change in fund balance - general fund	$	(310)
Amounts reported for *governmental activities* in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over estimated useful lives and reported as depreciation expense.		
Capital assets purchased/constructed		28,919
Depreciation expense		(47,975)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Net change in deferred long-term receivables		(2,613)
Loan proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Issuance of long-term debt		(4,455)
Principal payments on long-term debt		35,240
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		
Change in the net pension liability and related deferred amounts		75,572
Change in net position of governmental activities	$	84,378

The accompanying notes are in integral part of these financial statements.

GRAND RAPIDS CHILD DISCOVERY CENTER

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	$ 103,275	$ 128,445	$ 126,139	$ (2,306)
State sources	1,810,526	1,890,179	1,891,078	899
Federal sources	83,005	93,867	91,953	(1,914)
Interdistrict sources	111,317	130,809	131,028	219
Total revenues	2,108,123	2,243,300	2,240,198	(3,102)
Expenditures				
Current:				
Instructional services:				
Basic programs	1,101,795	1,132,204	1,133,470	1,266
Added needs	365,352	254,630	246,965	(7,665)
Supporting services:				
Pupil support	64,454	35,428	26,572	(8,856)
Instructional staff	7,173	111,789	110,041	(1,748)
General administration	85,661	91,981	90,832	(1,149)
School administration	192,025	289,437	298,009	8,572
Fiscal services	57,059	55,176	57,738	2,562
Operations and maintenance	115,113	112,746	112,533	(213)
Community services	72,251	74,199	73,413	(786)
Debt service:				
Principal	15,746	35,338	35,240	(98)
Interest and fiscal charges	29,400	31,128	31,231	103
Capital outlay	-	28,919	28,919	-
Total expenditures	2,106,029	2,252,975	2,244,963	(8,012)
Revenues over (under) expenditures	2,094	(9,675)	(4,765)	4,910
Other financing sources				
Issuance of long-term debt	-	4,455	4,455	-
Net changes in fund balance	2,094	(5,220)	(310)	4,910
Fund balance, beginning of year	112,608	112,608	112,608	-
Fund balance, end of year	$ 114,702	$ 107,388	$ 112,298	$ 4,910

The accompanying notes are in integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of Grand Rapids Child Discovery Center (the "School") consistently applied in the preparation of the accompanying financial statements, is as follows:

The Reporting Entity

The School was formed as a public school academy pursuant to Part 6A of the Michigan Revised School Code of 1976, Act No. 451 of the Public Acts of 1976, as amended, Sections 380.501 to 380.507 of the Michigan Compiled Laws. The School filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on December 1, 1999.

The School then entered into a contract starting January 1, 2000 with the Grand Rapids Public Schools Board of Education to charter the School. This contract has since been extended through June 30, 2017. The contract requires the School to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive State school aid funds pursuant to the State constitution. The Board of Education is the fiscal agent for the School and is responsible for overseeing the School's compliance with the contract and all applicable laws. The School pays the Board of Education 3% of State aid as administrative fees. The total administrative fees for the year ended June 30, 2015, were $49,148.

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the School. Based on application of the criteria, the School does not contain any component units.

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 primary government. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. The School had no business-type activities during the year ended June 30, 2015.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 School Aid and other items not properly included among program revenues are reported instead as *general revenues.*

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to actual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School.

The School reports the following major governmental fund:

The *general fund* is the School's primary operating fund. It accounts for all financial resources of the School.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Revenues

Accounts receivable consist primarily of State school aid of which payments will be received in July and August that are intended to finance the previous fiscal year. Trade receivables are shown net of an allowance for uncollectible amounts. The School considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the School are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	30-40
Furniture and other equipment	5-10

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The School reports deferred outflows of resources related to the net pension liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date. More detailed information can be found in Note 11.

Salaries Payable and Accrued Employee Benefits

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the School who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The School pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, from long-term receivables for a long-term receivable for the special education settlement with the Intermediate School District. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The School's deferred inflows of resources related to pension costs. More detailed information can be found in Note 11.

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. A formal resolution of the Board of Directors is required to establish, modify, or rescind a fund balance commitment. The authority to assign fund balance has not been delegated by the Board of Directors. Unassigned fund balance is the residual classification for the general fund.

When the School incurs an expenditure for purposes for which various fund balance classifications can be used, it is the School's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Pensions

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 Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

State of Michigan School Aid

For the fiscal year ended June 30, 2015, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2015, the foundation allowance was based on the average pupil membership counts taken in September of 2014 and February of 2015.

The State portion of the foundation allowance is provided primarily by a State education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The School has no local portion of the foundation allowance. The State revenues are recognized during the foundation period (currently the State's fiscal year) and is funded through payments from October – August each fiscal year.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function and object. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits academies to amend their budgets during the year. Both the original and final amended budgets are presented in the accompanying financial statements.

During June 30, 2015, the School incurred expenditures in excess of the amount appropriated as follows:

	Final Budget	Actual	Variance
General fund:			
Instructional services:			
Basic programs	$ 1,132,204	$ 1,133,470	$ 1,266
Supporting services:			
School administration	289,437	298,009	8,572
Fiscal services	55,176	57,738	2,562
Debt service:			
Interest and fiscal charges	31,128	31,231	103

Notes to Financial Statements

3. CASH AND CASH EQUIVALENTS

Statutory Authority

Michigan law authorizes the School to deposit and invest in:

a. Bonds, bills or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school Center, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.

b. Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

d. Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

All cash and cash equivalents consist of deposits in checking and savings accounts at year end. The School has designated a single bank for deposit of its funds. All accounts are in the name of the School. At June 30, 2015, the School had no investments.

Custodial Credit Risk of Bank Deposits. Custodial credit risk is the risk that in the event of a bank failure, the School’s deposits may not be returned. The School’s investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School’s deposits for custodial credit risk. At June 30, 2015, the School had a balance of $93,688 in bank deposits (checking and savings accounts), none of which was exposed to custodial credit risk.

4. RECEIVABLES

Receivables in the government-wide financial statements at June 30, 2015 are as follows:

	Governmental Activities
State aid	$ 328,060
Federal grants	25,267
Interdistrict revenue	37,477
Miscellaneous local	1,697
Total	$ 392,501

Of the amount reported as interdistrict receivable, $24,258 is an estimate of the final Act 18 payment expected in October 2015. Since the amount is not available to pay for current-period expenditures, it has been offset by deferred inflows of resources in the general fund.

5. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	$ 100,000	$ -	$ -	$ -	$ 100,000
Capital assets being depreciated:					
Buildings and improvements	662,817	24,464	-	-	687,281
Furniture and equipment	215,192	4,455	-	-	219,647
	878,009	28,919	-	-	906,928
Less accumulated depreciation for:					
Buildings and improvements	(58,702)	(22,909)	-	-	(81,611)
Furniture and equipment	(119,901)	(25,066)	-	-	(144,967)
	(178,603)	(47,975)	-	-	(226,578)
Total capital assets being depreciated, net	699,406	(19,056)	-	-	680,350
Governmental activities capital assets, net	$ 799,406	$ (19,056)	$ -	$ -	$ 780,350

Of the amounts reported for capital assets above, $75,835 relates to equipment obtained through capital lease agreements. The net book value of such assets at year-end was $53,530.

Depreciation expense is reported as unallocated on the statement of activities as the School considers its assets to impact multiple activities and allocation is not practical.

6. LINE OF CREDIT

The School has a bank line of credit that allows borrowings up to $200,000. The outstanding borrowing under this line of credit at June 30, 2015 was $51,051. The line of credit expires on January 27, 2016. The effective interest rate at June 30, 2015 was 4.00 percent. The line of credit is secured by all inventory, chattel paper, accounts, equipment, general intangibles and consumer goods and all records related thereto.

	Beginning Balance	Additions	Deletions	Ending Balance
$200,000 line of credit	$ 104,941	$ 462,000	$ (515,890)	$ 51,051

7. LONG-TERM DEBT

The School issues notes and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. A summary of the long-term debt activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Commercial mortgage due in monthly installments of $3,750, including interest at 5.8% through 2017, ending with a balloon payment.	$ 493,873	$ -	$ (16,543)	$ 477,330	$ 17,466
Capital lease for computers due in monthly installments of $884 to $994, including interest at 6.25%, through 2018	33,542	-	(10,596)	22,946	10,596
Capital lease for copier due in monthly installments of $649, including interest at 5.1%, through 2019	29,726	-	(6,864)	22,862	6,864
Capital lease for telephones due in monthly installments of $124 through 2017	-	4,455	(1,237)	3,218	1,485
Total long-term debt	$ 557,141	$ 4,455	$ (35,240)	$ 526,356	$ 36,411

Following is a summary of future loan principal maturities and interest requirements:

Year Ended June 30,	Principal	Interest	Total
2016	$ 36,411	$ 30,092	$ 66,503
2017	478,809	18,110	496,919
2018	8,866	1,186	10,052
2019	2,270	308	2,578
Totals	$ 526,356	$ 49,696	$ 576,052

8. LEASE COMMITMENT

In February 2014, the School executed a capital lease agreement for telephones that also includes an operating component for a service and maintenance agreement. Current year expense under this agreement amounted to $12,254. The following is a schedule of future minimum lease payments:

Year Ended June 30,	Amount
2016	$ 11,992
2017	11,992
2018	11,992
2019	11,992
2020	1,999
Total	$ 49,967

9. NET INVESTMENT IN CAPITAL ASSETS

The composition of the net investment in capital assets as of June 30, 2015 was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	$ 100,000
Capital assets being depreciated, net	680,350
	780,350
Related debt:	
Loan payable	477,330
Capital leases	49,026
	526,356
Net investment in capital assets	$ 253,994

10. RISK MANAGEMENT

The School is exposed to various risks of loss related to property loss, torts, errors and omissions and employees injuries (workers' compensation), as well as medical benefits provided to employees. The School has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

11. PENSION PLANS

General Information about the Pension Plan

Plan Description. The School contributes to the Michigan Public School Employees Retirement System ("MPSERS"), a cost-sharing multiple-employer pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Services with oversight from a 12-member board. Benefit provisions are established and may be amended by state statute. The Office of Retirement Services issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report can be obtained by writing to Michigan Public School Employees Retirement Services, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling (517) 322-5103.

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Member Investment Plan (MIP)	Defined Benefit	Closed
Basic	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

The *Member Investment Plan* (MIP) includes additional subgroups based on hire date. The *MIP Fixed* plan includes members hired prior to January 1, 1990. The *MIP Graded* plan includes members first hired from January 1, 1990 through June 30, 2008. The *MIP Plus* plan includes members first hired from July 1, 2008 through June 30, 2010. Members who initially enrolled in the MIP plan and made a voluntary election to contribute a higher rate are participants in the *MIP 7 %* plan.

Members hired between July 1, 2010 and September 3, 2012 were enrolled in the *Pension Plus* plan. Members hired on or after September 4, 2012 are automatically enrolled in this plan unless an election is made to participate in the defined contribution plan. The plan includes a pension component as well as a savings component. Member contributions to the savings component are matched at a rate of 50% by the employer (up to a maximum of 1%) and invested in a 401(k) plan.

Effective February 1, 2013, members that initially enrolled in MIP were provided the option to convert to a defined contribution plan (*Basic 4%*). In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4% employer contributions to a personal 401(k) account.

Notes to Financial Statements

A member first enrolling in MPSERS on or after September 4, 2012 may elect to enroll in the *defined contribution* plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the Pension Plus plan as described above.

Benefits Provided. MPSERS provides retirement, death, disability and postemployment benefits to eligible participants. Retirement benefits are calculated as a percentage of the employee's final average compensation times the employee's years of service. All participants qualify for a benefit multiplier of 1.5% for the first 30 years of service. Certain benefit groups receive a reduced rate of 1.25% for service above 30 years. Disability benefits are calculated the same as regular service retirement. Participants are eligible to receive full retirement benefits upon reaching the age and years of service requirements below. Most plans offer additional options for early retirement if certain stipulations have been met. Voluntary contributions vest immediately.

Plan	Eligibility Based on Years of Service	Vesting
Member Investment Plan (MIP)	Age 46 with 30 years or age 60 with 10 years	10 years
Basic	Age 55 with 30 years or Age 60 with 10 years	10 years
Pension Plus	Age 60 with 10 years	4 years
Defined Contribution	Age 46 with 30 years or age 60 with 10 years	4 years

Contributions. Employer contributions to the plans are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Member contributions are determined based on date of hire and the plan selected. In addition, the School is invoiced monthly an amount that approximates 7.63% of covered payroll for "MPSERS UAAL Stabilization." This additional contribution is offset by monthly State aid payments equal to the amounts actually billed by the Office of Retirement Services. For the plan year ended September 30, 2015, an additional 1.13% MPSERS liability prepayment was invoiced as a one-time cost. Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization and one-time prepayment rates, range from 27.52% to 31.83% of covered payroll. Plan member contributions range from 0.0% to 7.0% of covered payroll.

The School's contribution to MPSERS under all pension plans for the year ended June 30, 2015, inclusive of the MPSERS UAAL Stabilization and one-time prepayment, was $320,187.

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 $2,496,482 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 rolled forward from September 30, 2013. The School’s proportion of the net pension liability was based on a projection of the School’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2014, the School's proportion (as calculated by MPSERS) was 0.01133399%.

For the year ended June 30, 2015, the School recognized pension expense of $202,378. At June 30, 2015, the School reported pension-related deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in assumptions	$ 92,115	$ -	$ 92,115
Changes in proportion and differences between employer contributions and proportionate share	602	-	602
Net difference between projected and actual earnings on pension plan investments	-	275,987	(275,987)
	92,717	275,987	(183,270)
School contributions subsequent to the measurement date	298,663	-	298,663
Total	$ 391,380	$ 275,987	$ 115,393

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

Year Ended June 30,	Amount
2016	$ (44,888)
2017	(44,888)
2018	(44,888)
2019	(48,606)
Total	$ (183,270)

Actuarial Assumptions. The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.5%
Salary increases	3.5% to 12.3%, including wage inflation at 3.5%
Investment rate of return	8.0% (7.0% for the Pension Plus plan)
Cost of living adjustments	3.0% annual, non-compounded for MIP members
Healthcare cost trend rate	8.5% year 1 graded to 3.5% year 12

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

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the Plan for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each 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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	4.80%	1.34%
Alternative investment pools	18.00%	8.50%	1.53%
International equity	16.00%	6.10%	0.98%
Fixed income pools	10.50%	1.50%	0.16%
Real estate and infrastructure pools	10.00%	5.30%	0.53%
Absolute return pools	15.50%	6.30%	0.98%
Short-term investment pools	2.00%	-0.20%	-0.02%
	100.00%		5.50%
Inflation			2.50%
Investment rate of return			8.00%

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. 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 School contributions 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 net pension liability of the School, calculated using the discount rate of 8.0%, as well as what the School's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
School's proportionate share of the net pension liability	$ 3,291,394	$ 2,496,482	$ 1,826,757

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan. At June 30, 2015, the School reported a payable of $55,934 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2015.

Other Postemployment Benefits

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the *Premium Subsidy* plan, a defined benefit postemployment healthcare plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.20% to 2.71% of covered payroll. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

Plan members enrolled on or after September 4, 2012 participate in the *Personal Healthcare Fund.* This defined contribution other postemployment benefits plan includes a required 2% employee contribution into a personal tax-deferred account, which is matched by an additional 2% employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2013, these members are no longer required to make the 3% employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 are pending a Supreme Court resolution.

The School's contributions to MPSERS for other postemployment benefits amounted to $38,179 for the year ended June 30, 2015.

Notes to Financial Statements

12. SCHOOL STATE AID

The School reports State of Michigan school aid in the fiscal year in which the School is entitled to the revenue as provided by State of Michigan school aid appropriation acts. State funding represented approximately 84% of the School's general fund revenue during the 2015 fiscal year.

13. RESTATEMENT

The School adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* in the current year. As a result of this change, beginning net position of governmental activities was decreased by $2,456,661.

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REQUIRED SUPPLEMENTARY INFORMATION

GRAND RAPIDS CHILD DISCOVERY CENTER

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the School's Proportionate Share of the Net Pension Liability

	Year Ended June 30, 2015
School's proportion of the net pension liability	0.01133399%
School's proportionate share of the net pension liability	$ 2,496,482
School's covered-employee payroll	991,202
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	251.86%
Plan fiduciary net position as a percentage of the total pension liability	66.20%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

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

GRAND RAPIDS CHILD DISCOVERY CENTER

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of School Contributions

	Year Ended June 30, 2015
Contractually required contribution	$ 320,187
Contributions in relation to the contractually required contribution	(320,187)
Contribution deficiency (excess)	$ -
School's covered-employee payroll	$ 1,092,667
Contributions as a percentage of covered employee payroll	29.30%

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

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INTERNAL CONTROL AND COMPLIANCE

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INDEPENDENT AUDITORS' 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*

October 28, 2015

Board of Directors
Grand Rapids Child Discovery Center
Grand Rapids, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the *Grand Rapids Child Discovery Center* (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, and have issued our report thereon dated October 28, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 28, 2015

To the Board of Directors
Grand Rapids Child Discovery Center
Grand Rapids, Michigan

We have audited the financial statements of the governmental activities and the general fund of the *Grand Rapids Child Discovery Center* (the "School") as of and for the year ended June 30, 2015, and have issued our report thereon dated October 28, 2015. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 28, 2015, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the School solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated October 28, 2015. In addition, we noted certain other matters which are included in Attachment A to this letter.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on August 11, 2015.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the School's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the School is included in Note 1 to the financial statements.

As described in Note 13 to the financial statements, the School changed accounting policies related to accounting for pension plans by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions.* The cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. No matters have come to our attention that would require us, under professional standards, to inform you about the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units. In addition, the financial statements include a net pension liability and other pension-related amounts, which are dependent on estimates made by the plan. These estimates are based on historical trends and industry standards, but are not within the control of management.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. 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, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the School's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment C to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the School, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the School's auditors.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of the Grand Rapids Child Discovery Center and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Rehmann Robson LLC

GRAND RAPIDS CHILD DISCOVERY CENTER

Attachment A - Comments and Recommendations

For the June 30, 2015 Audit

During our audit, we became aware of certain other matters that are opportunities for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding those matters. Our consideration of the School's internal control over financial reporting is described in our report, dated October 28, 2015, issued in accordance with *Government Auditing Standards.* This memorandum does not affect that report or our report dated October 28, 2015, on the financial statements of the Grand Rapids Child Discovery Center.

Use of School Debit Card (repeat comment)

The School utilizes a bank debit card when there is a need for an immediate purchase. After the card is used, supporting documents are sent to the contracted accountants, who review and approve the supporting transactions (typically an itemized receipt) and create a journal entry to record the expenditure in the accounting records. This process is outside the regular process for approving and recording cash disbursements and can reduce efficiency by creating the need for frequent journal entries and introducing additional timing variances to the month-end close process. The School is in the process of transitioning from the use of debit cards to the use of credit cards, based on prior audit recommendations. This will allow for less frequent adjustments while still subjecting the disbursements to the regular procedures used to pay vendors. With the use of credit cards, the School will be required to adopt a formal credit card policy in accordance with Public Act 266.

Written Policies and Procedures over Administration of Federal Awards (repeat comment)

The Michigan Department of Education (MDE) has interpreted certain Federal guidance to indicate that an entity is required to have written policies and procedures over the administration of Federal awards as a precursor to receiving such funds. As such, MDE has recently notified all Michigan School Districts that these written policies and procedures should be prepared if not already available. Many of the required policies are occurring in practice, but management has not yet formally documented all required components. We recommend that the School prepare a comprehensive policies and procedures manual to meet MDE’s requirements prior to the end of the current fiscal year.

Evidence of Independent Review and Approval

As part of our walkthrough procedures, we selected a sample of three cash disbursements and requested to review the supporting documentation. For one of the cash disbursements, the School was unable to locate the original invoice showing evidence of review and approval by management. For another one of the cash disbursements (a wire transfer), the School did not retain written approval of management or Board approval to transfer funds. Our understanding is that the wire transfer was verbally approved. This matter has been discussed with management who recognizes the importance of documented review and approval and indicated that corrective action has been already been taken.

Attachment A - Comments and Recommendations

For the June 30, 2015 Audit

In addition, The School's Board of Directors has adopted a tuition reimbursement policy for administrative employees which allows employees to be reimbursed at a set rate upon Board approval of a course. The written policies for administrators and teachers, respectively, specify the required approvals and supporting documentation for these transactions. We noted one instance in which a administrator's tuition reimbursement did not have supporting documentation or written evidence of board approval. We recommend that the School require the documentation specified by the policy, along with written board approval or meeting minutes, to be attached to the reimbursement request before the payment is processed.

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Attachment B – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2015 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the School in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the School. For the complete text of these and other GASB standards, visit www.gasb.org and click on the “Standards & Guidance” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 72 ■ Fair Value Measurement and Application

Effective 06/15/2016 (your FY 2016)

This standard defines "fair value" as the price that would be received to sell an asset in an orderly transaction between market participants (an "exit price"). Fair value measurement is currently applied principally to investments, which GASB 72 does not change. However, it does introduce specific methods for measuring fair value when a market price is not readily available, and establishes a 3-level hierarchy of fair value that is disclosed in the footnotes, based on the presence or absence of observable market inputs.

GASB 73 ■ Pensions and Related Assets Not Within the Scope of GASB 68

Effective 06/15/2016 (your FY 2016)

This standard addresses accounting and financial reporting for pensions that were not covered by GASB Statement No. 68, because the plan assets are not held in trust. Essentially, it applies the same treatment as GASB 68, but reflects the total pension liability and plan assets separately, rather than a net pension liability. We do not expect this standard to have any significant effect on the School.

GASB 74 ■ Postemployment Benefit Plans Other than Pension Plans

Effective 06/15/2017 (your FY 2017)

This standard requires the calculation of a net other postemployment benefit (OPEB) liability based on an actuarial valuation of retiree healthcare and similar benefits administered by an OPEB trust. It mirrors the new accounting and financial reporting requirements of GASB 67 for pension plans.

GASB 75 ■ Postemployment Benefits Other than Pensions

Effective 06/15/2018 (your FY 2018)

This standard builds on the requirements of GASB 74 by requiring employers that provide other postemployment benefits (OPEB) to recognize a net OPEB liability on their statements of net position. It mirrors the new accounting and financial reporting requirements of GASB 68 for pension benefits.

GASB 76 ■ The Hierarchy of GAAP for State and Local Governments

Effective 06/15/2016 (your FY 2016)

This standard clarifies the source of "generally accepted accounting principles" (GAAP) for governments. Authoritative sources of GAAP now include (1) GASB pronouncements, (2) GASB implementation guides, and (3) AICPA literature specifically cleared by the GASB. This standard does not change existing GAAP.

Attachment B – Upcoming Changes in Accounting Standards / Regulations
For the June 30, 2015 Audit

GASB 77 ■ Tax Abatement Disclosures
Effective 12/15/2016 (your FY 2017)

This standard requires governments to disclose certain information about tax abatement agreements made to foster economic development or otherwise benefit the government or its citizens. Required disclosures include a brief description of the arrangement, the gross dollar amount of taxes abated in the current period, and any additional commitments made by the government as part of the agreement.

2 CFR 200 ■ Uniform Guidance for Federal Awards
Cost Principles Effective 12/26/2014; Single Audit Requirements Effective 12/26/2015 (your FY 2016)

The Office of Management and Budget (OMB) has consolidated seven separate circulars (including administrative requirements, cost principles, and audit requirements) into a single federal regulation. The new Uniform Guidance covers all aspects of federal grants from pre-award through the single audit. While much of the guidance was simply reorganized and recodified, there were also several substantive changes to the single audit thresholds. A single audit will now only be required if total expenditures of federal awards exceed $750,000 (up from $500,000). The OMB also made revisions to the list of compliance requirements tested in a single audit.

In addition, the Uniform Guidance now explicitly requires grant recipients to have sound internal controls (which should be consistent with the COSO framework), and documented procedures for grant administration. Written procedures are required for payments (cash draws), procurement (including conflicts of interest), allowability of costs, compensation, and travel costs. Rehmann is available to assist grant recipients in developing/documenting these policies and procedures in compliance with the new requirements.

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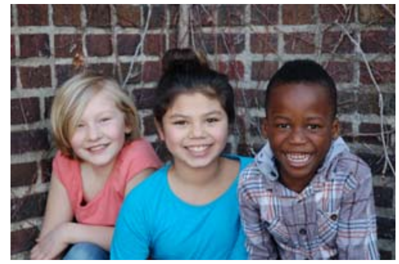
GRAND RAPIDS CHILD DISCOVERY CENTER

Attachment C – Management Representations

For the June 30, 2015 Audit

The following pages contain the written representations that we requested from management.

409 Lafayette Ave SE
Grand Rapids, MI 49503
t: 616 459 0330
f: 616 732 4437
grcdc.org



October 28, 2015

Rehmann Robson
2330 East Paris Ave. SE
Grand Rapids, MI 49546

This representation letter is provided in connection with your audit of the financial statements of the governmental activities and the general fund of the ***Grand Rapids Child Discovery Center*** (the "School"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and the budgetary comparison for the general fund of the School in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 28, 2015:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 28, 2015, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates are reasonable.

"Education Based on Relationships" *-- The Grand Rapids Child Discover Center (GRCDC) is a diverse, urban, K-5 school in the heart of Grand Rapids, MI. The school believes education is built on relationships; relationships to others, to ideas, to the environment and the larger community. This approach is based on the Reggio Emilia method which encourages curiosity, discovery and connectedness. This shared experience in passionate discovery engages all members of our school community in co-constructing a unique and effective education.*

6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
9. With regard to items reported at fair value:
    a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
    b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
    c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
    d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
10. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
11. All funds and activities are properly classified.
12. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
13. All components of net position and fund balance classifications have been properly reported.
14. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
15. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
16. Deposit and investment risks have been properly and fully disclosed.
17. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
18. All required supplementary information is measured and presented within the prescribed guidelines.
19. We are responsible for the fair presentation of the School's proportionate share of the net pension liability of the Michigan Public School Employees' Retirement System (MPSERS) and related amounts. We provided MPSERS with complete and accurate information regarding the School's participation in the plan, and have reviewed the information provided by MPSERS for inclusion in the School's financial statements

Information Provided

20. We have provided you with:
    a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
    b. Additional information that you have requested from us for the purpose of the audit; and
    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

21. All transactions have been recorded in the accounting records and are reflected in the financial statements.
22. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
23. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
    a. Management;
    b. Employees who have significant roles in internal control; or
    c. Others where the fraud could have a material effect on the financial statements.
24. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
25. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
26. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
27. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
28. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
29. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
30. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
31. There are no:
    a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
    b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
    c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
32. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
33. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
34. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Required Supplementary Information

35. With respect to the required supplementary information accompanying the financial statements:
    a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
    b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.

d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

John Robinson, Principal

Phil Saurman, Contracted Accountant