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COUNTRYSIDE ACADEMY

FINANCIAL REPORT  
JUNE 30, 2016

**COUNTRYSIDE ACADEMY**  
**June 30, 2016**

BOARD OF DIRECTORS

		<u>Term Expires</u>
George McManus III	President	November 7, 2016
Charles Cayo	Vice President	November 7, 2018
Mark Zuhl	Treasurer	November 7, 2017
Nancy Harte	Secretary	November 7, 2019
Lynn Pica	Trustee	November 7, 2018
John Singer	Trustee	November 7, 2020
Skip Heavener	Trustee	November 7, 2019

**Countryside Academy  
Benton Harbor, Michigan  
June 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Countryside Academy  
Benton Harbor, Michigan

### **Report to the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Countryside Academy (the "School"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Countryside Academy as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT, CONCLUDED

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, the budgetary comparison information on page 34, the Schedule of Countryside Academy's Proportionate Share of the Net Pension Liability on page 35, and the Schedule of Countryside Academy's Contributions on page 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying other supplementary information, as described in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2016, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan  
October 11, 2016

Countryside Academy (the "School"), a K-12 Public School Academy located in Berrien County, Michigan, has adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement 34. The Management's Discussion and Analysis, a requirement of GASB Statement 34, is intended to be discussion and analysis of the financial results for the fiscal year ended June 30, 2016 of the management of Countryside Academy.

Generally accepted accounting principles in the United States of America ("GAAP") and GASB Statement 34 require the reporting of two types of financial statements: School-wide Financial Statements and Fund Financial Statements.

### **School-Wide Financial Statements**

The School-wide financial statements are full accrual basis statements. They report all of the School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short and long term, regardless if they are "currently available" or not. Capital assets and long-term obligations of the School are reported in the Statement of Net Position of the School-wide financial statements.

### **Fund Financial Statements**

The fund level financial statements are reported on a modified accrual basis. Only those assets and deferred outflows of resources that are "measurable" and "currently available" are reported. Liabilities and deferred inflows of resources are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the School's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Capital Projects Fund, and the School Service Fund which is comprised of Food Service.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

### **The School as Trustee — Reporting the School's Fiduciary Responsibilities**

The School is the trustee, or fiduciary, for its student activity funds and private purpose trust fund. All of the School's fiduciary activities are reported in separate statements of fiduciary net position. These are excluded activities from the School's other financial statements because the School cannot use these assets to finance its operations. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Summary of Net Position**

The School’s net deficit was \$1,092,040 and \$1,444,247 as of June 30, 2016 and 2015, respectively, and is summarized in the table below:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>Assets</b>		
Current assets	\$ 2,458,531	\$ 2,393,123
Capital assets, net	4,667,240	4,752,959
Total Assets	<u>\$ 7,125,771</u>	<u>\$ 7,146,082</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows of resources from pensions	<u>\$ 1,298,064</u>	<u>\$ 380,058</u>
<b>Liabilities</b>		
Current liabilities	\$ 745,870	\$ 672,051
Long-term liabilities	8,749,331	7,933,054
Total Liabilities	<u>\$ 9,495,201</u>	<u>\$ 8,605,105</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources from pensions	<u>\$ 20,674</u>	<u>\$ 365,282</u>
<b>Net Position (Deficit)</b>		
Net investment in capital assets	\$ 1,747,102	\$ 1,400,194
Unrestricted	(2,839,142)	(2,844,441)
Total Net Position (Deficit)	<u>\$ (1,092,040)</u>	<u>\$ (1,444,247)</u>

**Analysis of Financial Position**

During fiscal year ended June 30, 2016, the School’s net position increased by \$352,207.

Current assets increased \$65,408 from prior year primarily due to increased amounts due from other governments at year-end. Capital assets decreased \$85,719 primarily due to asset depreciation and lack of capital asset acquisitions during the fiscal year.

Current liabilities remained relatively consistent with the prior year, increasing by \$73,819 primarily due an increase in accrued payroll and other related liabilities. Long-term liabilities increased overall \$816,277 as a result of an increase of the School’s share of the MPSERS net pension liability offset by the continued pay down of long-term debt principal throughout the year.

**Analysis of Financial Position, Concluded**

A few of the significant factors affecting net position during the year are discussed below:

A. General Fund Operations

The School’s General Fund expenditures and other financing uses exceeded revenues and financing sources by \$20,197 for the fiscal year ended June 30, 2016.

Total General Fund revenues increased \$330,962 from the prior year. This is primarily due to an increase of \$195,615 in unrestricted state aid as a result of the increase in student count and the state foundation allowance.

B. Debt Activity

During the year ended June 30, 2016 the School continued to make principal and interest payments on the two outstanding notes payable to First State Bank of Middlebury and one outstanding note payable to Greenstone Farm Credit Services. During the current year, the School made principal and interest payments totaling \$432,627 and \$151,850, respectively, on those existing notes.

C. Net Investment in Capital Assets

The School's net investment in capital assets decreased by \$85,719, the net result of current year additions of \$53,680 and depreciation of \$139,399. Activity for the fiscal year is summarized in the following table:

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Capital Assets	\$ 7,103,005	\$ 53,680	\$ -	\$ 7,156,685
Less: accumulated depreciation	(2,350,046)	(139,399)	-	(2,489,445)
Net Capital Assets	\$ 4,752,959	\$ (85,719)	\$ -	\$ 4,667,240

**Results of Operations**

The School-wide results of operations for the fiscal years ended June 30 are summarized in the table below:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>Revenues</b>		
General Revenues:		
State of Michigan	\$ 4,783,415	\$ 4,612,332
Other general revenues	8,960	27,077
Total general revenues	<u>\$ 4,792,375</u>	<u>\$ 4,639,409</u>
Operating Grants:		
Federal	\$ 684,965	\$ 670,760
State of Michigan	731,156	535,541
Other operating grants	40,759	51,587
Total operating grants	<u>\$ 1,456,880</u>	<u>\$ 1,257,888</u>
Charges for Services:		
Food service	\$ 9,394	\$ 11,281
Total revenues	<u>\$ 6,258,649</u>	<u>\$ 5,908,578</u>
<b>Expenses</b>		
Instruction	\$ 2,759,688	\$ 2,447,656
Support services	2,474,317	2,180,243
Athletics	71,608	51,985
Food service	309,580	304,892
Interest on long-term debt	151,850	174,115
Depreciation (unallocated)	139,399	139,780
Total expenses	<u>\$ 5,906,442</u>	<u>\$ 5,298,671</u>
<b>Change in Net Position</b>	\$ 352,207	\$ 609,907
<b>Net Position - Beginning of Year</b>	<u>(1,444,247)</u>	<u>(2,054,154)</u>
<b>Net Position - End of Year</b>	<u><u>\$ (1,092,040)</u></u>	<u><u>\$ (1,444,247)</u></u>

**A. State of Michigan Unrestricted Aid (Net State Foundation Grant)**

The State of Michigan unrestricted aid is determined by the following variables:

- a. State of Michigan State Aid Act per student foundation allowance,
- b. Student Enrollment - Blended at 90 percent of current year fall count and 10 percent of prior year winter count, and
- c. The School's non-homestead levy.

**Per Student Foundation Allowance**

Annually, the State of Michigan sets the per student foundation allowance. Countryside Academy’s foundation allowance for the fiscal year 2016 was \$7,391 per student which was \$265 more than the previous year.

**Student Enrollment**

The School's student enrollment for the fall count of 2015-2016 was 658 students. The School's enrollment increased from the prior year count by 19 students. The following summarizes fall student enrollments in the past five years:

Fiscal Year	Student FTE	FTE Change from Prior Year
2015 - 2016	658	19
2014 - 2015	639	45
2013 - 2014	594	19
2012 - 2013	575	75
2011 - 2012	500	9

Subsequent to year-end June 30, 2016, preliminary student enrollments for 2016-2017 indicate that enrollments may increase by approximately 44 students from 2015-2016.

**B. Food Sales to Students & Adults (School Lunch Program)**

Compared to the prior school year, the School's food and milk sales to students and adults decreased by \$1,890, or approximately 17%. Food prices remained relatively consistent with prior years.

The total revenues for Food Service operations exceeded total expenditures for the year by \$11,567.

**C. General Fund Expenditures Budget Vs. Actual Five Year History**

	Expenditures			Variance: Audit	
	Preliminary Budget	Expenditures Final Budget	Expenditures Final Audit	vs. Prelim. Budget	Variance: Audit vs. Final Budget
2015 - 2016	\$ 5,530,153	\$ 6,011,801	\$ 5,957,565	7.73%	-0.90%
2014 - 2015	4,845,041	5,369,596	5,659,251	16.81%	5.39%
2013 - 2014	4,565,826	4,959,790	4,830,899	5.81%	-2.60%
2012 - 2013	4,100,043	5,036,635	4,956,836	20.90%	-1.58%
2011 - 2012	4,011,345	4,204,813	4,031,521	0.50%	-4.12%
	Five Year Average: Over (Under) Budget			10.35%	-0.76%

**D. General Fund Revenues Budget Vs. Actual Five Year History**

	Revenues			Variance: Audit	
	Preliminary Budget	Revenues Final Budget	Revenues Final Audit	vs. Prelim. Budget	Variance: Audit vs. Final Budget
2015 - 2016	\$ 5,540,665	\$ 5,936,124	\$ 5,937,368	7.16%	0.02%
2014 - 2015	4,875,126	5,580,585	5,606,406	15.00%	0.46%
2013 - 2014	4,573,982	4,960,094	4,990,960	9.12%	0.62%
2012 - 2013	4,124,693	4,610,973	4,603,716	11.61%	-0.16%
2011 - 2012	4,013,432	4,090,658	4,046,475	0.82%	-1.08%
	Five Year Average: Over (Under) Budget			8.74%	-0.03%

**E. Original vs. Final Budget**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Countryside Academy amends its budget during the school year. For the fiscal year ended June 30, 2016, the budget was amended twice. The June 2016 budget amendment was the final budget for the fiscal year.

**F. Factors Bearing on the School’s Future**

Enrollment for the 2016-2017 school year is expected to increase by approximately 44 students. Based on the expected 2016-2017 foundation allowance of \$7,522, this would result in an increase of approximately \$330,968 of unrestricted state funding.

**G. Contacting the School's Financial Management**

The financial report is designed to provide users of the report with a general overview of the School's finances. If you have questions about this report or need additional information, please contact the Business Office at Countryside Academy.

**COUNTRYSIDE ACADEMY**STATEMENT OF NET POSITION  
JUNE 30, 2016

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 1,448,054
Prepaid items	31
Due from other governments	1,010,446
Total current assets	<u>\$ 2,458,531</u>
Noncurrent assets:	
Capital assets, net	\$ 4,667,240
Total Assets	<u>\$ 7,125,771</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources related to pensions	<u>\$ 1,298,064</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 12,097
Accrued payroll and other liabilities	321,273
Long-term debt, due within one year	412,500
Total current liabilities	<u>\$ 745,870</u>
Noncurrent liabilities:	
Long-term debt, due in more than one year	\$ 2,507,638
Net pension liability	6,241,693
Total noncurrent liabilities	<u>\$ 8,749,331</u>
Total Liabilities	<u>\$ 9,495,201</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources related to pensions	<u>\$ 20,674</u>
<b>Net Position (Deficit)</b>	
Net investment in capital assets	\$ 1,747,102
Unrestricted	(2,839,142)
Total Net Position (Deficit)	<u><u>\$ (1,092,040)</u></u>

*See accompanying notes to the financial statements.*

**COUNTRYSIDE ACADEMY**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants/ Contributions</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>
Primary government -				
Governmental activities:				
Instruction	\$ 2,759,688	\$ -	\$ 1,111,051	\$ (1,648,637)
Support services	2,474,317	-	34,159	(2,440,158)
Athletics	71,608	-	-	(71,608)
Food services	309,580	9,394	311,670	11,484
Interest on long-term debt	151,850	-	-	(151,850)
Depreciation (unallocated)	139,399	-	-	(139,399)
	<u>\$ 5,906,442</u>	<u>\$ 9,394</u>	<u>\$ 1,456,880</u>	<u>\$ (4,440,168)</u>
General revenues:				
State aid not restricted to specific purposes				\$ 4,783,415
Interest and investment earnings				2,007
Other				6,953
Total general revenues				<u>\$ 4,792,375</u>
<b>Change in Net Position</b>				\$ 352,207
<b>Net Position (Deficit) - beginning of year</b>				<u>(1,444,247)</u>
<b>Net Position (Deficit) - end of year</b>				<u>\$ (1,092,040)</u>

See accompanying notes to the financial statements.

**COUNTRYSIDE ACADEMY****BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Fund</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,305,172	\$ 90,143	\$ 52,739	\$ 1,448,054
Prepaid items	31	-	-	31
Due from other governments	1,010,446	-	-	1,010,446
Due from other governmental funds	-	-	3,222	3,222
Total Assets	<u>\$ 2,315,649</u>	<u>\$ 90,143</u>	<u>\$ 55,961</u>	<u>\$ 2,461,753</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 6,841	\$ 5,256	\$ -	\$ 12,097
Accrued payroll and other liabilities	321,273	-	-	321,273
Due to other governmental funds	3,222	-	-	3,222
Total Liabilities	<u>\$ 331,336</u>	<u>\$ 5,256</u>	<u>\$ -</u>	<u>\$ 336,592</u>
<b>Fund Balances</b>				
Non-spendable - prepaid items	\$ 31	\$ -	\$ -	\$ 31
Restricted for food service	-	-	55,961	55,961
Committed for capital projects	-	84,887	-	84,887
Unassigned	1,984,282	-	-	1,984,282
Total Fund Balances	<u>\$ 1,984,313</u>	<u>\$ 84,887</u>	<u>\$ 55,961</u>	<u>\$ 2,125,161</u>
Total Liabilities and Fund Balances	<u>\$ 2,315,649</u>	<u>\$ 90,143</u>	<u>\$ 55,961</u>	<u>\$ 2,461,753</u>

*See accompanying notes to the financial statements.*

**COUNTRYSIDE ACADEMY**

RECONCILIATION OF BALANCE SHEET  
OF GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION  
JUNE 30, 2016

**Total Fund Balances - Governmental Funds** **\$ 2,125,161**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

Cost of the capital assets	7,156,685
Accumulated depreciation	(2,489,445)

Deferred outflows of resources related to pension contributions made after measurement date	546,767
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Deferred outflows related to pensions	751,297
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Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Notes and land contract payable	(2,920,138)
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Net pension liability	(6,241,693)
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Deferred inflows of resources related to pension differences between expected and actual experience	<u>(20,674)</u>
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**Total Net Position (Deficit) - Governmental Activities** **\$ (1,092,040)**

*See accompanying notes to the financial statements.*

**COUNTRYSIDE ACADEMY**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Non-Major Governmental Fund</b>	<b>Total</b>
<b>Revenues</b>				
Local sources	\$ 42,902	\$ 166	\$ 9,445	\$ 52,513
State sources	5,515,981	-	5,190	5,521,171
Federal sources	378,485	-	306,480	684,965
Total Revenues	<u>\$ 5,937,368</u>	<u>\$ 166</u>	<u>\$ 321,115</u>	<u>\$ 6,258,649</u>
<b>Expenditures</b>				
Current:				
Instruction	\$ 2,757,056	\$ -	\$ -	\$ 2,757,056
Supporting services	2,531,914	-	309,548	2,841,462
Debt service:				
Principal payments	432,627	-	-	432,627
Interest	151,850	-	-	151,850
Capital outlay	-	65,847	-	65,847
Total Expenditures	<u>\$ 5,873,447</u>	<u>\$ 65,847</u>	<u>\$ 309,548</u>	<u>\$ 6,248,842</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ 63,921</u>	<u>\$ (65,681)</u>	<u>\$ 11,567</u>	<u>\$ 9,807</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	\$ -	\$ 84,118	\$ -	\$ 84,118
Operating transfers out	(84,118)	-	-	(84,118)
Total Other Financing Sources (Uses)	<u>\$ (84,118)</u>	<u>\$ 84,118</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Change in Fund Balances</b>	<u>\$ (20,197)</u>	<u>\$ 18,437</u>	<u>\$ 11,567</u>	<u>\$ 9,807</u>
<b>Fund Balances - Beginning of year</b>	<u>2,004,510</u>	<u>66,450</u>	<u>44,394</u>	<u>2,115,354</u>
<b>Fund Balances - End of year</b>	<u>\$ 1,984,313</u>	<u>\$ 84,887</u>	<u>\$ 55,961</u>	<u>\$ 2,125,161</u>

See accompanying notes to the financial statements.

**COUNTRYSIDE ACADEMY****RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 9,807**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	53,680
Depreciation expense	(139,399)

Repayment of notes and land contract payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term debt	432,627
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Change in pension expense related to pension	<u>(4,508)</u>
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**Change in Net Position of Governmental Activities** **\$ 352,207**

*See accompanying notes to the financial statements.*

**COUNTRYSIDE ACADEMY**

FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET POSITION AND  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 JUNE 30, 2016

	Private Purpose Trust Fund- Scholarship Fund	Agency Fund- Student Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,735	\$ 35,773	\$ 37,508
Total assets	<u>\$ 1,735</u>	<u>\$ 35,773</u>	<u>\$ 37,508</u>
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
Due to student groups	\$ -	\$ 35,773	\$ 35,773
<b>Net Position</b>			
Reserved for scholarship	\$ 1,735	\$ -	\$ 1,735
Total liabilities and net position	<u>\$ 1,735</u>	<u>\$ 35,773</u>	<u>\$ 37,508</u>

Statement of Changes in Fiduciary Net Position  
 For the year ended June 30, 2016

	Private Purpose Trust Fund- Scholarship Fund
<b>Additions</b>	
Interest	\$ 3
<b>Deductions</b>	
Scholarships awarded	(500)
Change in net position	<u>\$ (497)</u>
Net Position-Beginning	2,232
Net Position-Ending	<u>\$ 1,735</u>

*See accompanying notes to the financial statements.*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Countryside Academy (the “School”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units and with the rules prescribed in the accounting manual by the Michigan Department of Education. The following is a summary of the significant accounting policies used by the School:

**Reporting Entity**

The School is governed by an appointed seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (“GASB”) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Schools’ reporting entity, and which organizations are legally separate, component units of the School. Based on the application of the criteria, the School does not contain any component units.

**School - Wide and Fund Financial Statements**

The School-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the School’s School-wide activities are considered governmental activities.

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. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**School-Wide Statements** — The School-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

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

**School-Wide Statements (concluded)** — Revenue is 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. As a general rule, the effect of inter-fund activity has been eliminated from the School-wide financial statements.

**Fund Based Statements** — Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, 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 accrual 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 government. The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School reports the following major governmental funds:

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

**Capital Project Fund** is used by the School to fund and utilize for future capital projects.

Additionally, the government reports the following fund types:

**The School Service Funds** are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School maintains full control of these funds. The School Service Fund maintained by the School is the Food Service Fund.

**Fiduciary Funds** are used to account for assets held by the School in a trustee capacity or as an agent. Fiduciary Fund net position and results of operations are not included in the school-wide statements. Agency Funds are custodial in nature and do not involve measurement of results of operations.

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

**Fund Based Statements (concluded)** — The School presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes and are segregated and held in trust for the students and parents. The School also maintains a Scholarship Fund used for scholarships for students attending four year colleges.

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity**

**Deposits and Investments** — Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** — In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

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

The School also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain 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 is recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**Inventories** — Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**Prepaid Items** — Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements

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

**Capital Assets** — Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The School does not have infrastructure type assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years
Land Improvements	10-20 years

**Deferred Outflows of Resources** — In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**Compensated Absences** — The liability for compensated absences, if any, reported in the School-wide statements consists of unpaid, accumulated annual and vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**Long-Term Obligations** — In the School-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

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

**Fund Equity** – The School follows the provisions of GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The following are the School’s fund balance classifications:

**Non-spendable fund balance** - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. As of June 30, 2016, \$31 was classified as non-spendable for prepaid items.

**Restricted fund balance** - includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers. As of June 30, 2016, \$55,961 was classified as restricted for food service operations.

**Committed fund balance**- includes amounts that can be used only for specific purposes determined by a formal action of the government’s highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed constraint originally. As of June 30, 2016, \$84,887 was classified as committed for capital projects.

**Assigned fund balance** – includes amounts that are constrained by the government’s intent to be used for a specific purpose, but are neither restricted nor committed. As of June 30, 2016, none of the School’s fund balance was classified as assigned.

**Unassigned fund balance** – is the residual classification for General Fund. This classification represents governmental fund balances that have not been assigned to other funds or that have not been restricted, committed, or assigned to specific purposes within the respective governmental fund balances. As of June 30, 2016, \$1,984,282 of the governmental fund balances was classified as unassigned.

The School’s board has not adopted a formal fund balance policy.

When multiple components of fund balance are available for the expenditure (for example, a project has both restricted and unrestricted funds available for it), spending will occur in this order – restricted, committed, assigned and unassigned.

**Comparative Data** — Comparative data is not included in the School’s financial statements.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

**Estimates** — The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenditures.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. 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 is a violation of Michigan Law. State law permits Schools to amend its budgets during the year. There were two amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be re-appropriated and honored during the subsequent year.

**Excess of Expenditures Over Appropriations in Budgeted Funds** — The School had expenditures that exceeded appropriations in the following budgeted functions:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund</b>			
<i>Supporting Services:</i>			
General administration	\$ 760,258	\$ 778,356	\$ (18,098)
Transportation	335,177	350,941	(15,764)
Other	345,122	353,898	(8,776)
<i>Debt Service:</i>			
Interest	138,384	151,850	(13,466)

Funds sufficient to provide for excess expenditures were made available from other functions in the fund, and the excess had no impact on the financial results of the School.

**Net Position Deficit** – As of June 30, 2016, the Government-wide Statement of Net Position had a cumulative net position deficit of \$1,092,040.

**NOTE 3. DEPOSITS AND INVESTMENTS**

As of June 30, 2016, the captions on the financial statements relating to cash and cash equivalents are as follows:

	Governmental Activities	Fiduciary Funds	Total
Cash on hand	\$ 150	\$ -	\$ 150
Deposits	1,167,514	37,508	1,205,022
Investments (money market funds)	280,390	-	280,390
Cash and cash equivalents	\$ 1,448,054	\$ 37,508	\$ 1,485,562

**Bank Deposits:**

All cash of the School is on deposit with financial institutions which provide FDIC insurance coverage or in highly liquid money funds.

**Custodial Credit Risk—Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the School’s deposits may not be returned to it. As of June 30, 2016, \$1,084,853 of the School’s bank balances of \$1,338,383 was exposed to custodial credit risk, because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the School’s name.

**Investments:** Michigan law permits investments in: 1) Bonds and other obligations of the United States Governments, 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively, 3) Certain commercial paper, 4) United States Government repurchase agreements, 5) Banker’s acceptance of the United States Bank, and 6) Certain mutual funds. The School has put further restrictions on those investments through its current policy. At June 30, 2016, the School held cash investments in money market funds totaling \$280,390 (unrestricted). These funds invest primarily in government repurchase agreements and have an average maturity of one day.

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

**NOTE 3. DEPOSITS AND INVESTMENTS (CONCLUDED)**

**Credit Risk:** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by Nationally Recognized Statistical Rating Organizations (“NRSRO’s”). The School’s money market funds are unrated.

**Concentration of Credit Risk:** The School will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. All investments held at year end are reported above.

**NOTE 4. CAPITAL ASSETS**

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Assets not being depreciated:				
Land	\$ 210,035	\$ 2,884	\$ -	\$ 212,919
Subtotal	\$ 210,035	\$ 2,884	\$ -	\$ 212,919
Capital assets being depreciated:				
Building and building improvements	\$ 5,856,680	\$ -	\$ -	\$ 5,856,680
Land improvements	67,486	14,500	-	81,986
Buses and other vehicles	22,500	-	-	22,500
Furniture and equipment	946,304	36,296	-	982,600
Subtotal	\$ 6,892,970	\$ 50,796	\$ -	\$ 6,943,766
Accumulated depreciation:				
Building and building improvements	\$ 1,426,750	\$ 119,025	\$ -	\$ 1,545,775
Land improvements	18,042	7,831	-	25,873
Buses and other vehicles	22,500	-	-	22,500
Furniture and equipment	882,754	12,543	-	895,297
Subtotal	\$ 2,350,046	\$ 139,399	\$ -	\$ 2,489,445
Net capital assets being depreciated	\$ 4,542,924			\$ 4,454,321
Net capital assets	\$ 4,752,959			\$ 4,667,240

Depreciation expense of \$139,399 was not charged to specific activities as the School considers its assets to impact multiple activities and allocation is not practical.

**NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The amount due to the Food Service Fund from the General Fund relates to state aid payments for the School’s lunch and breakfast programs that are received by the General Fund but are for Food Service Fund revenues.

The General Fund made transfers to the Capital Projects Fund to fund future capital projects.

The composition of interfund balances and transfer is as follows:

<b>Due To/From Other Funds:</b>		
Receivable Fund	Payable Fund	Amount
Food Service Fund	General Fund	\$ 3,222

  

<b>Interfund Transfers:</b>		
Transfer In:	Transfer Out:	Amount
Capital Projects Fund	General Fund	\$ 84,118

**NOTE 6. LONG-TERM DEBT**

The School’s long-term debt activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Notes Payable - First State Bank of Middlebury	\$ 3,310,702	\$ -	\$ (424,620)	\$ 2,886,082	\$ 404,062
Greenstone Land Contract	42,063	-	(8,007)	34,056	8,438
Total notes payable	<u>\$ 3,352,765</u>	<u>\$ -</u>	<u>\$ (432,627)</u>	<u>\$ 2,920,138</u>	<u>\$ 412,500</u>

Annual debt requirements to maturity for the School’s long-term debt are as follows:

	<i>Governmental Activities:</i>		
	Principal	Interest	Total
2017	\$ 412,500	\$ 120,937	\$ 533,437
2018	424,424	122,355	546,779
2019	437,297	109,067	546,364
2020	457,229	84,598	541,827
2021	473,405	58,771	532,176
2022-2023	715,283	41,924	757,207
	<u>\$ 2,920,138</u>	<u>\$ 537,652</u>	<u>\$ 3,457,790</u>

**NOTE 6. LONG-TERM DEBT (CONCLUDED)**

Interest expense of \$151,850 was not charged to activities as the School considers its debt to impact multiple activities and allocation is not practical.

*Governmental Activities:*

Long-term debt consists of:

\$3,222,181 - Mortgage note payable with First State Bank of Middlebury, payable in monthly installments ranging from \$817 to \$41,938 beginning July 23, 2014 through February 22, 2023; interest ranging from 4.75% to 5.50%. Secured by the assets of the School. \$ 2,524,609

\$526,807 - Unsecured note payable with First State Bank of Middlebury, payable in monthly installments of \$380 to \$5,937 beginning March 22, 2013 through February 22, 2023; interest at 4.75%. 361,473

\$44,000 - Land contract with Greenstone Farm Credit Services, payable in monthly installments of \$835, beginning April 1, 2015 through March 1, 2020; interest at 5.25%, secured by land. 34,056

**Total long-term debt** \$ 2,920,138

**NOTE 7. RISK MANAGEMENT**

The School is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The School has purchased commercial insurance for health claims and for claims relating to workers' compensation and property/casualty claims.

**NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

**Plan Description** – The School is a participating employer in the Michigan Public School Employees' Retirement System ("MPERS" or "System"), a cost-sharing multi-employer plan, of which substantially all of School's employees are covered. MPERS's pension plan was established by the State of Michigan to provide retirement, survivor and disability benefits to public school employees. In addition, MPERS's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act. Financial statements, required supplementary information, and full actuarial assumptions of the MPERS plan are included in the MPERS's comprehensive annual financial report. Copies of the report can be obtained by writing to 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

**NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

**Benefits Provided** – Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (“DB”) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

**Member Contributions** – Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987, through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

**NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

**Employer Contributions** – Each School District or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits.

**Contributions** – The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits ("OPEB"). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability.

Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded(overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the 2015 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

<b>Pension Contribution Rates</b>		
<b>Benefit Structure</b>	<b>Member</b>	<b>Employer</b>
Basic	0.0-4.0%	22.52-23.07%
Member Investment Plan	3.0-7.0%	22.52-23.07%
Pension Plus	3.0-6.4%	21.99%
Defined Contribution	0.00%	17.72-18.76%

**Proportionate Share of Reporting Unit's Net Pension Liability** – At June 30, 2016, the School reported a liability of \$6,241,693 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The School's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period. At September 30, 2015, the School's proportion was 0.02556 percent, which was a increase of 0.00298 percent from its proportion measured as of September 30, 2014.

**NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

**Long-Term Expected Return on Plan Assets** – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.9%
% Alternative Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.9%
Real Estate and Infrastructure Pools	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%
Short Term Investment Pools	2.0%	0.0%
<b>TOTAL</b>	<u>100.0%</u>	

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

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

**NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
\$ 8,047,143	\$ 6,241,693	\$ 4,719,626

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

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

**NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2014, rolled forward
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return	
- MIP and Basic Plans (Non-Hybrid):	8.0%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members

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

**Notes:**

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

**NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

**Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – For the year ended June 30, 2016, the School recognized total pension expense of \$679,881. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 20,674
Changes of assumptions	153,684	-
Net difference between projected and actual earnings on pension plan investments	31,859	-
Changes in proportion and differences between School contributions and proportionate share of contributions	565,754	-
School contributions subsequent to the measurement date*	546,767	-
<b>Total</b>	<b>\$ 1,298,064</b>	<b>\$ 20,674</b>

\*This amount, reported as deferred outflows of resources related to pensions resulting from the School's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

Year Ending June 30	Amount:
2017	\$ 169,839
2018	169,839
2019	161,462
2020	229,483
	<u>\$ 730,623</u>

**Payables to the Pension Plan** – As of June 30, 2016, the School has payables to the MPSERS pension plan of \$29,875 for the outstanding amount of contributions due to the pension plan required for the year ended June 30, 2016.

**MPSERS Fiduciary Net Position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR.

**NOTE 8. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (CONCLUDED)**

**Post-Employment Benefits Other than Pensions** - Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverage's contribute an amount equivalent to the monthly cost for Part B Medicare and 20 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for post-employment health care benefits are included as part of the School's total contribution to the MPSERS plan discussed above. The School's contribution rates vary depending on which plan the employee is enrolled in. For the period of July 1, 2014 to September 30, 2014 the contribution rates ranged from 5.52% to 6.45% of covered payroll. For the period of October 1, 2014 to September 30, 2015, the contribution rates ranged from 2.20% to 2.71% of covered payroll. The School's contributions to the MPSERS plan for retiree healthcare benefits for the years ended June 30, 2016, 2015, and 2014 were \$138,286, \$91,045, and \$150,072, respectively.

**NOTE 9. RECEIVABLES AND PAYABLES**

Receivables as of year-end for the School's individual major funds, and the non-major funds and fiduciary funds in the aggregate, including any allowance for uncollectible amounts are as follows:

	General Fund
Receivables:	
Intergovernmental	\$ 1,010,446

Payables as of year-end for the School's individual major funds, and the non-major and fiduciary funds in the aggregate, are as follows:

	General Fund	Capital Projects Fund	Total
Payables:			
Trade	\$ 6,841	\$ 5,256	\$ 12,097

**NOTE 10. UPCOMING PRONOUNCEMENTS**

In March 2016, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. The Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The School is currently evaluating the impact this standard will have on the financial statements when adopted for the fiscal year ended June 30, 2017.

**NOTE 10. UPCOMING PRONOUNCEMENTS (CONCLUDED)**

In June 2016, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (“OPEB”) to their employees. This pronouncement applies to post-retirement health care provided to School employees that is provided through MPSERS. This OPEB standard will require the School to recognize on the face of the financial statements (government-wide statements) its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The provisions of this statement are effective for School’s financial statements for the fiscal year ending June 30, 2018. The School is currently evaluating what impact the standard will have on its financial statements once adopted.

**NOTE 18. SUBSEQUENT EVENTS**

The School has evaluated subsequent events through October 11, 2016, the date of the financial statements were available to be issued. No events or transactions occurred during this period which requires recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**COUNTRYSIDE ACADEMY****REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<b>Revenues</b>			
Local sources	\$ 775	\$ 19,639	\$ 42,902
State sources	5,145,890	5,498,037	5,515,981
Federal sources	359,000	377,448	378,485
Total Revenues	<u>\$ 5,505,665</u>	<u>\$ 5,895,124</u>	<u>\$ 5,937,368</u>
<b>Expenditures</b>			
Instruction:			
Basic instruction	\$ 2,151,555	\$ 2,508,031	\$ 2,479,379
Added needs	217,973	278,079	277,677
Supporting services:			
Pupil support services	176,185	164,869	163,685
Instructional staff	14,600	24,350	18,194
General administration	638,405	760,258	778,356
School administration	398,569	422,406	398,314
Business services	140,735	147,617	143,441
Athletics	62,496	74,672	71,567
Operations and maintenance	314,556	280,842	253,518
Transportation	525,409	335,177	350,941
Other	303,410	345,122	353,898
Debt service:			
Principal payments	395,563	447,876	432,627
Interest	178,937	138,384	151,850
Total Expenditures	<u>\$ 5,518,393</u>	<u>\$ 5,927,683</u>	<u>\$ 5,873,447</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>\$ (12,728)</u>	<u>\$ (32,559)</u>	<u>\$ 63,921</u>
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	(11,760)	(84,118)	(84,118)
Proceeds from debt issuance	35,000	41,000	-
Total other financing sources (uses)	<u>\$ 23,240</u>	<u>\$ (43,118)</u>	<u>\$ (84,118)</u>
<b>Net Change in Fund Balances</b>	\$ 10,512	\$ (75,677)	\$ (20,197)
<b>Fund Balances - Beginning of year</b>	2,004,510	2,004,510	2,004,510
<b>Fund Balances - End of year</b>	<u>\$ 2,015,022</u>	<u>\$ 1,928,833</u>	<u>\$ 1,984,313</u>

**COUNTRYSIDE ACADEMY**

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

	<u>2015</u>		<u>2014</u>
School District's proportion of net pension liability	0.02556%		0.02258%
School District's proportionate share of net pension liability	\$ 6,241,693	\$	4,974,571
School District's covered-employee payroll	\$ 2,400,226	\$	2,163,532
School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	260.05%		229.93%
Plan fiduciary net position as a percentage of total pension liability	63.17%		66.20%

**COUNTRYSIDE ACADEMY**

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

	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 639,662	\$ 482,608
Contributions in relation to statutorily required contributions	<u>639,662</u>	<u>482,608</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 2,634,268	\$ 2,324,032
Contributions as a percentage of covered-employee payroll	24.28%	20.77%

## **COUNTRYSIDE ACADEMY**

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### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION RELATED SCHEDULES YEAR ENDED JUNE 30, 2016

**Changes of benefit terms:** There were no changes of benefit terms for the plan year ended September 30, 2015.

**Changes of assumptions:** There were no changes of benefit assumptions for the plan year ended September 30, 2015.

**OTHER SUPPLEMENTARY  
INFORMATION**

**COUNTRYSIDE ACADEMY****FOOD SERVICE FUND BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUND**

JUNE 30, 2016

	<u>Special Revenue Fund</u>
	<u>Food Service Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 52,739
Due from other governmental funds	3,222
<b>Total Assets</b>	<u>\$ 55,961</u>
<b>Liabilities and Fund Balance</b>	
<b>Liabilities</b>	
Accounts payable	\$ -
Total liabilities	<u>\$ -</u>
<b>Fund Balance</b>	
Restricted for food service	\$ 55,961
Total fund balances	<u>\$ 55,961</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 55,961</u>

**COUNTRYSIDE ACADEMY****FOOD SERVICE FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE – NON-MAJOR GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Special Revenue Fund</u>
	<u>Food Service Fund</u>
<b>Revenues</b>	
Local sources	\$ 9,445
State sources	5,190
Federal sources	306,480
<b>Total Revenues</b>	<u>\$ 321,115</u>
<b>Expenditures</b>	
Current:	
Supporting services	\$ 309,548
<b>Total Expenditures</b>	<u>\$ 309,548</u>
<b>Excess of Revenues over Expenditures</b>	<u>\$ 11,567</u>
<b>Other Financing Sources (Uses)</b>	
Operating transfers in	\$ -
Operating transfers out	-
<b>Total Other Financing Sources (Uses)</b>	<u>\$ -</u>
<b>Net Change in Fund Balance</b>	<u>\$ 11,567</u>
<b>Fund Balance - Beginning of year</b>	<u>44,394</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 55,961</u></u>

**MANAGEMENT COMPLIANCE  
LETTER**



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

To the Board of Education of  
Countryside Academy  
Benton Harbor, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Countryside Academy as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Countryside Academy’s basic financial statements and have issued our report thereon dated October 11, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Countryside Academy’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 Countryside Academy’s internal control. Accordingly, we do not express an opinion on the effectiveness of Countryside Academy’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described as 2016-001 and 2016-002 in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

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

**Compliance and Other Matters**

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

**Countryside Academy’s Response to Findings**

Countryside Academy’s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Countryside Academy’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan  
October 11, 2016

**SECTION I – STATUS OF PRIOR YEAR FINDINGS**

**Finding: 2015-001 – Significant Deficiency – Controls Over Financial Reporting Process**

**Criteria** – Internal controls should be in place to provide reasonable assurance to the School that management prepare, monitor, and report annual financial activity without auditor intervention.

**Condition** – Personnel responsible for financial reporting have time and monetary constraints that require assistance in preparing the financial statements and related footnotes. The staff of the School does understand all information included in the annual financial statements, but obtains assistance in the preparation.

**Cause** – School does not staff individuals with appropriate expertise to prepare complete financial statements in compliance with GAAP.

**Effect** – The effect of this condition places a reliance on the independent auditor to be part of the School’s internal controls over financial reporting.

**Recommendation** – The School should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

**Views of Responsible Officials and Planned Corrective Actions** – We are aware of this deficiency. However, due to budgetary constraints, we have not developed these processes. We intend to re-evaluate if additional funding becomes available.

**Status of Finding** – No change in status from prior year.

**Finding: 2015-002 – Significant Deficiency – Segregation of Duties Amongst Incompatible Accounting Functions**

**Criteria** – The School should devise an organizational structure that will enable them to appropriately segregate incompatible accounting functions.

**Condition** – The School lacks an appropriate segregation of certain incompatible duties with appropriate control objectives.

**Cause** – Limitations on number of accounting and finance personnel.

**Effect** – The effect of this condition subjects the School to increased risk of misstatements within the financial statements and misappropriation of assets.

**Recommendation** – The School should devise an organizational structure that will enable them to appropriately segregate incompatible accounting functions.

**Views of Responsible Officials and Planned Corrective Actions** – We are aware of this deficiency. However, given the size of our entity and our available resources, it is difficult to provide for appropriate segregation of incompatible duties for all accounting functions. We will evaluate available options to administer limited segregation of duties for key accounting functions and ensure the continued close oversight by the Board of Directors.

**Status of Finding** – No change in status from prior year.

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2016-001** – See prior year financial statement finding 2015-001.

**2016-002** – See prior year financial statement finding 2015-002.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

The School has spent under the \$750,000 threshold for federal expenditures and is not required to have a single audit under the Uniform Guidance.