

Linden
Community
Schools



Year Ended
June 30, 2015

Financial
Statements and
Single Audit Act
Compliance

LINDEN COMMUNITY SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 27, 2015

Board of Education
Linden Community Schools
Linden, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of the *Linden Community Schools* (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District'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 contain 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 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, the General Fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 68

As described in Note 15, the District implemented the provisions of GASB Statement No. 68, *Financial Reporting for Pension Plans* 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 the schedules for the pension plan, as listed in the table of contents 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 District's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining 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 information is 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 27, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 District's internal control over financial reporting and compliance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

LINDEN COMMUNITY SCHOOLS

Management's Discussion and Analysis

As management of Linden Community Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015.

Financial Highlights

- The District implemented GASB Statement No. 68 in the current year. In addition to expanded disclosure requirements, the District 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 \$(17,957,935).
- The government's total net position increased by \$1,083,516 from the prior year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,573,345, a decrease of \$326,169 in comparison with the prior year. Approximately 71.0% or \$2,536,523 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,536,523 or 9.9% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-Wide Financial Statements. The *district-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the District-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, food service, athletics and community service. The District has no business type activities as of and for the year ended June 30, 2015.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

LINDEN COMMUNITY SCHOOLS

Management's Discussion and Analysis

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. However, unlike the District-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 a District's near term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District wide financial statements. By doing so, readers may better understand the long term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains eight individual governmental funds and two fiduciary funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the general fund, the major fund, herein to demonstrate compliance with that budget.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the District wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension plan immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements.

LINDEN COMMUNITY SCHOOLS

Management's Discussion and Analysis

District-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the District reported a deficit net position of \$(17,957,935).

	Net Position	
	2015	2014
Assets		
Current and other assets	\$ 8,289,555	\$ 7,186,802
Capital assets, net	35,147,002	35,880,676
Total assets	<u>43,436,557</u>	<u>43,067,478</u>
Deferred outflows of resources	<u>5,455,947</u>	<u>925,774</u>
Liabilities		
Current and other liabilities	37,718,209	3,448,921
Long-term liabilities outstanding	25,498,899	26,901,030
Total liabilities	<u>63,217,108</u>	<u>30,349,951</u>
Deferred inflows of resources	<u>3,633,331</u>	<u>-</u>
Net position		
Net investment in capital assets	10,981,757	10,519,444
Restricted	689,021	554,447
Unrestricted	(29,628,713)	2,569,410
Total net position	<u>\$ (17,957,935)</u>	<u>\$ 13,643,301</u>

A portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligations to its programs.

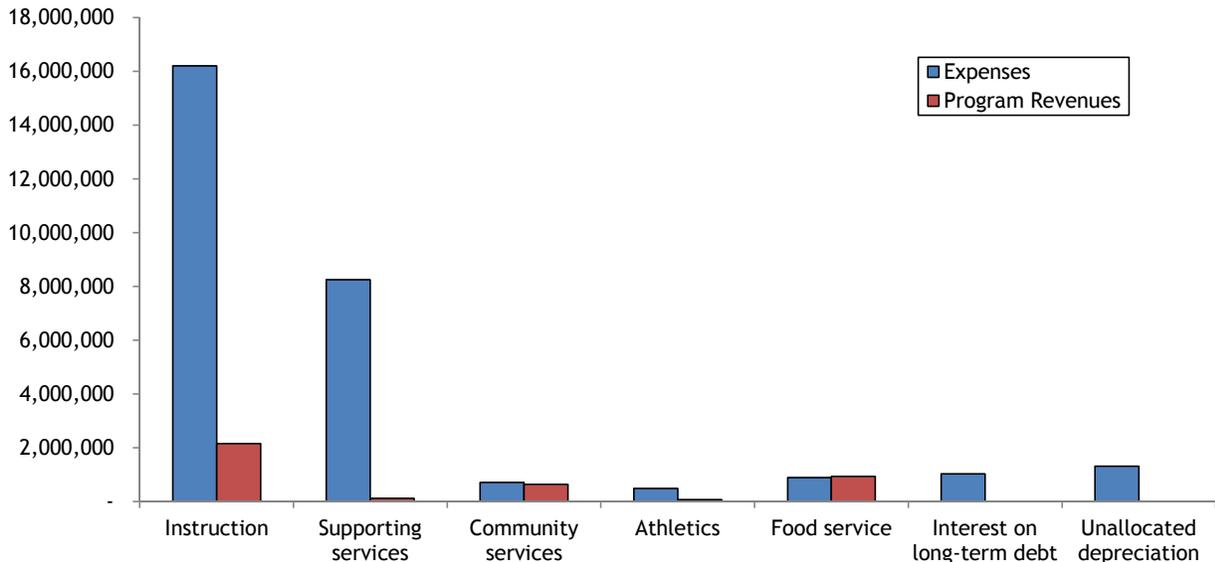
The District's net position increased by \$1,083,516 during the current fiscal year. This is compared to an increase of \$730,022 in the prior year. District-wide revenue exceeded expenses for the fifth year in a row. Revenue increased over the prior year mainly due to additional state retirement offsets. Operating expenses increased in comparison to the prior year due to increases in retirement costs and wages.

LINDEN COMMUNITY SCHOOLS

Management's Discussion and Analysis

	Change in Net Position	
	2015	2014
Revenue		
Program revenues:		
Charges for services	\$ 1,325,011	\$ 1,270,744
Operating grants and contributions	2,591,074	3,538,428
General revenues:		
Property taxes	4,846,161	4,886,184
Unrestricted state school aid	21,022,934	19,263,713
Grants and contributions not restricted to specific programs	177,824	256,549
Other	4,386	3,454
Total revenues	29,967,390	29,219,072
Expenses		
Instruction	16,203,188	15,793,929
Supporting services	8,249,156	8,227,401
Community services	711,064	714,185
Athletics	487,841	460,492
Food service	889,392	897,668
Interest on long-term debt	1,024,971	1,068,912
Unallocated depreciation	1,318,262	1,326,463
Total expenses	28,883,874	28,489,050
Change in net position	1,083,516	730,022
Net position, beginning of year	13,643,301	12,913,279
Restatement for implementation of GASB 68	(32,684,752)	-
Net position, end of year	\$ (17,957,935)	\$ 13,643,301

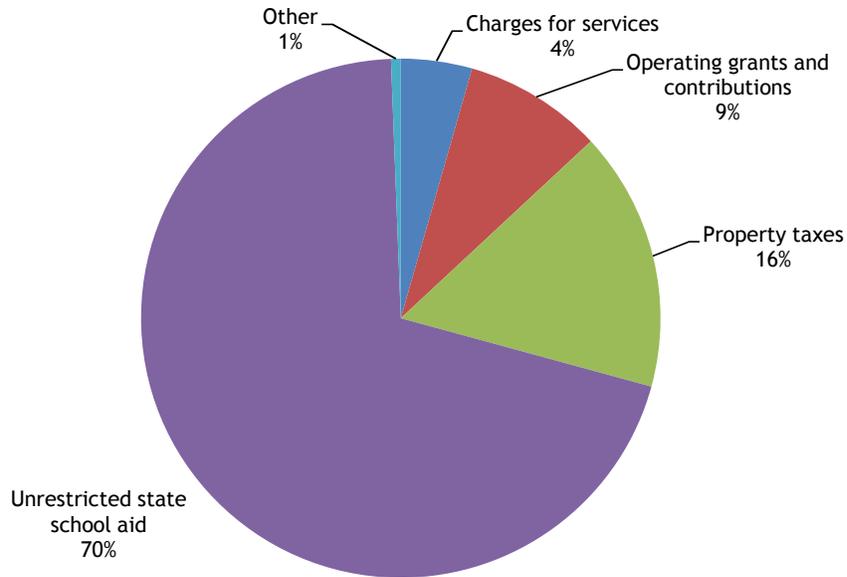
Expenses and Program Revenues - Governmental Activities



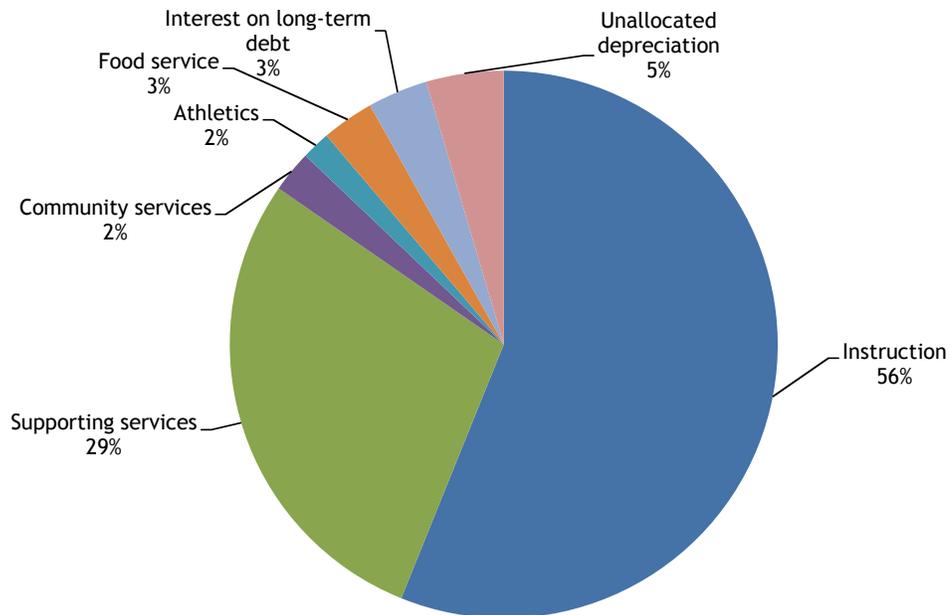
LINDEN COMMUNITY SCHOOLS

Management's Discussion and Analysis

Revenues by Source - Governmental Activities



Expenses by Source - Governmental Activities



LINDEN COMMUNITY SCHOOLS

Management's Discussion and Analysis

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,573,345 a decrease of \$326,169 in comparison with the prior year. Approximately 71.0% of this total amount (\$2,536,523) constitutes unassigned fund balance, which is available for spending at the government's discretion. Another portion of fund balance is restricted to indicate that it is not available for new spending because it is constrained to specific purposes by the providers or by legal means. The final portion of fund balance is nonspendable, which means the underlying assets are not in a spendable form (e.g. inventory), or are required to remain intact (e.g. corpus of a scholarship bequest) and are not available for current expenditure.

The general fund is the chief operating fund of the District, and represents the bulk of the District's unassigned fund balance. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,536,523. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 9.9 percent of general fund expenditures.

General Fund Budgetary Highlights

Differences between the original and final amended budgets were fairly minor. As additional information became available throughout the year, subsequent budget amendments adjusted revenue and expenditures as necessary. Overall, revenue increased by a little under 1.0% and expenditures increased by a little over 1.0%.

Differences between the final amended budget and actual results were relatively small. Both total revenues and total expenditures were off by less than 1%, with revenues coming in over budget by 0.1% and expenditures coming in under budget by 0.9%.

LINDEN COMMUNITY SCHOOLS

Management's Discussion and Analysis

	Original Budget	Final Budget	Actual
Revenue			
Local sources	\$ 2,230,355	\$ 2,092,581	\$ 2,085,678
State sources	21,251,890	21,489,986	21,438,428
Federal sources	1,118,468	1,380,401	1,311,848
Transfers from other districts	515,000	396,386	553,348
Total revenue	25,115,713	25,359,354	25,389,302
Expenditures			
Instruction	16,637,859	16,839,509	16,816,359
Supporting services	9,060,059	9,085,940	8,872,679
Debt service	-	29,550	29,531
Capital outlay	-	1,250	1,208
Total expenditures	25,697,918	25,956,249	25,719,777
Net change in fund balances	(582,205)	(596,895)	(330,475)
Fund balances, beginning of year	2,903,715	2,903,715	2,903,715
Fund balances, end of year	\$ 2,321,510	\$ 2,306,820	\$ 2,573,240

During the year, there was a \$258,331 increase in appropriations between the original and final amended budget. Following are the main components of the change:

- Unanticipated additional revenue became available through State categorical funding; primarily Retirement Stabilization funds.
- Supply needs were re-evaluated throughout the year.
- Consortium program costs were recalculated to reflect actual students participating in the programs.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets, which includes construction, land improvements, machinery and equipment, busses and vehicles, and construction in progress for its governmental activities as of June 30, 2015, amounted to \$35,147,002 (net of accumulated depreciation), which is a decrease from the prior year's investment of \$35,880,676. The decrease in the District's investment in capital assets was due to depreciation on existing assets outpacing the current year's additions. Additions have slowed as the resources in the Sinking Fund have tapered off due to property values declines over time.

LINDEN COMMUNITY SCHOOLS

Management's Discussion and Analysis

Major capital asset events during the current fiscal year included the following:

- Construction in progress for a roof replacement at Central Elementary, as well as, a turn lane project at Linden Elementary amounted to \$138,955. These projects will be completed during the 2015-16 fiscal year.
- Prior year construction in progress for ceiling and bleacher replacement projects were completed during the 2014-15 fiscal year.
- Approximately \$35,000 worth of network switches were purchased during the 2014-15 fiscal year.
- The District spent roughly \$42,000 replacing a primary power source.

	Capital Assets (Net of Depreciation)	
	2015	2014
Construction	\$ 30,975,422	\$ 31,539,670
Land Improvements	3,783,365	4,037,787
Machinery and equipment	239,158	226,725
Busses and vehicles	10,102	14,870
Construction in progress	138,955	61,624
Total capital assets, net	\$ 35,147,002	\$ 35,880,676

Additional information on the District’s capital assets can be found in Note 5 of this report.

Long-Term Debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$24,780,000. The District's total debt decreased by \$1,402,131.

Additional information on the District’s long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year’s Budget and Rates

The following factors will affect the District in the future and were considered in preparing the District’s budget for the 2015-16 fiscal year:

- For 2015-16 the minimum foundation allowance will be \$7,391, which will represent the first time it has exceeded the 2010-11 funding level since being cut from \$7,316 down to \$6,846 during the 2011-12 fiscal year. This still represents a significant overall reduction in the District’s largest funding source when factoring in inflationary increases.
- During 2011-12 the State of Michigan enacted PA 152, which caps the amount the District can legally spend on employee health insurance. Any costs exceeding the state imposed caps must be borne by the employee receiving the benefit. The cap was raised by the medical CPI rate (2.3%) for the 2015-16 fiscal year, in accordance with the law, which increases the District's costs.
- Retirement reform has been enacted to cap the contribution rate at approximately 25.78%; however, the difference between this cap and the actuarial rate has been shifted to the School Aid Fund putting pressure on state funding sources.
- Collective bargaining resulted in wage increases approximating 0.5%, which will increase anticipated salary and benefit expenditures.
- The District’s utilities (natural gas, electric, diesel fuel) have been volatile over the last few years. These increases/decreases are based on market and weather conditions and always place a certain level of uncertainty on the District’s budget projections.

LINDEN COMMUNITY SCHOOLS

Management's Discussion and Analysis

- Local housing data, state economic data and various factors led the District to project a loss of enrollment of approximately 50 students for the 2015-16 budget bringing the projected blended count to 2,808. Preliminary estimates indicate enrollment will decline to below this level. State-wide pupil enrollment has been declining steadily since 2003.
- The state's economy continues to struggle, but with the auto industry making resurgence, state revenues have exceeded anticipated amounts. Despite large surpluses in the State Aid Fund, the State of Michigan has chosen to use a significant portion of these funds for higher education instead of funding local school districts to a higher degree. Continuing reports seem to indicate that increased funding in the future is uncertain.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent, 7205 West Silver Lake Rd, Linden, MI 48451.

BASIC FINANCIAL STATEMENTS

LINDEN COMMUNITY SCHOOLS

Statement of Net Position

June 30, 2015

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,968,925
Receivables	5,276,810
Prepaid items and other assets	43,820
Capital assets not being depreciated	138,955
Capital assets being depreciated, net	<u>35,008,047</u>
Total assets	<u>43,436,557</u>
Deferred outflows of resources	
Loss on advance bond refundings, net	856,851
Deferred pension amounts	<u>4,599,096</u>
Total deferred outflows of resources	<u>5,455,947</u>
Liabilities	
Accounts payable and accrued liabilities	3,596,695
State aid note payable	1,195,921
Unearned revenue	78,251
Current portion of long-term debt	1,436,049
Long-term debt, net of current portion	24,062,850
Net pension liability	<u>32,847,342</u>
Total liabilities	<u>63,217,108</u>
Deferred inflows of resources	
Deferred pension amounts	<u>3,633,331</u>
Net position	
Net investment in capital assets	10,981,757
Restricted for food service	119,299
Restricted for community service	87,782
Restricted for debt service	181,903
Restricted for capital projects	300,037
Unrestricted (deficit)	<u>(29,628,713)</u>
Total net position (deficit)	<u>\$ (17,957,935)</u>

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

LINDEN COMMUNITY SCHOOLS

Statement of Activities

For the Year Ended June 30, 2015

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 16,203,188	\$ 347,503	\$ 1,811,478	\$ (14,044,207)
Supporting services	8,249,156	-	114,227	(8,134,929)
Community service	711,064	411,100	224,004	(75,960)
Athletics	487,841	74,917	-	(412,924)
Food service	889,392	491,491	441,365	43,464
Interest on long-term debt	1,024,971	-	-	(1,024,971)
Unallocated depreciation	1,318,262	-	-	(1,318,262)
Total governmental activities	\$ 28,883,874	\$ 1,325,011	\$ 2,591,074	(24,967,789)
General revenues:				
Property taxes				4,846,161
Unrestricted state aid				21,022,934
Grants and contributions not restricted to specific programs				177,824
Unrestricted investment earnings				4,386
Total general revenues				26,051,305
Change in net position				1,083,516
Net position (deficit), beginning of year, as restated				(19,041,451)
Net position (deficit), end of year				\$ (17,957,935)

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

LINDEN COMMUNITY SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 2,018,254	\$ 950,671	\$ 2,968,925
Accounts receivable	11,303	3,030	14,333
Due from other governments	5,057,455	205,022	5,262,477
Inventory	-	7,103	7,103
Prepaid items	36,717	-	36,717
Total assets	\$ 7,123,729	\$ 1,165,826	\$ 8,289,555
Liabilities			
Accounts payable	\$ 1,094,140	\$ 124,483	\$ 1,218,623
Salaries and benefits payable	2,212,414	11,001	2,223,415
Unearned revenue	48,014	30,237	78,251
Notes payable	1,195,921	-	1,195,921
Total liabilities	4,550,489	165,721	4,716,210
Fund balances			
Nonspendable:			
Inventory	-	7,103	7,103
Prepaid items	36,717	-	36,717
Restricted:			
Food service	-	112,196	112,196
Community service	-	87,782	87,782
Debt service	-	336,560	336,560
Capital projects	-	456,464	456,464
Unassigned	2,536,523	-	2,536,523
Total fund balances	2,573,240	1,000,105	3,573,345
Total liabilities and fund balances	\$ 7,123,729	\$ 1,165,826	\$ 8,289,555

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

LINDEN COMMUNITY SCHOOLS

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
June 30, 2015

Fund balances - total governmental funds	\$ 3,573,345
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	138,955
Capital assets being depreciated, net	35,008,047
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and loans payable	(24,780,000)
Installment purchases payable	(104,196)
Unamortized loss on refunding	856,851
Unamortized bond premium	(415,751)
Unamortized bond discount	17,228
Accrued interest on bonds payable	(154,657)
Compensated absences	(216,180)
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	(32,847,342)
Deferred outflows related to the net pension liability	4,599,096
Deferred inflows related to the net pension liability	<u>(3,633,331)</u>
Net position of governmental activities	<u>\$ (17,957,935)</u>

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

LINDEN COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 2,085,678	\$ 3,912,719	\$ 5,998,397
State sources	21,438,428	250,488	21,688,916
Federal sources	1,311,848	414,881	1,726,729
Transfers from other districts	553,348	-	553,348
Total revenues	25,389,302	4,578,088	29,967,390
Expenditures			
Education:			
Instruction	16,816,359	-	16,816,359
Support services	8,872,679	-	8,872,679
Food service activities	-	904,633	904,633
Community services	-	631,297	631,297
Debt service:			
Principal	26,049	1,360,000	1,386,049
Interest	3,482	987,745	991,227
Capital outlay	1,208	690,107	691,315
Total expenditures	25,719,777	4,573,782	30,293,559
Net change in fund balances	(330,475)	4,306	(326,169)
Fund balances, beginning of year	2,903,715	995,799	3,899,514
Fund balances, end of year	\$ 2,573,240	\$ 1,000,105	\$ 3,573,345

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

LINDEN COMMUNITY SCHOOLS

Reconciliation

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

Net change in fund balances - total governmental funds \$ (326,169)

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 their estimated useful lives and reported as depreciation expense.

Capital assets purchased/constructed	584,588
Depreciation expense	(1,318,262)

Bond 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.

Principal payments on long-term liabilities	1,386,049
Amortization of loss on refunding and bond premiums/discounts	(40,721)

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 net pension liability and related deferred amounts	803,174
Change in accrued interest payable on bonds and loans	6,977
Change in the accrual for compensated absences	(12,120)

Change in net position of governmental activities	<u>\$ 1,083,516</u>
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The accompanying notes are an integral part of these financial statements.

LINDEN COMMUNITY SCHOOLS

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	\$ 2,230,355	\$ 2,092,581	\$ 2,085,678	\$ (6,903)
State sources	21,251,890	21,489,986	21,438,428	(51,558)
Federal sources	1,118,468	1,380,401	1,311,848	(68,553)
Transfers from other districts	515,000	396,386	553,348	156,962
Total revenues	25,115,713	25,359,354	25,389,302	29,948
Expenditures				
Instruction:				
Basic programs	12,695,603	12,769,098	12,765,121	(3,977)
Added needs	3,367,706	3,399,461	3,380,300	(19,161)
Transfers to other districts	574,550	670,950	670,938	(12)
Supporting services:				
Pupil services	1,742,101	1,677,445	1,633,846	(43,599)
Instructional support	918,079	951,193	877,491	(73,702)
General administration	467,478	406,407	386,577	(19,830)
School administration	1,524,757	1,594,005	1,593,989	(16)
Business services	550,023	495,105	494,791	(314)
Operations and maintenance	1,719,004	1,709,596	1,694,062	(15,534)
Transportation	1,211,911	1,251,829	1,220,779	(31,050)
Technology	318,803	387,473	375,014	(12,459)
Athletic programs	483,920	494,016	493,970	(46)
Community Services	123,983	118,871	102,160	(16,711)
Debt service:				
Principal repayment	-	26,050	26,049	(1)
Interest and fiscal charges	-	3,500	3,482	(18)
Capital outlay	-	1,250	1,208	(42)
Total expenditures	25,697,918	25,956,249	25,719,777	(236,472)
Net changes in fund balance	(582,205)	(596,895)	(330,475)	266,420
Fund balances, beginning of year	2,903,715	2,903,715	2,903,715	-
Fund balances, end of year	\$ 2,321,510	\$ 2,306,820	\$ 2,573,240	\$ 266,420

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

LINDEN COMMUNITY SCHOOLS

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2015

	Private-Purpose Trust Fund	
	Scholarships	Agency Funds
Assets		
Cash and cash equivalents	\$ -	\$ 233,382
Investments	292,981	-
	<hr/>	<hr/>
Total assets	292,981	<u><u>\$ 233,382</u></u>
Liabilities		
Due to student groups	-	\$ 233,382
	<hr/>	<hr/>
Net position		
Restricted	200,000	
Unrestricted	92,981	
	<hr/>	
Total net position	<u><u>\$ 292,981</u></u>	

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

LINDEN COMMUNITY SCHOOLS

Statement of Changes in Fiduciary Net Position

Private-Purpose Trust Fund

For the Year Ended June 30, 2015

	Private-Purpose Trust Fund
	Scholarships
Additions	
Local revenue - interest / change in investments	\$ 10,690
Deductions	
Scholarships	<u>3,000</u>
Increase in net position	7,690
Net position, beginning of year	<u>285,291</u>
Net position, end of year	<u><u>\$ 292,981</u></u>

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

NOTES TO FINANCIAL STATEMENTS

LINDEN COMMUNITY SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

Linden Community Schools (the “District”) has followed the guidelines of the Governmental Accounting Standards Board’s Statements No. 14 and No. 39 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

District-Wide and Fund Financial Statements

The District-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. For the most part, the effect of interfund activity has been removed from these statements. *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 District 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 are 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District-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

The District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants 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 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 claims and judgments, are recorded only when payment is due.

LINDEN COMMUNITY SCHOOLS

Notes to Financial Statements

Property taxes, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all the financial resources of the general government, except those accounted for and reported in another fund.

Additionally, the District reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *private-purpose trust fund* accounts for amounts entrusted to the District for scholarship awards and similar trust activities.

The *agency funds* account for assets held for student activity groups and organizations and are custodial in nature.

Deposits and Investments

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

Investments for the District are reported at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Other Assets

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

LINDEN COMMUNITY SCHOOLS

Notes to Financial Statements

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both District-wide and fund financial statements.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the District 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 two years. 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 maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Assets	Years
Land improvements	10-20
Building and improvements	25-50
Busses and other vehicles	8
Machinery and equipment	5-20

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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the District-wide statement of net position. A deferred charge on refunding results from the difference in the carry value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also 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.

Bonded Construction Costs

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Michigan Revised School Code.

LINDEN COMMUNITY SCHOOLS

Notes to Financial Statements

Sinking Fund

The sinking fund capital project fund records capital project activities funded with a sinking fund millage. For this fund, the District has complied with the applicable provisions of §1212(1) of the Michigan Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

Compensated Absences

It is the District's policy to permit employees to accumulate various earned but unused vacation and sick pay benefits. These are accrued when incurred in the District-wide financial statements. A liability for sick pay amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. There are no contract provisions for the payment of unused vacation.

Benefits are accrued based on various contract stipulations and lengths of service. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are 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.

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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District's deferred inflows of resources related to pension costs. More detailed information can be found in Note 11.

Long-term Obligations

In the District-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

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

LINDEN COMMUNITY SCHOOLS

Notes to Financial Statements

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 the resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can 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 Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted annually on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the general and special revenue funds are adopted on a functional basis.

All annual appropriations lapse at fiscal year end.

Excess of Expenditures Over Appropriations

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2015, the District incurred no expenditures in excess of the amounts appropriated at the legal level of budgetary control, the functional level.

Related Party Transactions

During the year ended June 30, 2015, the District contracted with a certain board member for lawn mowing services. The value of these services was \$5,855.

LINDEN COMMUNITY SCHOOLS

Notes to Financial Statements

3. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the Statement of Net Position and Statement of Fiduciary Net Position follows:

Statement of Net Position	
Cash and cash equivalents	\$ 2,968,925
Statement of Fiduciary Net Position	
Cash and cash equivalents	233,382
Investments	<u>292,981</u>
Total	<u>\$ 3,495,288</u>
Deposits and investments	
Cash on hand	\$ 2,500
Deposits (checking/savings accounts)	2,307,526
Investments	<u>1,185,262</u>
Total	<u>\$ 3,495,288</u>

Statutory Authority

Michigan law authorizes the District to deposit and invest in:

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 district, 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.

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.

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

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.

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

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.

The District's investment policy allow for all of these types of investments.

LINDEN COMMUNITY SCHOOLS

Notes to Financial Statements

Investments

The District chooses to disclose its investments by specifically identifying each. As of year end, the District had the following investments.

Investment	Fair Value	Rating
Cash management/ mutual funds:		
LPL Financial	\$ 292,981	n/a
Market Fund	892,281	S&P - AAAM
Michigan Liquid Asset Fund (MILAF)	<u>892,281</u>	
	<u>\$ 1,185,262</u>	

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. None of the investments had fixed maturities at year end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings on investments are noted above.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$2,378,372 of the District's bank balance of \$2,632,712 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. The District's investments at June 30, 2015 are not subject to custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

LINDEN COMMUNITY SCHOOLS

Notes to Financial Statements

4. RECEIVABLES AND PAYABLES

For the year ended June 30, 2015, receivables for the governmental activities are approximately 78 percent due from the State of Michigan, 21 percent due from other governmental units, and 1 percent other receivables. The balance is expected to be collected within the next fiscal year.

Governmental funds report *deferred inflows* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2015 the District's governmental funds reported \$78,251 of *unearned revenue* from prepayments on fee-based programs and grant funds.

For the year ended June 30, 2015, accounts payable and accrued liabilities for the governmental activities are approximately 62 percent salaries and benefits payable, 34 percent due to vendors and 4 percent accrued interest on long-term debt.

5. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Construction in progress	\$ 61,624	\$ 138,955	\$ -	\$ (61,624)	\$ 138,955
Governmental Activities (concluded)					
Capital assets, being depreciated:					
Land improvements	6,469,895	55,394	-	-	6,525,289
Construction	44,972,857	328,192	-	61,624	45,362,673
Buses and other vehicles	44,373	-	-	-	44,373
Machinery and equipment	940,124	62,047	-	-	1,002,171
	<u>52,427,249</u>	<u>445,633</u>	<u>-</u>	<u>61,624</u>	<u>52,934,506</u>
Less accumulated depreciation for:					
Land improvements	(2,432,108)	(309,816)	-	-	(2,741,924)
Construction	(13,433,187)	(954,064)	-	-	(14,387,251)
Buses and other vehicles	(29,503)	(4,768)	-	-	(34,271)
Machinery and equipment	(713,399)	(49,614)	-	-	(763,013)
	<u>(16,608,197)</u>	<u>(1,318,262)</u>	<u>-</u>	<u>-</u>	<u>(17,926,459)</u>
Total capital assets being depreciated, net	<u>35,819,052</u>	<u>(872,629)</u>	<u>-</u>	<u>61,624</u>	<u>35,008,047</u>
Governmental activities capital assets, net	<u>\$ 35,880,676</u>	<u>\$ (733,674)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,147,002</u>

Depreciation expense of \$1,318,262 was charged to the function "Unallocated Depreciation," and not allocated to other functions.

LINDEN COMMUNITY SCHOOLS

Notes to Financial Statements

6. INTERNAL BALANCES AND TRANSFERS

The District, from time to time, will report interfund balances between some of its funds. These interfund balances result primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the year ended June 30, 2015, the District recorded no interfund balances.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2015, the District recorded no transfers.

7. LONG-TERM DEBT

The following is a summary of bond, note, and compensated absence transactions of the District for the year ended June 30, 2015:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 26,140,000	\$ -	\$ (1,360,000)	\$ 24,780,000	\$ 1,410,000
Bond premiums/discounts	426,725	-	(28,202)	398,523	-
Installment purchases	130,245	-	(26,049)	104,196	26,049
Compensated absences	204,060	12,120	-	216,180	-
Totals	\$ 26,901,030	\$ 12,120	\$ (1,414,251)	\$ 25,498,899	\$ 1,436,049

Installment purchases and compensated absences are typically liquidated by the general fund.

General obligation bonds

2005 Refunding Bonds, due in annual installments of \$55,000 to \$1,965,000 through 2026; interest at 3.50% to 4.25%	\$ 7,380,000
2006 Refunding Bonds, due in annual installments of \$50,000 to \$2,120,000 through 2027; interest at 2.00% to 4.00%	7,465,000
2012 Refunding Bonds, due in annual installments of \$1,305,000 to \$2,250,000 through 2029; interest at 3.00% to 4.00%	<u>9,935,000</u>
Total	<u>\$ 24,780,000</u>

LINDEN COMMUNITY SCHOOLS

Notes to Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	\$ 1,410,000	\$ 945,876	\$ 2,355,876
2017	1,450,000	902,456	2,352,456
2018	1,495,000	857,770	2,352,770
2019	1,550,000	797,820	2,347,820
2020	1,625,000	735,670	2,360,670
2021-2025	8,945,000	2,669,594	11,614,594
2026-2029	8,305,000	753,202	9,058,202
Totals	\$ 24,780,000	\$ 7,662,388	\$ 32,442,388

Annual debt service requirements to maturity for installment purchases are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	\$ 26,049	\$ 2,688	\$ 28,737
2017	26,049	2,016	28,065
2018	26,049	1,344	27,393
2019	26,049	672	26,721
Totals	\$ 104,196	\$ 6,720	\$ 110,916

In a previous year, various office equipment was acquired with an installment purchase agreement authorized under Public Act 99. Repayment is due in annual installments ranging from \$26,721 to \$28,737 including principal and interest through 2019. Interest is charged at a rate of 2.58%

8. SHORT-TERM DEBT

During the year, the District financed certain of its operations through the issuance of property tax and State Aid Anticipation Notes. These notes were issued for terms of less than one year, and accordingly are recorded as liabilities of the respective funds from which they were issued.

Changes in short-term state aid notes for the year ended June 30, 2015, were as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
State aid note	\$ 659,739	\$ 2,000,000	\$ (1,463,818)	\$ 1,195,921

LINDEN COMMUNITY SCHOOLS

Notes to Financial Statements

9. RISK MANAGEMENT

The District 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 District has purchased commercial insurance and participated in a public entity risk pool. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method the District must reimburse the Employment Commission for all benefits paid out. No material unemployment expense is recorded in the Statement of Activities and no provision has been made for possible future claims.

The District is self-insured for certain dental and vision claims. An independent third-party administers the District's self-insured dental/vision program. Changes in the balances of claims liabilities during the past two years are as follows:

	Employee Benefits
	Dental
Estimated liability, June 30, 2013	\$ 3,226
Estimated claims incurred	35,906
Claim payments	(36,385)
 Estimated liability, June 30, 2014	 2,747
Estimated claims incurred	39,714
Claim payments	<u>(39,292)</u>
 Estimated liability, June 30, 2015	 <u>\$ 3,169</u>

10. PROPERTY TAXES

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and December 1, and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14, and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within 60 days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

LINDEN COMMUNITY SCHOOLS

Notes to Financial Statements

11. RETIREMENT PLAN

General Information about the Pension Plan

Plan Description. The District contributes to the Michigan Public School Employees Retirement System (“MPERS”), 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 MPERS. That report can be obtained by writing to Michigan Public School Employees Retirement System, 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 MPERS 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 match 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.

A member first enrolling in MPERS 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.

LINDEN COMMUNITY SCHOOLS

Notes to Financial Statements

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 District 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 and retiree healthcare, 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 District'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 \$3,964,219.

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

At June 30, 2015, the District reported a liability of \$32,847,342 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 as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At September 30, 2014, the District's proportion (as calculated by MPSERS) was 0.149%.

LINDEN COMMUNITY SCHOOLS

Notes to Financial Statements

For the year ended June 30, 2015, the District recognized pension expense of \$4,425,085. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in assumptions	\$ 1,211,997	\$ -	\$ 1,211,997
Net difference between projected and actual earnings on pension plan investments	-	3,631,287	(3,631,287)
Changes in proportion and differences between District contributions and proportionate share of contributions	-	2,044	(2,044)
	<u>1,211,997</u>	<u>3,633,331</u>	<u>(2,421,334)</u>
District contributions subsequent to the measurement date	3,387,099	-	3,387,099
	<u>3,387,099</u>	<u>-</u>	<u>3,387,099</u>
Total	<u>\$ 4,599,096</u>	<u>\$ 3,633,331</u>	<u>\$ 965,765</u>

The amount of deferred outflows of resources related to District 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 deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2016	\$ (593,196)
2017	(593,196)
2018	(593,196)
2019	<u>(641,746)</u>
Total	<u>\$ (2,421,334)</u>

Actuarial Assumptions. The total pension liability in the September 30, 2014 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% (7% 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

LINDEN COMMUNITY SCHOOLS

Notes to Financial Statements

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 System 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 pools	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%
	<u>100.00%</u>		5.50%
Inflation			<u>2.50%</u>
Investment rate of return			<u>8.00%</u>

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 District 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.

LINDEN COMMUNITY SCHOOLS

Notes to Financial Statements

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the District, calculated using the discount rate of 8.0%, as well as what the District’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 (9.00%)
District's proportionate share of the net pension liability	\$ 43,306,360	\$ 32,847,342	\$ 24,035,465

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 District reported a payable of \$393,516 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 District’s contributions to MPSERS for other postemployment benefits amounted to \$470,610 for the year ended June 30, 2015.

LINDEN COMMUNITY SCHOOLS

Notes to Financial Statements

12. CONSTRUCTION COMMITMENTS

The District has active construction projects for a roof replacement on one elementary building and the construction of a turn lane at another. As of June 30, 2015 the District had commitments with contractors on these projects totaling \$126,412. The projects are being financed with current and future sinking fund millage collections and unexpended bond funds.

13. INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT

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

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	\$ 138,955
Capital assets being depreciated, net	<u>35,008,047</u>
	<u>35,147,002</u>
Related debt:	
Bonds payable	24,780,000
Premiums/discounts on bonds payable, net	398,523
Deferred loss on advance bond refundings, net	(856,851)
Unexpended bond proceeds	<u>(156,427)</u>
	<u>24,165,245</u>
Invested in capital assets, net of capital-related debt	<u>\$ 10,981,757</u>

14. SUBSEQUENT EVENTS

Subsequent to year end, the District issued \$2,500,000 of State Aid anticipation notes through the Michigan Finance Authority's State Aid Note Program. The notes are due in August 2016 and bear interest at effective rates ranging from 0.992% to 1.462%.

In addition, the District completed an advance refunding of the 2005 and 2006 Refunding Bond issues. The District defeased \$14,845,000 of debt by placing the proceeds of the new 2015 Refunding Bonds in an irrevocable trust to satisfy the existing debt service requirements. The refunding was undertaken to reduce total debt service expenditures over the next 12 years by \$1,691,131 and resulted in an economic gain of \$1,265,830.

15. RESTATEMENT

The District 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 \$32,684,752.

REQUIRED SUPPLEMENTARY INFORMATION

LINDEN COMMUNITY SCHOOLS

Required Supplementary Information MPERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30, 2015
District's proportion of the net pension liability	0.14912645%
District's proportionate share of the net pension liability	\$ 32,847,342
District's covered-employee payroll	13,137,256
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	250.03%
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.

LINDEN COMMUNITY SCHOOLS

Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of District Contributions

	Year Ended June 30, 2015
Contractually required contribution	\$ 3,964,219
Contributions in relation to the contractually required contribution	<u>(3,964,219)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
District's covered-employee payroll	\$ 13,137,256
Contributions as a percentage of covered employee payroll	30.18%

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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COMBINING AND INDIVIDUAL FUND STATEMENTS

LINDEN COMMUNITY SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2015

	Special Revenue		Debt Service	
	Food Service	Community Service	2005 Debt Service	2006 Debt Service
Assets				
Cash and cash equivalents	\$ 127,680	\$ 13,334	\$ 36,084	\$ 37,554
Accounts receivable	-	3,030	-	-
Due from other governments	6,391	98,609	11,914	11,095
Inventory	7,103	-	-	-
Total assets	\$ 141,174	\$ 114,973	\$ 47,998	\$ 48,649
Liabilities				
Accounts payable	\$ 5,080	\$ 2,748	\$ -	\$ -
Salaries and benefits payable	682	10,319	-	-
Unearned revenue	16,113	14,124	-	-
Total liabilities	21,875	27,191	-	-
Fund balances				
Nonspendable - Inventory	7,103	-	-	-
Restricted	112,196	87,782	47,998	48,649
Total fund balances	119,299	87,782	47,998	48,649
Total liabilities and fund balances	\$ 141,174	\$ 114,973	\$ 47,998	\$ 48,649



Debt Service	Capital Projects		
2012 Debt Service	Sinking Fund	2003 Capital Projects	Total
\$ 187,135	\$ 392,457	\$ 156,427	\$ 950,671
-	-	-	3,030
52,778	24,235	-	205,022
-	-	-	7,103
<u>\$ 239,913</u>	<u>\$ 416,692</u>	<u>\$ 156,427</u>	<u>\$ 1,165,826</u>
\$ -	\$ 116,655	\$ -	\$ 124,483
-	-	-	11,001
-	-	-	30,237
<u>-</u>	<u>116,655</u>	<u>-</u>	<u>165,721</u>
-	-	-	7,103
<u>239,913</u>	<u>300,037</u>	<u>156,427</u>	<u>993,002</u>
<u>239,913</u>	<u>300,037</u>	<u>156,427</u>	<u>1,000,105</u>
<u>\$ 239,913</u>	<u>\$ 416,692</u>	<u>\$ 156,427</u>	<u>\$ 1,165,826</u>

LINDEN COMMUNITY SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2015

	Special Revenue		Debt Service	
	Food Service	Community Service	2005 Debt Service	2006 Debt Service
Revenues				
Local sources	\$ 491,491	\$ 328,869	\$ 364,844	\$ 343,039
State aid	26,484	224,004	-	-
Federal sources	414,881	-	-	-
Total revenues	932,856	552,873	364,844	343,039
Expenditures				
Food service activities	904,633	-	-	-
Community services	-	631,297	-	-
Debt service:				
Principal repayment	-	-	55,000	35,000
Interest and fiscal charges	-	-	309,625	305,301
Capital outlay	-	-	-	-
Total expenditures	904,633	631,297	364,625	340,301
Net change in fund balances	28,223	(78,424)	219	2,738
Fund balances, beginning of year	91,076	166,206	47,779	45,911
Fund balances, end of year	\$ 119,299	\$ 87,782	\$ 47,998	\$ 48,649



Debt Service	Capital Projects		
2012 Debt Service	Sinking Fund	2003 Capital Projects	Total
\$ 1,635,421	\$ 748,590	\$ 465	\$ 3,912,719
-	-	-	250,488
-	-	-	414,881
<u>1,635,421</u>	<u>748,590</u>	<u>465</u>	<u>4,578,088</u>
-	-	-	904,633
-	-	-	631,297
1,270,000	-	-	1,360,000
372,783	36	-	987,745
-	566,350	123,757	690,107
<u>1,642,783</u>	<u>566,386</u>	<u>123,757</u>	<u>4,573,782</u>
(7,362)	182,204	(123,292)	4,306
<u>247,275</u>	<u>117,833</u>	<u>279,719</u>	<u>995,799</u>
<u>\$ 239,913</u>	<u>\$ 300,037</u>	<u>\$ 156,427</u>	<u>\$ 1,000,105</u>

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SINGLE AUDIT ACT COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133

October 27, 2015

To the Board of Education
Linden Community Schools
Linden, Michigan

We have audited the financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of *Linden Community Schools* (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 27, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Robson LLC

LINDEN COMMUNITY SCHOOLS

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number
U.S. Department of Agriculture			
Child Nutrition Cluster:			
Non-cash assistance:			
Entitlement commodities	10.555	MDE	n/a
Cash assistance:			
2012-2013 School breakfast	10.553	MDE	131970
2013-2014 School breakfast	10.553	MDE	141970
2012-2013 National school lunch - section 11	10.555	MDE	131960
2013-2014 National school lunch - section 11	10.555	MDE	141960
Total U.S. Department of Agriculture			
U.S. Department of Education			
Title I Cluster:			
2013-2014 Title I, Part A	84.010	MDE	141530-1314
2014-2015 Title I, Part A	84.010	MDE	151530-1415
2013-2014 Title II, Part A	84.367	MDE	140520-1314
2014-2015 Title II, Part A	84.367	MDE	150520-1415
Special Education Cluster:			
2013-2014 IDEA Flowthrough	84.027	GISD	140450-1314
2014-2015 IDEA Flowthrough	84.027	GISD	150450-1415
Total U.S. Department of Education			
U.S. Department of Health and Human Services			
2013-2014 Medicaid Outreach	93.778	GISD	n/a
2014-2015 Medicaid Outreach	93.778	GISD	n/a
Total Expenditures of Federal Awards			

See notes to schedule of expenditures of federal awards.

Approved Grant Award Amount	Accrued Unearned Revenue June 30, 2014	Current Year Cash Received	Expenditures Year Ended June 30, 2015	Accrued Unearned Revenue June 30, 2015
\$ 53,288	\$ -	\$ 53,288	\$ 53,288	\$ -
5,486	-	7,281	7,281	-
49,824	-	54,340	54,340	-
34,444	-	37,918	37,918	-
274,515	-	262,054	262,054	-
	-	361,593	361,593	-
	-	414,881	414,881	-
350,124	250,161	321,309	71,148	-
453,365	-	145,563	392,290	246,727
	250,161	466,872	463,438	246,727
61,793	27,679	34,404	6,725	-
113,460	-	27,485	50,380	22,895
	27,679	61,889	57,105	22,895
754,422	233,867	233,867	-	-
786,518	-	448,025	786,733	338,708
	233,867	681,892	786,733	338,708
	511,707	1,210,653	1,307,276	608,330
5,158	4,572	4,572	-	-
4,572	-	-	4,572	4,572
	4,572	4,572	4,572	4,572
\$ 516,279	\$ 1,630,106	\$ 1,726,729	\$ 1,726,729	\$ 612,902

LINDEN COMMUNITY SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Linden Community Schools (the "District") under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grant Auditor Report reconcile with this Schedule.

3. PASS-THROUGH AGENCIES

The District receives certain federal grant as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
GISD	Genesee Intermediate School District
MDE	Michigan Department of Education



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 27, 2015

To the Board of Education
Linden Community Schools
Linden, 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, the General Fund, and the aggregate remaining fund information of *Linden Community Schools* (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 District'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 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.

Rehmann Lobson LLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

October 27, 2015

To the Board of Education
Linden Community Schools
Linden, Michigan

Report on Compliance for Each Major Federal Program

We have audited *Linden Community Schools* (the "District") compliance with the types of compliance requirements described in the *2 CFR 200 Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2015. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive, flowing style.

LINDEN COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? _____ yes X no

Identification of major programs:

CFDA Number

84.027

Name of Federal Program or Cluster

Special Education Cluster (IDEA)

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

\$ 300,000

Auditee qualified as low-risk auditee?

X yes _____ no

LINDEN COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

LINDEN COMMUNITY SCHOOLS

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2015

No matters were reported.

