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Macomb Academy

Financial Report
with Supplemental Information
June 30, 2015

Contents

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Independent Auditor's Report

To the Board of Directors
Macomb Academy

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Macomb Academy (the "Academy") as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise Macomb Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Macomb Academy as of June 30, 2015 and the respective changes in its financial position, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Macomb Academy

Emphasis of Matters

As discussed in Note 1 to the basic financial statements, effective July 1, 2014, the Academy adopted the provision of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The Academy's unrestricted net position has been restated as of July 1, 2014, as a result of this change in accounting principle.

Additionally, as discussed in Note 1 to the basic financial statements, the Academy's charter is authorized through Central Michigan University and currently expires on June 30, 2016. The Academy is currently working with Central Michigan University to renew the charter and anticipates that renewal will be granted. Our opinion is not modified with respect to these matters.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the General Fund budgetary comparison schedules, schedule of Macomb Academy's proportionate share of the net pension liability determined as of the plan year ended September 30, and schedule of Macomb Academy's contributions determined as of the year ended June 30, as identified on 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, which 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 supplemental 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 Macomb Academy's basic financial statements. The other supplemental information, as identified in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents 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. 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 other supplemental information, as identified in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors
Macomb Academy

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015 on our consideration of Macomb Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Macomb Academy's internal control over financial reporting and compliance.

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October 20, 2015

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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*

Independent Auditor's Report

To Management and the
Board of Directors
Macomb Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Macomb Academy (the "Academy") as of and for the year ended June 30, 2015 and related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 20, 2015.

Internal Control Over Financial Reporting

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

To Management and the
Board of Directors
Macomb Academy

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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 20, 2015

This section of Macomb Academy's (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2015. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Macomb Academy financially as a whole. The Academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the Academy-wide financial statements by providing information about the Academy's most significant funds - the General Fund and the Debt Service Fund, with all other funds presented in one column as nonmajor funds.

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

Basic Financial Statements

Academy-wide Financial Statements   Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds
Schedule of the Academy's Proportionate Share of the Net Pension Liability MPSERS
Determined as of the Plan Year Ended September 30
Schedule of Academy's Contributions MPSERS Determined as of the Year Ended June 30

Other Supplemental Information

Reporting the Academy as a Whole - Academy-wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Academy's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy. The statement of net position and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, and community services. State aid and state and federal grants finance most of these activities.

Reporting the Academy's Most Significant Funds - Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by state law and by bond covenants. However, the Academy establishes many other funds to show that it is meeting legal responsibilities for using certain grants and other money. The governmental funds of the Academy use the following accounting approach:

> Governmental funds - All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

The Academy as a Whole

Recall that the statement of net position provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net position as of June 30, 2015 and 2014:

TABLE 1	Governmental Activities	
	June 30	
	2015	2014
	(in thousands)	
Assets		
Current and other assets	$ 1,081.2	$ 1,112.2
Capital assets	1,536.5	1,586.2
Total assets	2,617.7	2,698.4
Deferred Outflows of Resources		
Deferred outflows related to pensions	162.7	110.2
Total assets and deferred outflows of resources	2,780.4	2,808.6
Liabilities		
Current liabilities	199.1	221.3
Long-term liabilities	1,595.0	1,625.0
Net pension liability	2,146.0	2,281.5
Total liabilities	3,940.1	4,127.8
Deferred Inflows of Resources - Deferred inflows related to pensions	158.1	-
Total liabilities and deferred inflows of resources	4,098.2	4,127.8
Net Assets		
Invested in capital assets - Net of related debt	(58.5)	(38.8)
Restricted	197.6	195.0
Unrestricted	(1,456.9)	(1,475.4)
Total net position	**$ (1,317.8)**	**$ (1,319.2)**

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the Academy's governmental activities is discussed below. The Academy's net deficit was $1,317,775 at June 30, 2015.

Capital assets, net of related debt totaling ($58,525), compares the original cost, less depreciation of the Academy's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from state aid payments received in the General Fund. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Academy's ability to use that net position for day to day operations. The remaining balance of net position ($1,456,916) was unrestricted.

As required by the Government Accounting Standards Board (GASB) the Academy adopted GASB Statements No. 68 and No. 71. These standards required the inclusion of the Academy's proportionate share of the Michigan Public School Employees' Retirement Plan within the Academy's financial statements, effective July 1, 2014. The effect of the adoption was to decrease July 1, 2014 beginning net position by $2,171,293 and the inclusion of the obligation, and related deferred inflows and outflows, in the June 30, 2015 financial statements. All governments participating in the retirement plan were required to adopt these new standards.

The ($1,456,916) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the Academy as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal years 2015 and 2014.

TABLE 2	Governmental Activities	
	2015	2014
	(in thousands)	
Revenue		
Program revenue - Grants	$ 370.5	$ 643.7
General revenue:		
State foundation allowance	1,431.0	1,100.5
Interest and investment earnings	0.1	0.1
Other	67.7	44.2
Total revenue	1,869.3	1,788.5
Functions/Program Expenses		
Instruction	$ 1,137.7	$ 1,032.5
Support services	571.0	478.6
Community services	-	0.6
Interest on long-term debt	109.4	111.4
Depreciaton (unallocated)	49.8	47.9
Total functions/program expenses	1,867.9	1,671.0
Increase in Net Position	1.4	117.5
Net Position - Beginning of year - As restated	(1,319.2)	734.6
Impact of GASB Statement No. 68 and No. 71	-	(2,171.3)
Net Position - End of year	**$ (1,317.8)**	**$ (1,319.2)**

As reported in the statement of activities, the cost of all of our governmental activities this year was $1,867,868. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants ($370,476). We paid for the remaining "public benefit" portion of our governmental activities with $1,431,074 in state foundation allowance, $67,698 in other revenues, and $51 of interest and investment earnings.

The Academy experienced an increase in net position of $1,431. The key reason for the change in net position was the increase in the State revenues. The board of directors and administration must annually evaluate the needs of the Academy and balance those needs with state-prescribed available unrestricted resources.

The Academy's Funds

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

As the Academy completed this year, the governmental funds reported a combined fund balance of $900,084, which is a decrease of $9,067 from last year. The primary reason for the decrease is as follows:

In the General Fund, our principal operating fund, the fund balance decreased $31,605 to $537,139. The change is mainly due to escalating health and retirement costs for employees. General Fund fund balance is available to fund costs related to allowable school operating purposes.

The debt service funds showed a fund balance of $215,610, which is an increase of $2,336 from the previous year. The debt service funds fund balance is restricted as the trust indenture requires the resources be used to pay debt service obligations.

The capital projects funds fund balance increased as the Academy set aside funds for future capital items.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year end. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2015, the Academy had $1,882,201 invested in a broad range of capital assets, including buildings, vehicles, furniture, and equipment. This amount is the same as last year.

	2015	2014
Buildings and building improvements	$ 1,782.5	$ 1,782.5
Furniture and equipment	58.3	58.3
Vehicles	41.4	41.4
Total capital assets	**$ 1,882.2**	**$ 1,882.2**

Debt

At the end of this year, the Academy had $1,595,000 in bonds outstanding versus $1,625,000 in the previous year - a change of 1.8 percent. The outstanding debt is the result of the 2007 revenue bond issuance of $1,800,000 used to finance the building purchase and renovation (see Note 7 for further explanation).

Economic Factors and Next Year's Budgets and Rates

Our board of directors and administration considered many factors when setting the Academy's 2015-2016 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2016 fiscal year is 90 percent and 10 percent of the October 2015 and February 2015 student counts, respectively. The fiscal year 2016 budget was adopted in June 2015, based on an estimate of students that will be enrolled in September 2015. Approximately 75 percent of total General Fund revenue is from the state funding. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2015-2016 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2015-2016 budget. Once the final student count and related per-pupil funding are validated, state law requires the Academy to amend the budget if actual district resources are not sufficient to fund original appropriations.

The Academy is impacted by the passage of the School Aid Act which can affect the foundation allowance received. For 2015-2016, the amount was equal to the 2015 foundation allowance plus an increase of $140 per pupil, making the total anticipated per pupil funding of $7,391 for fiscal year 2016.

Macomb Academy

Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Cash and investments (Note 3)	$ 557,465
Receivables:	
Accounts receivable	3,527
Due from other governmental units	334,582
Prepaid costs	163
Restricted assets (Note 3)	185,478
Capital assets - Net (Note 5)	1,536,475
Total assets	2,617,690
Deferred Outflows of Resources	
Deferred outflows related to pensions (Note 9)	162,695
Total assets and deferred outflows of resources	2,780,385
Liabilities	
Accounts payable	27,801
Accrued payroll-related liabilities	119,185
Other accrued liabilities	17,944
Due to other governmental units	31,760
Unearned revenue (Note 4)	2,385
Noncurrent liabilities (Note 7):	
Due within one year	35,000
Due in more than one year	1,560,000
Net pension liability (Note 9)	2,146,025
Total liabilities	3,940,100
Deferred Inflows of Resources	
Deferred inflows related to pensions (Note 9)	158,060
Total liabilities and deferred inflows of resources	4,098,160
Net Position	
Net investment in capital assets	(58,525)
Restricted - Debt service	197,666
Unrestricted	(1,456,916)
Total net position	**$ (1,317,775)**

The Notes to Financial Statements are an Integral Part of this Statement.

Statement of Activities
Year Ended June 30, 2015

	Expenses	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Functions/Programs			
Primary government - Governmental activities:			
Instruction	$ 1,137,732	$ 246,669	$ (891,063)
Support services	571,043	123,807	(447,236)
Interest on long term debt	109,351	-	(109,351)
Depreciation expense (unallocated)	49,742	-	(49,742)
Total primary government	**$ 1,867,868**	**$ 370,476**	(1,497,392)
General revenues:			
State aid not restricted to specific purposes			1,431,074
Interest and investment earnings			51
Other			67,698
Total general revenues			1,498,823
Change in Net Position			1,431
Net Position - As restated - Beginning of year (Note 1)			(1,319,206)
Net Position - End of year			**$ (1,317,775)**

The Notes to Financial Statements are an Integral Part of this Statement.

Governmental Funds
Balance Sheet
June 30, 2015

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	$ 546,991	$ -	$ 10,474	$ 557,465
Receivables:				
Accounts receivable	3,527	-	-	3,527
Due from other governmental units	334,582	-	-	334,582
Due from other funds (Note 6)	-	30,132	137,661	167,793
Prepaid costs	163	-	-	163
Restricted assets (Note 3)	-	185,478	-	185,478
Total assets	**$ 885,263**	**$ 215,610**	**$ 148,135**	**$ 1,249,008**
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 27,801	$ -	$ -	$ 27,801
Accrued payroll-related liabilities	119,185	-	-	119,185
Due to other governmental units	31,760	-	-	31,760
Due to other funds (Note 6)	166,993	-	800	167,793
Unearned revenue (Note 4)	2,385	-	-	2,385
Total liabilities	348,124	-	800	348,924
Fund Balances				
Nonspendable - Prepaid assets	163	-	-	163
Restricted - Debt service	-	215,610	-	215,610
Committed - Capital improvement project	250,000	-	-	250,000
Assigned - Capital projects	-	-	147,335	147,335
Unassigned	286,976	-	-	286,976
Total fund balances	537,139	215,610	147,335	900,084
Total liabilities and fund balances	**$ 885,263**	**$ 215,610**	**$ 148,135**	**$ 1,249,008**

Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
Year Ended June 30, 2015

Fund Balance Reported in Governmental Funds		$ 900,084
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of capital assets	$ 1,882,201	
Accumulated depreciation	(345,726)	1,536,475
Deferred outflows related to pension payments made subsequent to the measurement date		162,695
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds - Bonds payable		(1,595,000)
Accrued interest payable is not included as a liability in governmental funds		(17,944)
Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities		(2,146,025)
Deferred inflows related to pension investment returns and changes in assumptions are not reported in the governmental funds		(158,060)
Net Position of Governmental Activities		**$ (1,317,775)**

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2015

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	$ 67,698	$ 49	$ 2	$ 67,749
State sources	1,554,794	-	-	1,554,794
Federal sources	218,147	-	-	218,147
Interdistrict sources	28,609	-	-	28,609
Total revenue	1,869,248	49	2	1,869,299
Expenditures				
Current:				
Instruction	1,166,477	-	-	1,166,477
Support services	566,179	-	-	566,179
Debt service:				
Principal (Note 7)	-	30,000	-	30,000
Interest	-	109,688	-	109,688
Capital outlay	3,022	-	3,000	6,022
Total expenditures	1,735,678	139,688	3,000	1,878,366
Excess of Revenue Over (Under) Expenditures	133,570	(139,639)	(2,998)	(9,067)
Other Financing Sources (Uses)				
Transfers in (Note 6)	-	145,175	23,200	168,375
Transfers out (Note 6)	(165,175)	(3,200)	-	(168,375)
Net Change in Fund Balances	(31,605)	2,336	20,202	(9,067)
Fund Balances - Beginning of year	568,744	213,274	127,133	909,151
Fund Balances - End of year	**$ 537,139**	**$ 215,610**	**$ 147,335**	**$ 900,084**

The Notes to Financial Statements are an Integral Part of this Statement.

Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds		(9,067)
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, these costs are allocated over their estimated useful lives as depreciation - Depreciation expense	$ (49,742)	$ (49,742)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		30,000
Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid		337
Change in pension expense related to deferred items		29,903
Change in Net Position of Governmental Activities		**$ 1,431**

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Macomb Academy (the "Academy") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy:

Reporting Entity

The Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on July 28, 1995.

Macomb Academy operates under a contract with Central Michigan University (CMU) to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. CMU is a limited fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy's contract with CMU expires on June 30, 2016. The Academy must undergo a reauthorization process to extend the charter beyond June 30, 2016. Management intends to fully pursue reauthorization.

The Academy pays CMU 3 percent of its state aid revenue as administrative fees. The total administrative fee expense for the year ended June 30, 2015 paid to CMU was $42,627.

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

Academy-wide and Fund Financial Statements

The Academy-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 Academy. Governmental activities, which normally are supported by intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy's government-wide activities are considered governmental activities.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Intergovernmental payments and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported individually in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the Academy's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the Academy's policy to spend funds in this order: committed, assigned, and unassigned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all unrestricted state and federal aid.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the Academy considers revenue to be available if it is 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 claims and judgments, are recorded only when payment is due.

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

The Academy reports the following major governmental funds:

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

Debt Service Fund - The Debt Service Fund is used to record revenue and other financing sources and expenditures for the payment of interest, principal, and other expenditures for the 2007 bond issue.

The Academy reports the following nonmajor governmental funds:

Capital Projects Fund - The Capital Projects Fund is used to record revenue and other financing sources and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The fund operates until the purpose for which it was created is accomplished.

Building Reserve Fund - The Building Reserve Fund is a capital projects fund that is used to record revenue and the disbursement of invoices specifically designated for maintaining buildings and equipment. The fund operates until the purpose for which it was created is accomplished.

Assets, Liabilities, and Net Position or Equity

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables - Accounts receivable are shown net of an allowance for uncollectible amounts. The Academy considers all accounts receivable to be fully collectible. Accordingly, no allowance for uncollectible amounts is recorded.

Restricted Assets - Restricted assets exist when their use is constrained for a particular purpose. At June 30, 2015, this includes amounts segregated for the payment of debt based on bond covenant requirements.

Capital Assets - Capital assets, which include a building, building improvements, furniture, equipment, and vehicles, are reported in the applicable governmental column in the Academy-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have infrastructure-type assets.

Buildings and improvements, furniture, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Building improvements	20 years
Furniture and equipment	5-20 years
Vehicles	7 years

Long-term Obligations - In the Academy-wide financial statements, long-term debt is reported as liabilities in the statement of net position. In the fund financial statements, the face amount of debt issued is reported as an other financing source.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. The Academy only has one item that qualifies for reporting in this category. It is the deferred outflow related to the pension plan.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Academy only has one item that qualifies for reporting in this category. It is the deferred inflows related to the pension plan.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Balance - Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are comprised of the following - nonspendable, restricted, committed, assigned, and unassigned.

In the fund financial statements, governmental funds report the following components of fund balance:

- Nonspendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed: Amounts that have been formally set aside by the board of directors for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board of directors. During the year, the board of directors committed $250,000 of the General Fund balance towards capital improvements.
- Assigned: Intent to spend resources on specific purposes expressed by the board of directors or superintendent, who is authorized by policy approved by the board of directors to make assignments.
- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

Comparative Data - Comparative data is not included in the Academy's financial statements.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS), and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Note 1 - Summary of Significant Accounting Policies (Continued)

Adoption of New Standard – The Governmental Accounting Standards Board issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB Statement No. 71 is a clarification to GASB Statement No. 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The statements also enhance accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with the statement, the Academy reported a net pension liability of $2,281,564 and a beginning deferred outflow for pension contributions of $110,271 made subsequent to the September 30, 2013 measurement date, as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014.

Net position at June 30, 2014	$ 852,087
Net pension liability	(2,281,564)
Deferred outflow for pension contributions	110,271
Net position at June 30, 2014 - As restated	$ (1,319,206)

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund, except that capital outlay is budgeted in other expenditure categories. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function, which is a summarization of the Academy's line-item adopted budget. The legal level of budgetary control adopted by the board of directors (the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits academies to amend their budgets during the year. The Academy amended budgeted amounts during the year in response to changes in funding sources, changes from anticipated pupil counts, and unanticipated expenditures.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Academy had significant variances of expenditures over appropriations as follows:

	Budget	Actual
Support services - General administration	$ 349,128	$ 364,088

Note 3 - Deposits and Investments

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy's deposits are in accordance with statutory authority.

The Academy has designated two banks for the deposit of its funds.

The Academy's cash and investments are subject to risk as discussed in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk. At year end, the Academy's deposit balance of $757,222 had $311,270 of bank deposits (checking accounts) that were uninsured and uncollateralized. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Academy evaluates each financial institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned and unavailable revenue are as follows:

	Governmental Funds
	Liability - Unearned
Grant and categorical aid payment received prior to meeting all eligibility requirements	$ 2,385

Note 5 - Capital Assets

Capital asset activity of the Academy was as follows:

	Balance July 1, 2014	Additions	Disposals and Reclassifications	Balance June 30, 2015
Capital assets:				
Buildings and improvements	$ 1,782,519	$ -	$ -	$ 1,782,519
Furniture and equipment	58,320	-	-	58,320
Vehicles	41,362	-	-	41,362
Total capital assets	1,882,201	-	-	1,882,201
Accumulated depreciation:				
Buildings and improvements	238,353	44,277	-	282,630
Furniture and equipment	33,269	3,036	-	36,305
Vehicles	24,362	2,429	-	26,791
Total accumulated depreciation	295,984	49,742	-	345,726
Net capital assets	$ 1,586,217	$ (49,742)	$ -	$ 1,536,475

Depreciation expense totaling $49,742 was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

	Fund Due From		
Fund Due To	General Fund	Nonmajor Governmental Funds	Total
Debt Service Fund	$ 29,332	$ 800	$ 30,132
Nonmajor governmental funds	137,661	-	137,661
Total	$ 166,993	$ 800	$ 167,793

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Transfers of $145,175 from the General Fund to the Debt Service Fund were made to finance debt service commitments. Transfers of $3,200 from the Debt Service Fund to the Capital Projects Fund were made to fund construction costs. Transfers of $20,000 from the General Fund to the Building Reserve Fund were made to fund future needs.

Note 7 - Long-term Debt

The Academy issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. Revenue bonds are full faith and credit obligations of the Academy payable solely from the Academy's state school aid payments.

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
2007 revenue bond issue	$ 1,625,000	$ -	$ 30,000	$ 1,595,000	$ 35,000

Years Ending June 30	Governmental Activities Principal	Interest	Total
2016	$ 35,000	$ 107,663	$ 142,663
2017	35,000	105,300	140,300
2018	40,000	102,937	142,937
2019	40,000	100,238	140,238
2020	45,000	97,538	142,538
2021-2025	260,000	439,762	699,762
2026-2030	375,000	337,500	712,500
2031-2035	510,000	193,725	703,725
2036-2037	255,000	25,987	280,987
Total	$ 1,595,000	$ 1,510,650	$ 3,105,650

Revenue bonds consist of $1,800,000 2007 serial bonds due in annual installments of $35,000 to $130,000 though May 1, 2037 with fixed interest at 6.75 percent.

In conjunction with the above revenue bonds, the Academy has agreed to maintain certain covenants, including a debt service coverage ratio and a minimum fund balance covenant. At June 30, 2015, the Academy has complied with all required covenants.

Note 8 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

Note 9 - Michigan Public School Employees' Retirement System

Plan Description - The Academy participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the Academy. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at http://www.michigan.gov/orsschools, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Contributions - Public Act 300 of 1980, as amended, required the Academy to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the State Legislature. Under these provisions, each School District's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

The Academy's contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS.

The range of rates are as follows:

School District

July 1, 2013 - September 30, 2013	12.78% - 16.25%
October 1, 2013 - September 30, 2014	15.44% - 18.34%
October 1, 2014 - June 30, 2015	18.76% - 23.07%

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The Academy's required and actual contributions to the plan for the years ended June 30, 2015 and 2014 were $281,654 and $189,334, respectively. Contributions include $77,255 and $39,309 revenue received from the State of Michigan, and remitted to the system, to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2015.

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Benefits Provided - Benefit provisions of the defined benefit pension plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2015, the Academy reported a liability of $2,146,025 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 September 30, 2013, which used updated procedures to roll forward the estimated liability to September 30, 2014. The Academy's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2014, the Academy's proportion was 0.00974 percent, which, in the year of adoption, is unchanged from the proportion measured as of September 30, 2013.

Note 9 - Michigan Public School Employees' Retirement System (Continued)

For the year ended June 30, 2015, the Academy recognized pension expense of $121,411, exclusive of payments to fund the MPSERS UAAL Stabilization Rate. At June 30, 2015, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources Subsequent to Measurement Date	Net Deferred Inflows (Outflows) of Resources as of the Measurement Date
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	(79,184)
Net difference between projected and actual earnings on pension plan assets	-	237,244
Changes in proportion and differences between the Academy's contributions and proportionate share of contributions	-	-
The Academy's contributions subsequent to the measurement date	162,695	-
Total	$ 162,695	$ 158,060

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

Years Ending June 30	Amount
2016	$ 38,721
2017	38,721
2018	38,721
2019	41,897
2020	-
Thereafter	-
Total	$ 158,060

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Actuarial Assumptions - The total pension liability as of September 30, 2014 is based on the results of an actuarial valuation date of September 30, 2013 and rolled forward:

Actuarial cost method	Entry age normal cost actuarial cost method
Assumed rate of return	7.00 to 8.00 percent, net of investment and administrative expenses based on the groups
Rate of pay increases	3.50 percent
Mortality basis	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB

The actuarial assumptions used for the September 30, 2013 valuation were based on the results of an actuarial experience study for the period from October 1, 2007 to September 30, 2012. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

Discount Rate - The discount rate used to measure the total pension liability was 7.00 to 8.00 percent depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for 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.

Note 9 - Michigan Public School Employees' Retirement System (Continued)

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28 %	4.8 %
Private equity pools	18	8.5
International equity pools	16	6.1
Fixed-income pools	10	1.5
Real estate and infrastructure pools	10	5.3
Real return, opportunistic, and absolute pool	16	6.3
Short-term investment pools	2	(0.2)
Total	100 %	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Academy calculated using the discount rate of 7.00 to 8.00 percent, depending on the plan option. The following also reflects what the Academy's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

1.00 Percent Decrease (7.00/6.00 Percent)	Current Discount Rate (8.00/7.00 Percent)	1.00 Percent Increase (9.00/8.00 Percent)
$ 2,829,347	$ 2,146,025	$ 1,570,316

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan - At June 30, 2015, the Academy reported a payable of $18,375 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Postemployment Benefits Other Than Pensions (OPEB) - Under the MPSERS act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. School District - The employer contribution rate ranged from 5.52 percent to 6.45 percent of covered payroll for the period from July 1, 2014 to September 30, 2014 and from 2.20 percent to 2.71 percent of covered payroll for the period from October 1, 2014 through June 30, 2015 dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 403B account.

The Academy's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2015, 2014, and 2013 were $32,814, $60,796, and $76,667, respectively.

Note 10 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Academy to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Academy is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2018.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	$ 43,500	$ 58,500	$ 67,698	$ 9,198
State sources	1,553,270	1,573,586	1,554,794	(18,792)
Federal sources	205,464	218,455	218,147	(308)
Interdistrict sources	27,088	28,609	28,609	-
Total revenue	1,829,322	1,879,150	1,869,248	(9,902)
Expenditures				
Current:				
Instruction	1,055,135	1,153,401	1,166,477	13,076
Support services:				
Pupil	20,000	20,000	24,411	4,411
Instructional staff	3,000	3,500	7,419	3,919
General administration	326,488	349,128	364,088	14,960
Business	10,000	5,000	-	(5,000)
Operations and maintenance	93,787	103,787	102,221	(1,566)
Pupil transportation services	64,505	67,469	71,062	3,593
Other	12,000	6,000	-	(6,000)
Total support services	529,780	554,884	569,201	14,317
Community services	1,000	-	-	-
Total expenditures	1,585,915	1,708,285	1,735,678	27,393
Excess of Revenue Over Expenditures	243,407	170,865	133,570	(37,295)
Other Financing Uses	(162,400)	(159,688)	(165,175)	(5,487)
Net Change in Fund Balance	81,007	11,177	(31,605)	(42,782)
Fund Balance - Beginning of year	568,744	568,744	568,744	-
Fund Balance - End of year	**$ 649,751**	**$ 579,921**	**$ 537,139**	**$ (42,782)**

Required Supplemental Information
Schedule of Macomb Academy's Proportionate Share of the Net Pension Liability
Michigan Public School Employees' Retirement System
Determined as of the Plan Year Ended September 30, 2014

Academy's proportion of the net pension liability (asset)		0.00974 %
Academy's proportionate share of the net pension liability (asset)	$	2,146,025
Academy's covered employee payroll		832,054
Academy's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll		257.92 %
Plan fiduciary net position as a percentage of the total pension liability		66.20 %

Required Supplemental Information
Schedule of Macomb Academy's Contributions
Michigan Public School Employees' Retirement System
Determined as of the Year Ended June 30, 2015

Statutorily required contribution	$	204,399
Contributions in relation to the statutorily required contribution		204,399
Academy's covered employee payroll		940,295
Contributions as a percentage of covered employee payroll		21.89 %

Note to Required Supplemental Information Schedules
Year Ended June 30, 2015

Benefit Changes - There were no changes of benefit terms in 2015.

Changes in Assumptions - There were no changes of benefit assumptions in 2015.

Other Supplemental Information

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Capital Projects Funds		
	Capital Projects Fund	Building Reserve Fund	Total Nonmajor Governmental Funds
Assets			
Cash and investments	$ 10,474	$ -	$ 10,474
Due from other funds	37,661	100,000	137,661
Total assets	**$ 48,135**	**$ 100,000**	**$ 148,135**
Liabilities and Fund Balances			
Liabilities - Due to other funds	$ 800	$ -	$ 800
Fund Balances - Assigned - Capital Projects	47,335	100,000	147,335
Total liabilities and fund balances	**$ 48,135**	**$ 100,000**	**$ 148,135**

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2015

	Capital Projects Funds		
	Capital Projects Fund	Building Reserve Fund	Total Nonmajor Governmental Funds
Revenue - Local sources	$ 2	$ -	$ 2
Expenditures - Capital outlay	3,000	-	3,000
Excess of Revenue Under Expenditures	(2,998)	-	(2,998)
Other Financing Sources - Transfers in	3,200	20,000	23,200
Net Change in Fund Balances	202	20,000	20,202
Fund Balances - Beginning of year	47,133	80,000	127,133
Fund Balances - End of year	**$ 47,335**	**$ 100,000**	**$ 147,335**

Other Supplemental Information
Schedule of Bonded Indebtedness
Year Ended June 30, 2015

Years Ending June 30	Principal
2016	$ 35,000
2017	35,000
2018	40,000
2019	40,000
2020	45,000
2021	45,000
2022	50,000
2023	50,000
2024	55,000
2025	60,000
2026	65,000
2027	70,000
2028	75,000
2029	80,000
2030	85,000
2031	90,000
2032	95,000
2033	100,000
2034	110,000
2035	115,000
2036	125,000
2037	130,000
Total principal	**$ 1,595,000**
Principal payments due	May 1
Interest payments due	May 1 and November 1
Interest rate	6.75%
Original issue	**$ 1,800,000**

Macomb Academy

Report to the Board of Directors

Year Ended June 30, 2015

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October 20, 2015

To the Board of Directors
Macomb Academy
39092 Garfield Road
Clinton Township, MI 48035

We have recently completed our audit of the basic financial statements of Macomb Academy (the "Academy") as of and for the year ended June 30, 2015. In addition to our audit report, we are providing the following results of the audit and informational items which impact the Academy:

We are grateful for the opportunity to be of service to Macomb Academy. We would also like to extend our thanks to the entire business office for their assistance and preparedness during the audit. We recognize that preparing for the audit is carried out in addition to your staff's normal daily activities and appreciate the time and attention provided to us. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

Results of the Audit

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October 20, 2015

To the Board of Directors
Macomb Academy

We have audited the financial statements of Macomb Academy (the "Academy") as of and for the year ended June 30, 2015 and have issued our report thereon dated October 20, 2015. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 20, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Academy. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the Academy's financial statements has also been conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. Under Government Auditing Standards, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the Academy, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 20, 2015 regarding our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on May 26, 2015.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Academy are described in Note 1 to the financial statements.

As discussed in Note 1 to the basic financial statements, effective July 1, 2014, the Academy adopted the provisions of Governmental Accounting Standards Board Statement No. 68. Accordingly, the accounting change has been retrospectively applied to July 1, 2014 as required by the standard.

We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the Academy's share of the MPSERS pension plan net pension liability recorded on the government-wide statements for the implementation of GASB Statement No. 68. The Academy's estimate as of June 30, 2015 is $2,146,025, and based on data received from the Office of Retirement Services. We evaluated the key factors and assumptions used to develop the accounting estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the organization, and business plans and strategies that may affect the risks of material misstatement with management each year prior to our retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 20, 2015.

Management Consultations with Other Independent Accountants

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

This information is intended solely for the use of the board of directors and management of Macomb Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

Laura Claeys

Laura K. Claeys

Informational Items

Operational Suggestion

Transfers to Capital Project Funds - When the Academy decides to transfer funds to the capital projects funds, we recommend those funds come directly from the General Fund. There was one transfer in 2014-2015 that came from the Debt Service Fund. Although the funds originated from the General Fund, for efficiency and ease of reporting, we recommend funds be transferred directly from the General Fund to the Capital Projects Fund in the future.

Complying with GASB Statement No. 68

As referenced in the pre-audit letter to the board of directors, the Academy was required to comply with GASB Statement No. 68 for the first time in the June 30, 2015 financial statements. This new accounting standard required that the Academy record its share of the total statewide Michigan Public School Employees' Retirement Plan net pension liability on its government-wide financial statements. This accounting change has created one of the most significant changes to the financial statements in recent memory.

The process to determine the obligations, deferred inflows and outflows and pension expense amounts, as well as the disclosures, was complex. We worked closely with project managers at the Office of Retirement Services and the audit team at the Office of the Auditor General to ensure that the information provided to the Academy was accurate and available as timely as possible. We also worked with the Academy's finance staff to determine necessary inputs from the Academy records and to determine the required amounts for reporting and disclosure. To compute the required amounts, we developed a comprehensive workbook tailored to your Academy and provided a ½ day workshop exclusively for our clients to complete the workbook and finalize the GASB Statement No. 68 information.

Given the accelerated timeline for financial statement filing with the Michigan Department of Education, the proactive team effort between Plante & Moran, PLLC and the Academy was essential for a successful completion of the audit and timely filing. We appreciated the efforts of the business office for both getting the books closed and working through this challenging adoption of a very complex accounting standard.

State Aid Funding

State Aid and the Foundation Allowance

2014-2015 Foundation: For the 2014-2015 fiscal year the Academy's foundation allowance was increased to $7,126 (In addition, the Academy received an equity payment of $125 per pupil, for a total of $7,251 per pupil.)

2015-2016 Foundation: For the 2015-2016 fiscal year, the Academy's foundation allowance increases $140, from $7,251 to $7,391. The new foundation allowance rolls the previously received equity payment into the base foundation. Based on the increase to the foundation allowance, the Academy will receive an additional $27,400 in foundation revenue compared to 2014-2015 (using the same number of students), representing an increase of 2 percent.

MPSERS Cost Support: The contribution rate the Academy is required to pay continues to rise. The Academy has no ability to influence the rate and no choice regarding its participation in the program. Recognizing the costs are increasing under the current system, the 2014-2015 State Aid Act continued to include funding to help pay for some of the increased cost. The categorical aid is formula driven using the Academy's MPSERS payroll participation data. This funding is provided in two separate sections of the State Aid Act 147a and 147c. The Academy received a total of $12,226 in 147a and $75,082 of 147c categorical aid to help offset the impact of the increase in the retirement costs. The 2015-2016 State Aid Act continues these MPSERS cost support categoricals. The Section 147c was designed to fund approximately 8 percent of covered payroll and does not increase Academy resources. Instead, the funding is recognized as revenue and then returned directly to the retirement system. In general terms, this means that the total cost of the retirement system contributions in 2014-2015, representing approximately 34 percent of covered payroll, is recognized as an expenditure in the Academy's financial statements along with related revenue that was previously considered state support to the system. The net effect is that the Academy is responsible for an approximate 26 percent contribution to the retirement system. The Academy budgeted for additional state revenue and additional retirement expenditures in order to accommodate this funding mechanism, but may encounter some budget variances due to the fact the state revenue provided is based on prior year Academy payroll information.

Other State Aid Act Changes Impacting 2015/2016

The Amendments to the State Aid Act made several other changes impacting school districts and academies. Several changes we identified that could impact the Academy include:

Pupil Count Weighting - The Academy membership blend will continue to be based on a 90/10 split. The funding is based on 90 percent of the October 2015 pupil count and 10 percent of the preceding February pupil count (February 2015). This is a return to the method used a few years ago for determining the pupil count. This means when the initial fiscal year budget is prepared, the Academy must estimate its foundation revenue using estimated student counts. In addition, if a student moves to another school after the October count date, the receiving school can claim a pro-rata share of the count with the "sending" school having a like reduction. The tracking of students has become exponentially more complex and now involves reporting and coordination through the Intermediate School District and the State of Michigan. As a result, the actual student count, along with the actual foundation revenue, could fluctuate until near the end of the Academy's fiscal year.

At-risk Funding (31a) - In 2014-2015 there were several changes to the allowable uses of at-risk funds. The changes focus on third grade reading proficiency and ensuring high school students are career/college ready. For 2015-2016, the program was increased by $70 million or 23 percent and additional changes were made focusing on implementation of a K-3 multi-tiered support system for instruction and intervention. The Academy will need to review at-risk programming to ensure use of funds aligns with these changes.

Transparency Reporting

In March 2015, the governor signed Public Act 5 of 2015 (formerly House Bill 4110), requiring the following additional transparency reporting on the Academy's website, effective immediately:

- Budgets and budget amendments must be posted within 15 days of their adoption (formerly 30 days)
- The Academy's written policy governing procurement of supplies, materials, and equipment
- The Academy's written policy establishing specific categories of reimbursable expenses
- The Academy's accounts payable check register for the most recent fiscal year or a statement of the total amount of expenses incurred by board members of Academy employees that were reimbursed by the Academy for the most recent fiscal year
- Any deficit elimination or enhanced deficit elimination plan the Academy was required to submit
- Identification of all credit cards maintained by the Academy as Academy credit cards, the identity of all individuals authorized to use each card, the credit limit on each credit card, and the dollar limit, if any, for each individual's authorized use of the credit card

Early Warning Legislation

In July 2015, the governor signed into law a 10-bill package which many refer to as "Early Warning Legislation." This legislation is aimed at identifying Academies that may be showing signs of fiscal distress, creating a system of reporting this situation sooner than in the past and requiring those academies deemed to be in distress to remit more frequent financial data to the Treasury. The entire Early Warning System is under the supervision of Treasury and resources have been allocated at the state level for more resources to monitor and assist local school districts and charter schools.

The first item to take effect was the identification of those school districts and charter schools whose total general fund balance was less than 5 percent of general fund revenue in each of the last two years (fiscal 2014 and 2015). Academies that met this criteria were required to remit the budgetary assumption and expenditure per-pupil information to CEPI as the first step in the process. This information was due by August 7, 2015.

It should be noted the computation of fund balance as a percentage of general fund revenue and the associated budgetary assumption reporting will continue. However, in future years, the information will be due on July 7 (rather than August 7) and will require Academies to compute certain information only one week after their fiscal year ends.

Once remitted, the State Treasurer may conclude that the potential for fiscal stress may exist. At that time, the Academy may conclude to contract the authorizing body for charter schools to review the Academy's financial records and offer recommendations to avoid a deficit. The review would need to be concluded within 90 days of entering into the contract, and requires quarterly reporting to Treasury on the status of implementation of the recommendations.

For the years ended June 30, 2014 and 2015, the general fund balance was 28.7 percent and 31.6 percent of general fund revenue, respectively. While there is no current reason the Academy would be subject to this legislation based on fund balance levels, the Academy should continue to monitor this figure closely so any required reporting can be done in accordance with the required timelines.

New Rules Governing Management of Federal Programs

In December 2013, the Office of Management and Budget (OMB) issued long-awaited reforms to the compliance requirements that must be followed by non-federal entities receiving federal funding. These changes are effective for grants received by the Academy beginning in 2015 and all Academies receiving federal dollars will need to understand the changes made as a result of these reforms and may be required to make some changes to internal procedures, processes, and controls.

These reforms impact three key areas of federal grants management:

1. **Audit Requirements** - For fiscal years beginning on or after January 1, 2015 (fiscal year ending June 30, 2016 for Michigan schools), the threshold for obtaining a federal awards audit will increase from the current threshold of $500,000 of annual federal spending to $750,000. There will also be significant changes to the criteria for qualifying as a low-risk auditee and a reduction in the number of major programs required to be tested for some Academies. The Academy has historically been below the new $750,000 threshold.

   Cost Principles - Effective December 26, 2014, the grant reforms related to cost principles went into effect. Not only were certain changes made to allowable costs under this new guidance, but there were significant changes in the area of time and effort reporting and indirect costs. The State of Michigan will have a significant impact on how these changes will be applied to Michigan schools, as they often have different requirements than the federal government in this area.

   Administrative Requirements - Also effective for new awards or funding increases on or after December 26, 2014, non-federal entities receiving federal funding must adhere to new rules related to administering federal awards. Most notably, these requirements may impact the Academy's procurement systems, including maintaining written conflict of interest policies and disclosures as well as updated grants management policies and procedures. The MDE has indicated that failure to adhere to these rules could result in the disqualification for participation in federal programs through the MDE. Please note, these requirements are more stringent than those required under your federal program audit, which focuses on key controls versus the overall process.

These revisions are clearly the most significant changes to occur to federal grants management in recent history. Academies receiving federal funding will need to carefully digest these changes as the application of these changes will need to be assessed on an academy-by-academy basis. Plante & Moran, PLLC has provided several training sessions for school districts and academies on the new requirements and our grant experts have been working closely with the Michigan Department of Education regarding these changes. We are always available to assist your Academy's staff in understanding the changes and how they impact the Academy. We provided two webinars on the grants management changes and are planning a third for the fall of 2015. Those webinars are archived and available at no charge on our website to assist academies in increasing their understanding of the changes.

GASB Statement No. 75 - OPEB

GASB Statements No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for the Academy's June 30, 2018 financial statements. This statement requires governments providing non-pension postemployment benefits (namely, retiree health care) to recognize these unfunded obligations as a liability for the first time, and to more comprehensively and comparably measure the annual costs of these postemployment benefits. Due to the Academy's mandatory participation in the Michigan Public School Employees' Retirement System (MPSERS), the Academy will be required to report the Academy's share of postemployment liabilities in the basic financial statements (at the government-wide level and in proprietary funds - but not the General Fund). While the Academy has a very small share of the statewide postemployment liability (less than 1 percent), the Academy's portion of this obligation will be significant to your financial statements. The Academy and Plante & Moran, PLLC will work closely with ORS to obtain the information necessary to implement the new requirements. Changes in the postemployment liability will generally be reported as postemployment benefits expense at the government-wide level and in proprietary funds. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

Some factors to focus on as the Academy prepares for adoption of this standard include:

- The Office of Retirement Services is working on a implementation plan to assist Academy in obtaining needed information

- As a result of GASB Statements No. 68 and No. 75, it is likely the government-wide financial statements will report a negative net position. The State and bond rating agencies understand this fact and it should not adversely affect the assessment of the Academy's financial position, as both agencies have been considering this obligation for quite some time in their assessments of academies and other agencies. As stated above, the adoption of the standard will not impact the MPSERS expenditures reported in the General Fund and will not impact General Fund balance.

- Disclosures regarding the plan and data related to the plan will be significantly expanded in the Academy's financial statements, which is consistent with the implementation of GASB Statement No. 68.

Once the plan's fiscal year is ended and the audit of the MPSERS plan is completed by the State of Michigan, we will have a clearer picture of the total postemployment liability and the Academy's proportionate share.