NEW DISCOVERIES MONTESSORI ACADEMY
HUTCHINSON, MINNESOTA

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2015

SCHLENNER WENNER & CO.
Certified Public Accountants
& Business Consultants

NEW DISCOVERIES MONTESSORI ACADEMY
HUTCHINSON, MINNESOTA
TABLE OF CONTENTS

INTRODUCTORY SECTION:

BOARD OF EDUCATION AND ADMINISTRATION 1

FINANCIAL SECTION:

INDEPENDENT AUDITORS' REPORT 2

REQUIRED SUPPLEMENTARY INFORMATION:
Management's Discussion and Analysis 5

BASIC FINANCIAL STATEMENTS:
Government-wide Financial Statements
Statement of Net Position 14
Statement of Activities 15
Fund Financial Statements
Balance Sheet - Governmental Funds 16
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Position 17
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds 18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities 19
Notes to the Basic Financial Statements 20

REQUIRED SUPPLEMENTARY INFORMATION:
Budgetary Comparison Schedule - General Fund 38
Schedule of School's and Non-Employer Proportionate Share of Net Pension Liability 39
Schedule of School Contributions – PERA/TRA Retirement Funds 39

OTHER SUPPLEMENTARY INFORMATION:
Combining Balance Sheet – Non-major Governmental Funds 40
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds 41
Uniform Financial Accounting and Reporting Standards Compliance Table 42
Schedule of Expenditures of Federal Awards 43
Notes to the Schedule of Expenditures of Federal Awards 43

OTHER REQUIRED REPORTS:
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 44

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 46

Independent Auditors' Report on Minnesota Legal Compliance 48

Schedule of Findings and Questioned Costs 49

INTRODUCTORY
SECTION

NEW DISCOVERIES MONTESSORI ACADEMY
BOARD OF EDUCATION AND ADMINISTRATION
FOR THE YEAR ENDED JUNE 30, 2015

BOARD OF EDUCATION

Name	Title	Term Expires
Shari Colvin	Chairperson	June 30, 2016
Jill Bierbaum	Treasurer	June 30, 2015
Lisa Rahkola	Secretary	June 30, 2015
Jennie Pirnie	Member	June 30, 2017
Patrick Selchert	Member	June 30, 2017

ADMINISTRATION

Name	Title
Dave Conrad	Director of Operations
Tara Erickson	Administrative Assistant

FINANCIAL SECTION

SCHLENNER WENNER & CO.
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

Professional Association

INDEPENDENT AUDITORS' REPORT

November 11, 2015

Members of the School Board
New Discoveries Montessori Academy
Hutchinson, Minnesota

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 the New Discoveries Montessori Academy, Hutchinson, Minnesota (the "School"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 School'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 School'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.

St. Cloud	Little Falls	Albany	Maple Lake	Monticello
630 Roosevelt Rd. Ste. 201	109 E. Broadway	115 6th St.	220 Hwy. 55 North, Ste. 4	114 W. 3rd St.
P.O. Box 1496	P.O. Box 365	P.O. Box 268	P.O. Box 385	P.O. Box 755
St. Cloud, MN 56302	Little Falls, MN 56345	Albany, MN 56307	Maple Lake, MN 55358	Monticello, MN 55362
320.251.0286	320.632.6311	320.845.2940	320.963.5414	763.295.5070

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 the New Discoveries Montessori Academy, Hutchinson, Minnesota, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle
As discussed in Note 1.F. to the financial statements, New Discoveries Montessori Academy, Hutchinson, Minnesota has adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison information, and Schedules of School's and Non-employer Proportionate Share of Net Pension Liability and School Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The introductory section, combining non-major governmental funds, the Uniform Financial Accounting and Reporting Standards Compliance Table and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major funds financial statements, the Uniform Financial Accounting and Reporting Standards Compliance Table, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor funds financial statements, the Uniform Financial Accounting and Reporting Standards Compliance Table, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2015 on our consideration of New Discoveries Montessori Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Discoveries Montessori Academy's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minnesota Statutes, we have also issued our report dated November 11, 2015, on our consideration of New Discoveries Montessori Academy's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65. The purpose of the report is to determine if the School has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota

REQUIRED SUPPLEMENTARY INFORMATION

NEW DISCOVERIES MONTESSORI ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

As management of New Discoveries Montessori Academy (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2015.

FINANCIAL HIGHLIGHTS

- During the current year, the School adopted accounting principles discussed in further detail in Notes 1.F. and 5.C. in the Notes to the Basic Financial Statements. Such accounting principles have been adopted prospectively, and therefore, comparative information in this section has not been restated to reflect the effect of the adoption of these accounting principles.

- The liabilities and deferred inflows of resources of the School exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $1,258,603 (net position). Of this amount, negative $1,338,553 (*unrestricted net position)* may be used to meet the School's ongoing obligations.

- The School's total net position increased $169,125 as a result of current year operations.

- At the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of $220,602, an increase of $146,140 in comparison with the prior year. Approximately 82 percent of this amount, $180,484, is available for spending at the School's discretion.

- At the end of the current fiscal year, unassigned fund balance for the General Fund is $180,484, or 6 percent of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The major features of the School's financial statements, including the portion of the School's activities they cover and the types of information they contain are summarized in the following table. The remainder of the overview section of the Management Discussion and Analysis highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

	Government-Wide	Fund Financial Statements
		Governmental Funds
Scope	Entire Charter School	All of the activities of the School, such as regular instruction, special education, support services, building lease, food service, and community education
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/deferred outflows/liability/ deferred inflows information	All assets, deferred outflows, liabilities, and deferred inflows of resources both financial and capital short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

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

The *Statement of Net Position* presents information on all of the School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the School that are principally supported by intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the School include administration, school support services, regular instruction, exceptional instruction, community education and services, instructional support services, pupil support services, sites and buildings, and fiscal and other fixed cost programs. The School currently does not report any business-type activities.

The government-wide financial statements start on page 14 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements
A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Although governments often report multiple types of funds, all of the funds of the School are classified as governmental funds.

Governmental Funds
Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

The School adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 16 of this report.

Notes to the Financial Statements
The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 20 of this report.

Other Information
The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining fund statements start on page 40 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources, for a net balance of negative $1,258,603 at the close of the most recent fiscal year.

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

Net Position
Table 1

	Governmental Activities		
	2015	2014	Increase (Decrease)
Assets			
Current and Other Assets	$ 668,472	$ 504,328	$ 164,144
Capital Assets	243,496	276,408	(32,912)
Total Assets	911,968	780,736	131,232
Deferred Outflows of Resources	326,704	-	326,704
Liabilities			
Current and Other Liabilities	447,870	429,866	18,004
Noncurrrent Liabilities	1,637,367	276,471	1,360,896
Total Liabilities	2,085,237	706,337	1,378,900
Deferred Inflows of Resources	412,038	-	412,038
Net Position			
Net Investment in Capital Assets	79,950	90,850	(10,899)
Unrestricted	(1,338,553)	(16,451)	(1,322,103)
Total Net Position	$ (1,258,603)	$ 74,399	$ (1,333,002)

The balance of unrestricted net position was negative $1,338,553 at year end. The significant decrease in unrestricted net position is the result of the adoption of new accounting principles in the current year, discussed at Notes 1.F. and 5.C.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position
The School's net position increased $169,125 during the most recent fiscal year. Key elements of this increase are as follows:

Changes in Net Position
Table 2

	Governmental Activities		
	2015	2014	Increase (Decrease)
Revenues			
Program Revenues:			
Charges for Services	$ 125,765	$ 123,464	$ 2,301
Operating Grants and Contributions	1,770,287	1,531,995	238,292
General Revenues:			
State Aid Not Restricted to Specific Programs	1,188,487	1,156,500	31,987
Earnings on Investments	64	85	(21)
Miscellaneous	3,375	7,160	(3,785)
Total Revenues	3,087,978	2,819,204	268,774
Expenses			
Administration	51,432	108,766	(57,334)
District Support Services	133,060	163,251	(30,191)
Regular Instruction	1,043,968	1,034,752	9,216
Exceptional Instruction	847,937	692,053	155,884
Community Education and Services	13,025	8,935	4,090
Instructional Support Services	77,736	132,210	(54,474)
Pupil Support Services	313,691	228,050	85,641
Sites and Buildings	424,748	428,363	(3,615)
Fiscal and Other Fixed Costs Programs	13,256	14,079	(823)
Total Expenses	2,918,853	2,810,459	108,394
Change in Net Position	169,125	8,745	160,380
Net Position - Beginning of Year	74,399	65,654	8,745
Change in Accounting Principle	(1,502,127)	-	(1,502,127)
Net Position - End of Year	$ (1,258,603)	$ 74,399	$ (1,333,002)

Some significant items to note include the following:

- Revenues from Operating Grants and Contributions increased $238,292 due primarily to a significant increase in financial aid received from State of Minnesota for special education.

- Exceptional Instruction increased $155,884 due to an increase in the number of students being served in this area. Such increase is the underlying factor driving the increase in revenues noted above.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Total and Net Cost of Governmental Activities
The net cost of governmental activities is their total costs less program revenues applicable to each category. The following table presents these total and net costs.

Total and Net Costs of Services

Table 3

	Total Cost of Services			Net Cost of Services		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Administration	$ 51,432	$ 108,766	$ (57,334)	$ 51,432	$ 108,766	$ (57,334)
District Support Services	133,060	163,251	(30,191)	133,060	163,251	(30,191)
Regular Instruction	1,043,968	1,034,752	9,216	446,444	419,855	26,589
Exceptional Instruction	847,937	692,053	155,884	(73,964)	(4,485)	(69,479)
Community Education and Services	13,025	8,935	4,090	(458)	-	(458)
Instructional Support Services	77,736	132,210	(54,474)	77,736	132,210	(54,474)
Pupil Support Services	313,691	228,050	85,641	164,327	89,912	74,415
Sites and Buildings	424,748	428,363	(3,615)	210,968	231,412	(20,444)
Fiscal and Other Fixed Costs Programs	13,256	14,079	(823)	13,256	14,079	(823)
Totals	$ 2,918,853	$ 2,810,459	$ 108,394	$ 1,022,801	$ 1,155,000	$ (132,199)

Some significant items to note include the following:

- Net costs related to Pupil Support Services increased $74,415 (82.8 percent) due primarily to increased costs for transportation services related to special education students.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

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

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

As of the end of the current fiscal year, the School's governmental funds reported combined ending fund balances of $220,602, an increase of $146,140 in comparison with prior year. The following is a summary of the School's major fund:

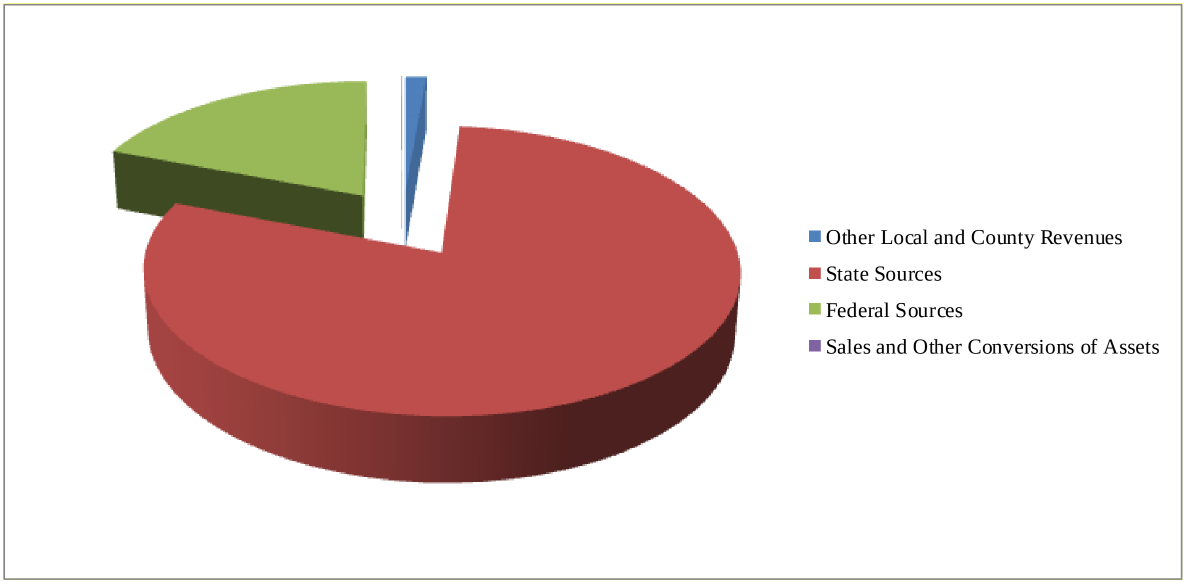
Major Funds	Fund Balance June 30, 2015	Fund Balance June 30, 2014	Increase (Decrease)
General	$ 211,606	$ 74,462	$ 137,144

The fund balance of the General Fund increased by $137,144. The primary reason for the increase in fund balance was due to significant state and federal funding received during the year.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS (Continued)

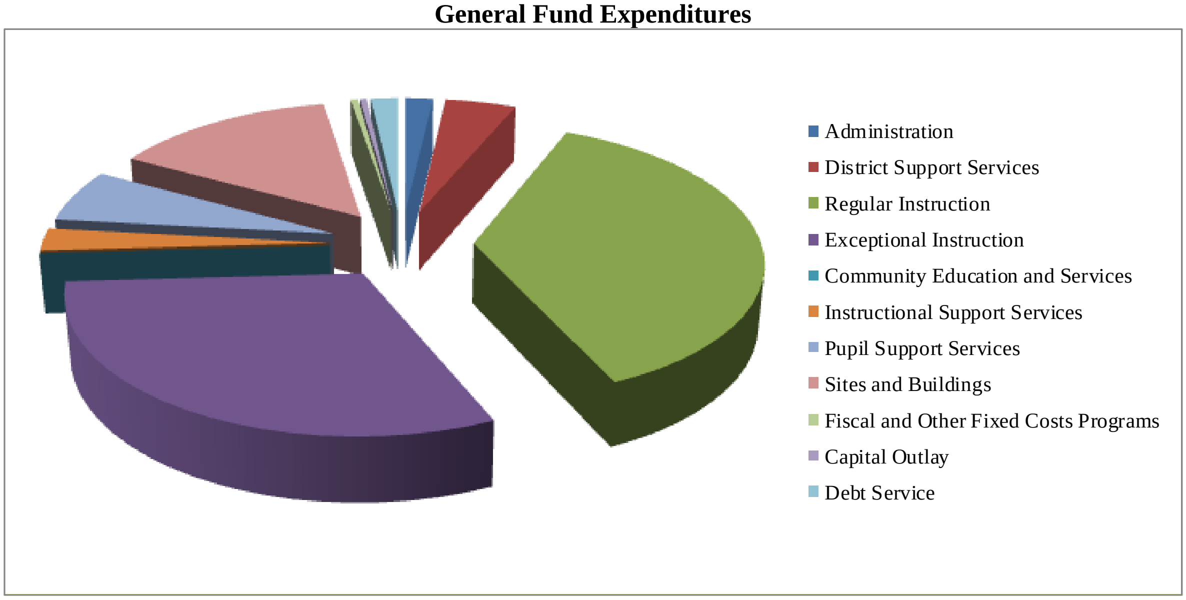
Governmental Funds (Continued)

General Fund Revenue



The School receives the vast majority of its funding in the General Fund in the State of Minnesota (80 percent), which is subject to fluctuation based on the number of pupils served by the School and changes in State legislation. In addition, the School receives approximately 19 percent of its General Fund revenues from federal sources.

General Fund Expenditures



A significant portion of the School's General Fund expenditures are used for regular and exceptional instruction (68 percent). Expenditures for various support services total 13 percent, and the remaining 19 consists of expenditures for administration, sites and buildings, and other items.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS (Continued)

General Fund Budgetary Highlights
The School's General Fund budget was amended during the year. The revenues budget was increased by $114,726, and the expenditures budget was changed in several functions for an overall increase of $116,407 from original to final. The final budget called for expenditures of $2,882,627 and an increase in fund balance of $53,305.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets
The School's investment in capital assets for its governmental activities as of June 30, 2015, amounts to $243,496 (net of accumulated depreciation). This investment in capital assets consists of leasehold improvements and equipment and furniture. The total decrease in the School's investment in capital assets for the current fiscal year was approximately 12 percent.

Major capital asset events during the current fiscal year included parking lot improvements and the purchase of a lawn mower.

Capital Assets Net of Depreciation
Table 4

	Governmental Activities		
	2015	2014	Increase (Decrease)
Leasehold Improvements	$ 106,338	$ 103,875	$ 2,463
Equipment and Furniture	137,158	172,533	(35,375)
Total	$ 243,496	$ 276,408	$ (32,912)

Additional information on the School's capital assets can be found in Note 3.B. on page 27 of this report.

Long-Term Debt
At the end of the current fiscal year, the School had total long-term debt outstanding of $227,729. A summary of long-term debt activity for the year ended June 30, 2015 follows:

Long-Term Debt
Table 5

	Governmental Activities		
	2015	2014	Increase (Decrease)
Capital Leases	$ 227,729	$ 276,471	$ (48,742)

The School's total debt decreased by $48,742 (18 percent) during the current fiscal year. Additional information on the School's long-term debt can be found in Note 3.D. on page 28 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The School's appointed and elected officials considered many factors when setting the fiscal year 2016 budget. These factors included the following:

- The School will no longer be receiving funding under the School Improvement Grant during fiscal year 2016.
- The School's enrollment has been volatile in recent years, with a slight increase experienced in fiscal year 2015.
- Budgets include normal inflationary increases in expenditures, with more significant increases expected in utility and food costs.

REQUESTS FOR INFORMATION

This financial report is designed to provide our students, taxpayers, authorizer, customers, investors, and creditors with general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact New Discoveries Montessori Academy, 1000 5th Ave SE, Hutchinson, MN 55350.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements:
  - Statement of Net Position
  - Statement of Activities
- Fund financial statements:
  - Governmental funds
    - Balance Sheet
    - Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Position
    - Statement of Revenues, Expenditures, and Changes in Fund Balances
    - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds to the Statement of Activities

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

NEW DISCOVERIES MONTESSORI ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Cash and Temporary Investments	$ 134,179
Accounts Receivable	10,293
Due from Other MN School Districts	12,484
Due from Government Agencies	492,145
Inventory	3,736
Prepaids	15,635
Capital Assets Being Depreciated (Net)	243,496
TOTAL ASSETS	911,968
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	326,704
LIABILITIES	
Accounts Payable	44,752
Salaries Payable	95,517
Payroll Deductions and Employer Contributions	24,093
Short-Term Debt	280,000
Accrued Interest	1,042
Unearned Revenue	2,466
Noncurrent Liabilities:	
Amount Due Within One Year	48,742
Amount Due After One Year	178,987
Net Pension Liability	1,409,638
TOTAL LIABILITIES	2,085,237
DEFERRED INFLOWS OF RESOURCES	
Pensions	412,038
NET POSITION	
Net Invesment in Capital Assets	79,950
Unrestricted	(1,338,553)
TOTAL NET POSITION	$ (1,258,603)

See Accompanying Notes.

NEW DISCOVERIES MONTESSORI ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense)/ Revenue
Governmental Activities:				
Administration	$ 51,432	$ -	$ -	$ (51,432)
District Support Services	133,060	-	-	(133,060)
Regular Instruction	1,043,968	37,223	560,301	(446,444)
Exceptional Instruction	847,937	100	921,801	73,964
Community Education and Services	13,025	13,483	-	458
Instructional Support Services	77,736	-	-	(77,736)
Pupil Support Services	313,691	74,269	75,095	(164,327)
Sites and Buildings	424,748	690	213,090	(210,968)
Fiscal and Other Fixed Costs Programs	13,256	-	-	(13,256)
Total Governmental Activities	$ 2,918,853	$ 125,765	$ 1,770,287	(1,022,801)
General Revenues:				
State Aid Not Restricted to Specific Programs				1,188,487
Earnings on Investments				64
Miscellaneous				3,375
Total General Revenues				1,191,926
CHANGE IN NET POSITION				169,125
NET POSITION - BEGINNING OF YEAR				74,399
CHANGE IN ACCOUNTING PRINCIPLE				(1,502,127)
NET POSITION - END OF YEAR				$ (1,258,603)

See Accompanying Notes.

NEW DISCOVERIES MONTESSORI ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and Temporary Investments	$ 133,651	$ 528	$ 134,179
Accounts Receivable	4,000	6,293	10,293
Due from Other MN School Districts	12,151	333	12,484
Due from Government Agencies	490,766	1,379	492,145
Inventory	-	3,736	3,736
Prepaids	14,228	1,407	15,635
TOTAL ASSETS	$ 654,796	$ 13,676	$ 668,472
LIABILITIES			
Accounts Payable	$ 42,956	$ 1,796	$ 44,752
Salaries Payable	94,791	726	95,517
Payroll Deductions and Employer Contributions	23,819	274	24,093
Short-Term Debt	280,000	-	280,000
Accrued Interest Payable	1,042	-	1,042
Unearned Revenue	582	1,884	2,466
Total Liabilities	443,190	4,680	447,870
FUND BALANCES			
Nonspendable	14,228	5,143	19,371
Restricted	-	3,853	3,853
Committed	16,894	-	16,894
Unassigned	180,484	-	180,484
Total Fund Balances	211,606	8,996	220,602
TOTAL LIABILITIES AND FUND BALANCES	$ 654,796	$ 13,676	$ 668,472

NEW DISCOVERIES MONTESSORI ACADEMY
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balances - governmental funds		$ 220,602
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds:		
Capital Assets	$ 622,593	
Accumulated Depreciation	(379,097)	
Capital Assets (Net)		243,496
Long-term liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds Balance Sheet:		
Capital Lease Payable		(227,729)
The net pension liability and related inflows/outflows represent the allocation of the pension obligations of the statewide plans to the School. Such balances are not reported in the funds:		
Net Pension Liability	(1,409,638)	
Deferred Outflows - Pensions	326,704	
Deferred Inflows - Pensions	(412,038)	
		(1,494,972)
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (1,258,603)

NEW DISCOVERIES MONTESSORI ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Nonmajor Funds	Total Governmental Funds
REVENUES			
Other Local and County Revenues	$ 39,924	$ 13,828	$ 53,752
State Sources	2,324,351	9,784	2,334,135
Federal Sources	557,161	65,311	622,472
Sales and Other Conversions of Assets	1,183	74,269	75,452
TOTAL REVENUES	2,922,619	163,192	3,085,811
EXPENDITURES			
Current:			
Administration	50,127	-	50,127
District Support Services	127,697	-	127,697
Regular Instruction	1,029,543	-	1,029,543
Exceptional Instruction	856,222	-	856,222
Community Education and Services	-	13,483	13,483
Instructional Support Services	73,781	-	73,781
Pupil Support Services	174,304	140,713	315,017
Sites and Buildings	399,628	-	399,628
Fiscal and Other Fixed Costs Programs	13,256	-	13,256
Capital Outlay	12,175	-	12,175
Debt Service:			
Principal	48,742	-	48,742
TOTAL EXPENDITURES	2,785,475	154,196	2,939,671
NET CHANGE IN FUND BALANCES	137,144	8,996	146,140
FUND BALANCES - BEGINNING	74,462	-	74,462
FUND BALANCES - ENDING	$ 211,606	$ 8,996	$ 220,602

See Accompanying Notes.

NEW DISCOVERIES MONTESSORI ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds		$ 146,140
Amounts reported for governmental activities in the Statement of Activities are different due to the following:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense:		
Capital Outlay	$ 12,175	
Depreciation Expense	(45,087)	
		(32,912)
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below are the effects of these differences in the treatment of long term debt and related items:		
Lease Payments		48,742
Net pension liability does not represent the impending use of current resources. Therefore, the change in this liablity and the related deferrals is not reported in the governmental funds:		7,155
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 169,125

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. FINANCIAL REPORTING ENTITY

New Discoveries Montessori Academy (the School) is an educational entity established in December 2005 in accordance with Minnesota Statutes. The School is authorized by Audubon Center of the North Woods and is operating under a three year contract extending through the 2017-2018 school year. The School is directed by an elected five member Board of Education (the Board). The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the School. The accompanying financial statements present the government entities for which the School is considered to be financially accountable.

The School has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Based on these criteria, there are currently no entities considered to be component units of the School.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. In accordance with Minnesota State Statutes, the School's Board has elected to control and exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are included in the basic financial statements as part of the General Fund.

1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the primary government. For the most part, interfund activities have been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements of New Discoveries Montessori Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are classified by function for governmental activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character	Current (further classified by function)
	Debt Service
	Capital Outlay

Intergovernmental revenue and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measureable and available only when received by the School.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measureable and become available.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The School reports the following major governmental funds:

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

Additionally, the government reports the following fund types:

> The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

1.D. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY

Deposits and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable participation by each of the funds. Temporary cash investments are stated at cost which approximates fair value. Investments in external investment pools, if any, are valued at the pool's share price.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

Due from Other Governments

Amounts due from the Minnesota Department of Education, from the federal government through the Department of Education and from other governmental units for general education aids and reimbursements under various specific programs are reported at the estimated amounts to be received based on available information at the date of this report. In some instances, adjustments and proration by these agencies, which are dependent upon the amount of funds available for distribution, and may result in differing amounts actually being received. Any such differences will be absorbed into operations as of the subsequent period.

Inventory

Inventory is recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

Prepaids

Prepaid expenses consist of amounts paid during the year ended June 30, 2015 which will benefit future periods. Included in this amount are services and supplies purchased for use in subsequent periods.

Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The School maintains a threshold level of $500 or more for capitalizing capital assets. The system for accumulation of capital asset cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the School, no salvage value is taken into consideration for depreciation purposes. Capital assets consist of leasehold improvements and equipment owned by the School which are being depreciated over useful lives varying from five to twenty-five years.

Accrued Payroll Liabilities

Salaries pertaining to the school year ended June 30, 2015, which are payable in July and August 2015, are accrued as of June 30, 2015, and are shown as a liability on the accompanying financial statements. Liabilities for payroll taxes, amounts withheld from payroll checks and benefits accrued are also included.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Short Term Debt

The School's short-term debt consists of lines of credit held with a local financial institution to assist in financing immediate operating expenditures.

Unearned Revenue

Unearned revenue consists of local revenue received but not yet earned. Such amounts typically consist of grants and entitlements received before eligibility requirement are met and prepaid pupil lunch balances.

Compensated Absences Payable

Unused paid time off at year end does not carry forward to subsequent years, and employees are not compensated for unused paid time off upon termination. Therefore, no amount has been accrued for accrued paid time off in the financial statements.

Long-Term Obligations

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

Net Pension Liability

The net pension liability represents the School's allocation of their pro-rata share of the statewide pension plans net pension liability.

Interfund Transactions and Balances

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. If short-term in nature or incurred through goods and service type transactions, such interfund balances are reported as "due to/from other funds." Long-term interfund loans are reported as "advances to/from other funds." Interfund transactions and balances between governmental funds are eliminated in the Statement of Net Position.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The School reports deferred outflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds in which School employees participate.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This element represents an acquisition of net position that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The School reports deferred inflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds in which School employees participate.

See Note 4 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or they are legally or contractually required to be maintained intact.

Restricted – Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Education (the Board), which is the School's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

Assigned – Amounts that are neither restricted or committed but are constrained by the School's intent to be used for specific purposes. The Board currently has the authority to assign as it has not delegated this ability to an official.

Unassigned – The residual classification for the General Fund and also negative residual amounts in other funds, if any.

When both restricted and unrestricted resources are available for use, it is the School's practice to first use restricted resources, and then use unrestricted resources as they are needed. If resources from more than one fund balance classification could be spent, the School will spend the resources from fund balance classifications in the following order: committed, assigned and unassigned, in accordance with the School's policy.

The School has formally adopted a policy under which it strives to maintain an unassigned fund balance greater than or equal to zero in each of its governmental funds.

Net Position

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquiring the capital assets.

Restricted Net Position – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Unrestricted Net Position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

It is the School's policy to consider restricted net position to its depletion before unrestricted net position is applied.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. RECENTLY ISSUED ACCOUNTING STANDARDS

Effective June 30, 2015, the School adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements incorporated the School's share of the Public Employees Retirement Association and the Teachers Retirement Association unfunded liability into the Statement of Net Position.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature, the School is subject to various federal, state, and local laws and contractual regulations. The School complies with all state and local laws and regulations requiring the use of separate funds.

2.A. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general and special revenue funds. Formal budgetary integration is employed as a management control device. All annual appropriations lapse at fiscal year-end. The School Board must approve revisions to budgeted amounts.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriations, is employed by the School to assure effective budgetary control and to facilitate effective cash planning and control. All appropriations lapse at year-end. Encumbrance information, however, has not been incorporated into the financial statements.

The School's General Fund budget was amended during the year. The revenues budget was increased by $114,726 and the expenditures budget was changed in several functions for an overall increase of $116,407 from original to final. The final budget called for expenditures of $2,882,627 and an increase in fund balance of $53,305.

NOTE 3 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

3.A. DEPOSITS AND INVESTMENTS

Deposits

In accordance with applicable Minnesota Statutes, the School maintains deposits in financial institutions designated by the School Board. Minnesota Statutes require that all School deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The School complies with such laws.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated "A" or better;
- A revenue obligation of a state or local government, with taxing powers, rated "AA" or better;

NOTE 3 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.A. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;

- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard and Poor's; or

- Time deposits insured by any federal agency.

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the School.

At June 30, 2015, the School's deposits were not exposed to custodial credit risk. The School's deposits were sufficiently covered by federal depository insurance or by collateral held by the School's agent in the School's name.

Investments

The School may also invest idle funds as authorized by *Minnesota Statutes* as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A: or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The School does not have any investment policies that would further limit investment choices.

The School does not hold any investments as of June 30, 2015.

NOTE 3 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.B. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated				
Leasehold Improvements	$ 111,760	$ 9,880	$ -	$ 121,640
Equipment and Furniture	498,658	2,295	-	500,953
Total Capital Assets Being Depreciated	610,418	12,175	-	622,593
Less Accumulated Depreciation for				
Leasehold Improvements	7,885	7,417	-	15,302
Equipment and Furniture	326,125	37,670	-	363,795
Total Accumulated Depreciation	334,010	45,087	-	379,097
Governmental Activities Capital Assets, Net	$ 276,408	$ (32,912)	$ -	$ 243,496

Depreciation expense was charged to functions of the School as follows:

Governmental Activities	
District Support Services	$ 5,631
Regular Instruction	6,960
Exceptional Instruction	83
Instructional Support Services	6,881
Pupil Support Services	226
Sites and Buildings	25,306
Total Depreciation Expense - Governmental Activities	$ 45,087

3.C. SHORT-TERM DEBT

During the current year, the School issued short-term promissory notes in the amounts of $250,000 and $40,000 to assist in financing immediate operating expenditures. Both notes have variable interest rates calculated as the current index rate plus 1.00 percent. The notes mature on September 1, 2015 and November 1, 2015, respectively. Both noted were repaid in full prior to the issuance of these financial statements. Also, outstanding balances on promissory notes issued in prior years were repaid in full during the current year. Aggregate current year activity is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Short-Term Promissory Notes	$ 300,000	$ 480,000	$ (500,000)	$ 280,000

NOTE 3 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.D. NONCURRENT LIABILITIES

Capital Leases

The School occasionally enters into lease/purchase agreements as a means for financing the acquisition of new equipment. Collateral pledged to under these agreements consists of the equipment acquired by the School through the lease/purchase agreements. Additional information, including the outstanding balance on the lease/purchase agreement at June 30, 2015, is as follows:

Description	Original Issue Amount	Interest Rate	Final Maturity Date	Balance Outstanding
Governmental Activities				
Equipment/Improvements Capital Lease	$ 263,906	0.00%	12/31/2023	$ 143,327
IT Equipment Capital Lease	145,198	0.00%	9/30/2018	84,402
	$ 409,104			$ 227,729

The carrying value of the assets acquired by the Equipment/Improvements Capital Lease is estimated to approximate the outstanding balance on the lease at June 30, 2015. The majority of the assets acquired with the IT Equipment Capital Lease are individually below the School's capitalization threshold. The assets acquired with this lease that are capitalized have a cumulative original cost of $34,404 and accumulated depreciation of $10,321, for a net carrying value of $24,083 at June 30, 2015.

Debt Service Requirements

At June 30, 2015, estimated annual debt service requirements to maturity for the capital leases are as follows:

Year Ended June 30,	Amount
2016	$ 48,742
2017	38,052
2018	34,489
2019	23,238
2020	18,490
2021-2024	64,718
	$ 227,729

NOTE 3 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.D. NONCURRENT LIABILITIES (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Leases	$ 276,471	$ -	$ (48,742)	$ 227,729	$ 48,742
Net Pension Liability	-	1,409,638	-	1,409,638	-
Long-Term Liabilities	$ 276,471	$ 1,409,638	$ (48,742)	$ 1,637,367	$ 48,742

Capital leases are typically funded through the General Fund.

3.E. FUND BALANCE CLASSIFICATIONS

At June 30, 2015, governmental fund equity includes the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Prepaids	$ 14,228	$ 3,736	$ 17,964
Inventory	-	1,407	1,407
Total Nonspendable	$ 14,228	$ 5,143	$ 19,371
Restricted for:			
Food Service	$ -	$ 3,853	$ 3,853
Committed for:			
Facility and Equipment Repairs and Maintenance	$ 16,894	$ -	$ 16,894

Restricted for Food Service - This amount represents restricted resources for food service stipulated by constitution, external resource providers, or through enabling legislation.

Committed for Facility and Equipment Repairs and Maintenance - This amount represents resources the School Board has formally committed for the repairs and maintenance of the School's facilities and equipment.

NOTE 4 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Plan Description

The School participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teacher’s Retirement Association (TRA). PERA's and TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. PERA's and TRA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Fund (GERF)

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

All full-time and certain part-time employees of the School other than teachers are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Teachers Retirement Fund (TRA)

TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

Teachers employed in Minnesota's public elementary and secondary schools, charter schools, and certain educational institutions maintained by the state (except those teachers employed by the cities of Duluth and St. Paul, and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by the Minnesota State College and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

Benefits Provided

PERA and TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

PERA: Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1 % increases.

TRA: Post-retirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0%. After the TRA funded ratio exceeds 90% for two consecutive years, the annual postretirement benefit will increase to 2.5%.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Benefits Provided (Continued)

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method I, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and l. 7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

TRA Benefits

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

Tier 1 Benefits

Tier 1	Step Rate Formula	Percentage
Basic	1st ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	1st ten years if service years are prior to July 1, 2006	1.2% per year
	1st ten years if service years are July 1, 2006 or after	1.4% per year
	All other years of service if service years are prior to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006 or after	1.9% per year

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

(b) 3.0% per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Benefits Provided (Continued)

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for Coordinated members and 2.7% per year for Basic members is used. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Members first employed after June 30, 1989, receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree - no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

Contributions

Minnesota Statutes set the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.1 % and 6.25%, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5% of pay in 2015. In calendar year 2014, the School was required to contribute 11.78% of pay for Basic Plan members and 7.25% for Coordinated Plan members. In 2015, employer rates increased to 7.5% in the Coordinated Plan. The School's contributions to the GERF for the plan's fiscal year ended June 30, 2015, were $58,600. The School's contributions were equal to the required contributions for each year as set by state statute.

TRA Contributions

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

	Ending June 30, 2014		Ending June 30, 2015	
	Employee	Employer	Employee	Employer
Basic	10.5%	11.0%	11.0%	11.5%
Coordinated	7.0%	7.0%	7.5%	7.5%

The School's contributions to TRA for the plan's fiscal year ended June 30, 2015, were $53,327. The School's contributions were equal to the required contributions for each year as set by state statute.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Pension Costs

GERF Pension Costs

At June 30, 2015, the School reported a liability of $704,625 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2014, the School's proportion was 0.0150 percent.

For the year ended June 30, 2015, the School recognized pension expense of $52,308 for its proportionate share of GERF's pension expense.

TRA Pension Costs

At June 30, 2015, the School reported a liability of $705,013 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School School. The School's proportionate share was 0.0153 percent at the end of the measurement period and 0.0138 percent for the beginning of the period.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the School as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the School were as follows:

School's proportionate share of net pension liability	$705,013
State's proportionate share of the net pension liability associated with the School	$49,668

A change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date was an increase of the contribution rates for both the member and employer.

For the year ended June 30, 2015, the School recognized pension expense of $52,552. It also recognized $2,167 as pension expense for the support provided by direct aid.

Total Net Pension Liability

The proportionate share of the total net pension liability allocated to the District is comprised of the following:

GERF Net Pension Liability	$	704,625
TRA Net Pension Liability		705,013
Total Net Pension Liability	$	1,409,638

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Pension Costs (Continued)

GERF and TRA Pension Costs

At June 30, 2015, the School reported its proportionate share of GERF's and TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	GERF	TRA	GERF	TRA
Differences between expected and actual economic experience	$ 10,814	$ 60,157	$ -	$ -
Changes in actuarial assumptions	72,619	-	-	-
Differences between projected and actual investment earnings	-	-	190,389	221,649
Changes in proportion and differences between contributions made and the School's proportionate share of contributions (second part to be determined by the School)	-	71,187	-	-
School's contributions subsequent to the measurement date	58,600	53,327	-	-
Subtotals	$ 142,033	$ 184,671	$ 190,389	$ 221,649
Total Deferred Outflows/Inflows		$ 326,704		$ 412,038

Deferred outflows of resources totaling $111,927 is related to pensions resulting from School contributions to GERF and TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF and TRA pensions will be recognized in pension expense as follows:

	Pension Expense		Total Pension
Year Ended June 30	GERF	TRA	Expense
2016	$ (19,786)	$ (27,992)	$ (47,778)
2017	$ (19,786)	$ (27,992)	$ (47,778)
2018	$ (19,786)	$ (27,992)	$ (47,778)
2019	$ (47,598)	$ (27,992)	$ (75,590)
2020	$ -	$ 21,663	$ 21,663

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75% per year	3.00%
Active Member Payroll Growth	3.50% per year	3.50-12.00% based on years of service
Investment Rate of Return	7.90%	8.25%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments.

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004, to June 30, 2008, and a limited scope experience study dated 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB 67 valuation.

The following changes in actuarial assumptions for GERF occurred in 2014: As of July 1, 2013, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2046. As of July l, 2014, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2031.

There was a change in actuarial assumptions that affected the measurement of the total liability for TRA since the prior measurement date. Post-retirement benefit adjustments are now assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria are met. This is estimated to occur July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.9% for GERF and 8.25% for TRA. The State Board of Investment, which manages the investments of PERA and TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.9% for GERF and 8.25% for TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Pension Liability Sensitivity

The following table presents the School's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF Discount Rate	6.90%	7.90%	8.90%
School's proportionate share of the GERF net pension liability	$1,135,884	$704,625	$349,800
TRA Discount Rate	7.25%	8.25%	9.25%
School's proportionate share of the TRA net pension liability	$1,165,145	$705,013	$321,422

Pension Plan Fiduciary Net Position

Detailed information about GERF's fiduciary net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55l03-2088; or by calling (651) 296-7460 or 800-652-9026.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota, 55103-4000; or by calling (651) 296-2409 or 800-657-3669.

NOTE 5 OTHER INFORMATION

5.A. COMMITMENTS AND CONTINGENCIES

Building Lease

The School currently rents building space of approximately 19,160 square feet under an operating lease agreement. Such agreement has an expiration date of June 30, 2018, with an option to extend the lease for an additional 5 years through June 30, 2023. The lease calls monthly rent of $19,701, for a total of $236,412 annually through June 30, 2018. If extended through June 30, 2023, monthly rent will be $20,681, for a total of $248,172 annually for the additional 5 year term.

Additionally, the School rents various equipment and lease improvements from its landlord at a rate of approximately $4,489 per year, through July 2018. These payments do not include the portion of the lease that was utilized to purchase capital assets. The capital portion of the lease has been disclosed at Note 3.D.

NOTE 5 OTHER INFORMATION (Continued)

5.A. COMMITMENTS AND CONTINGENCIES (Continued)

Building Lease (Continued)

At June 30, 2015, estimated future minimum rent payments are as follows:

Year Ended June 30,	Amount
2016	$ 240,901
2017	240,901
2018	240,901
2019	248,546
2020	248,172
2021-2023	744,516
	$ 1,963,937

For the year ended June 30, 2015, rent expenditures under operating leases total $291,680.

Federal and State Programs

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time. However, management of the School expects such amounts, if any, to be immaterial.

5.B. RISK MANAGEMENT – CLAIMS AND JUDGMENTS

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the School purchases commercial insurance. The School retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

5.C. CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2015, the School determined adjustments to beginning net position were necessary to conform to the financial statement presentation prescribed under newly adopted standards previously discussed in Note 1.F. Adjustments were made to record the School's proportionate share of the Public Employees Retirement Association's and Teachers Retirement Association's net pension liability at the beginning of the year and to record deferred outflows for the School's contributions to these pension plans for the year ended June 30, 2014.

The following table depicts the impact of the change in accounting principle on government-wide beginning net position:

Beginning Net Position	$ 74,399
School's Net Pension Liability at 7/1/14	(1,608,265)
Deferred Outflows for Prior Year Pension Contributions	106,138
Beginning Net Position - Restated	$ (1,427,728)

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements.

Such information includes:

Budgetary Comparison Schedule – General Fund
Schedule of School's and Non-Employer Proportionate Share of Net Pension Liability
Schedule of School Contributions – PERA/TRA Retirement Funds

NEW DISCOVERIES MONTESSORI ACADEMY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts Budgetary	Variance with Final Budget
	Original	Final	Basis	Over (Under)
REVENUES				
Other Local and County Revenues	$ 60,653	$ 61,466	$ 39,924	$ (21,542)
State Sources	2,220,834	2,311,586	2,324,351	12,765
Federal Sources	539,719	562,880	557,161	(5,719)
Sales and Other Conversions of Assets	-	-	1,183	1,183
TOTAL REVENUES	2,821,206	2,935,932	2,922,619	(13,313)
EXPENDITURES				
Administration	134,014	50,454	50,127	(327)
District Support Services	166,531	156,066	127,697	(28,369)
Regular Instruction	1,090,083	1,067,209	1,029,543	(37,666)
Exceptional Instruction	751,293	885,871	856,222	(29,649)
Instructional Support Service	50,264	117,055	108,522	(8,533)
Pupil Support Services	103,853	138,375	174,304	35,929
Site and Buildings	455,482	454,203	425,804	(28,399)
Fiscal and Other Fixed Costs Programs	14,700	13,394	13,256	(138)
TOTAL EXPENDITURES	2,766,220	2,882,627	2,785,475	(97,152)
NET CHANGE IN FUND BALANCES	$ 54,986	$ 53,305	137,144	$ 83,839
FUND BALANCES - BEGINNING			74,462	
FUND BALANCES - ENDING			$ 211,606	

NEW DISCOVERIES MONTESSORI ACADEMY
SCHEDULE OF SCHOOL'S AND NON-EMPLOYER PROPORTIONATE
SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (Presented Prospectively)

For the Fiscal Year Ended June 30	School's Proportion of the Net Pension Liability (Asset)	School's Proportionate Share of the Net Pension Liability (Asset) (a)	School's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability (if Applicable) (b)	Proportionate Share of the Net Pension Liability and School's Share of the State of Minnesota's Share of the Net Pension Liability (if Applicable) (a+b)	School's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014 PERA	0.0150%	$ 704,625	$ -	$ 704,625	$ 801,725	87.9%	78.7%
2014 TRA	0.0153%	$ 705,013	$ 49,668	$ 754,681	$ 698,125	101.0%	81.5%

SCHEDULE OF SCHOOL CONTRIBUTIONS
PERA/TRA RETIREMENT FUNDS
LAST TEN YEARS (Presented Prospectively)

For the Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	School's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015 PERA	$ 58,600	$ 58,600	$ -	$ 767,874	7.6%
2015 TRA	$ 53,327	$ 53,327	$ -	$ 704,841	7.6%

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

Combining Balance Sheet – Non-major Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund
Balances – Non-major Governmental Funds
Uniform Financial Accounting and Reporting Standards Compliance Table
Schedule of Expenditures of Federal Awards
Notes to Schedule of Expenditures of Federal Awards

NEW DISCOVERIES MONTESSORI ACADEMY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Food Service	Community Service	Total Nonmajor Funds
ASSETS			
Cash and Temporary Investments	$ 528	$ -	$ 528
Accounts Receivable	6,293	-	6,293
Due from Other Minnesota School Districts	333	-	333
Due from Government Agencies	1,379	-	1,379
Inventory	3,736	-	3,736
Prepaids	1,407	-	1,407
TOTAL ASSETS	$ 13,676	$ -	$ 13,676
LIABILITIES			
Accounts Payable	$ 1,796	$ -	$ 1,796
Salaries Payable	726	-	726
Payroll Deduction and Employer Contributions	274	-	274
Unearned Revenue	1,884	-	1,884
Total Liabilities	4,680	-	4,680
FUND BALANCES			
Nonspendable:			
Inventory	3,736	-	3,736
Prepaids	1,407	-	1,407
Restricted:			
Food Service	3,853	-	3,853
Total Fund Balances	8,996	-	8,996
TOTAL LIABILITIES AND FUND BALANCES	$ 13,676	$ -	$ 13,676

NEW DISCOVERIES MONTESSORI ACADEMY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Food Service	Community Service	Total Nonmajor Funds
REVENUES			
Other Local and County Revenues	$ 345	$ 13,483	$ 13,828
State Sources	9,784	-	9,784
Federal Sources	65,311	-	65,311
Sales and Other Conversions of Assets	74,269	-	74,269
TOTAL REVENUES	149,709	13,483	163,192
EXPENDITURES			
Current:			
Community Education and Services	-	13,483	13,483
Pupil Support Services	140,713	-	140,713
TOTAL EXPENDITURES	140,713	13,483	154,196
NET CHANGE IN FUND BALANCES	8,996	-	8,996
FUND BALANCES - BEGINNING	-	-	-
FUND BALANCES - ENDING	$ 8,996	$ -	$ 8,996

NEW DISCOVERIES MONTESSORI ACADEMY
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2015

01 GENERAL FUND	Audited	UFARS	Difference
Total Revenue	2,922,619	2,922,621	(2)
Total Expenditures	2,785,475	2,785,473	2
Non Spendable:			
460 Non Spendable Fund Balance	14,228	14,228	-
Restricted/Reserve:			
403 Staff Development	-	-	-
405 Deferred Maintenance	-	-	-
406 Health & Safety	-	-	-
407 Capital Projects Levy	-	-	-
408 Cooperative Revenue	-	-	-
409 Alternative Fac Program	-	-	-
413 Project Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maint	-	-	-
423 Certain Teacher Programs	-	-	-
424 Operating Capital	-	-	-
426 $25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning & Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 St. Approved Alt. Program	-	-	-
438 Gifted & Talented	-	-	-
441 Basic Skills Programs	-	-	-
445 Career & Tech Programs	-	-	-
448 Achievement & Integration	-	-	-
449 Safe Schools Levy	-	-	-
450 Prekindergarten	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liab Not in Trust	-	-	-
453 Unfunded Sev. & Retirement	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Committed:			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	16,894	16,894	-
Assigned:			
462 Assigned Fund Balance	-	-	-
Unassigned:			
422 Unassigned Fund Balance	180,484	180,485	(1)

02 FOOD SERVICE	Audited	UFARS	Difference
Total Revenue	149,709	149,709	-
Total Expenditures	140,713	140,714	(1)
Non Spendable:			
460 Non Spendable Fund Balance	5,143	5,143	-
Restricted/Reserve:			
452 OPEB Liab. Not in Trust	-	-	-
Restricted:			
464 Restricted Fund Balance	3,853	3,852	1
Unassigned:			
463 Unassigned Fund Balance	-	-	-

04 COMMUNITY SERVICE	Audited	UFARS	Difference
Total Revenue	13,483	13,483	-
Total Expenditures	13,483	13,483	-
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
426 $25 Taconite	-	-	-
431 Community Education	-	-	-
432 E.C.F.E.	-	-	-
444 School Readiness	-	-	-
447 Adult Basic Education	-	-	-
452 OPEB Liab. Not in Trust	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

06 BUILDING CONSTRUCTION	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
407 Capital Projects Levy	-	-	-
409 Alternative Facility Program	-	-	-
413 Projects Funded by COP	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

07 DEBT SERVICE	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
425 Bond Refundings	-	-	-
451 QZAB Payments	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

08 TRUST	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-

20 INTERNAL SERVICE	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-

25 OPEB REVOCABLE TRUST FUND	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-

45 OPEB IRREVOCABLE TRUST FUND	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-

47 OPEB DEBT SERVICE FUND	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted:			
425 Bond Refundings	-	-	-
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

NEW DISCOVERIES MONTESSORI ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number		Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through Programs from Minnesota Department of Education			
Child Nutrition Cluster:			
National School Lunch Program	10.555		
Cash Assistance		$	40,870
Non-Cash Assistance (Commodities)			3,489
School Breakfast Program	10.553		20,952
Total U.S. DEPARTMENT OF AGRICULTURE		$	65,311
U.S. DEPARTMENT OF EDUCATION			
Pass-through Programs from Minnesota Department of Education			
Title I Grants to Local Educational Agencies Cluster:			
Formula 401 Title I Part A	84.010	$	34,030
Special Education Cluster:			
Grants to States (IDEA, Part B)	84.027		35,608
School Improvement Grant	84.377		466,482
Received Direct			
Charter School Grants - Rural Education Achievement Program	84.358		21,041
Total U.S. DEPARTMENT OF EDUCATION		$	557,161
TOTAL FEDERAL EXPENDITURES		$	622,472

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation
The above schedule of expenditures of federal awards includes the federal grant activity of New Discoveries Montessori Academy and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Note 2 - Inventory
Nonmonetary assistance is reported in this schedule at the fair market value of commodities received and disbursed for the USDA National School Lunch Program Commodities (CFDA # 10.555). Revenue and expenditures are recorded when commodities are received.

Note 3 - Subrecipients
The School did not pass any federal funds to subrecipients during the year ended June 30, 2015.

Note 4 - Pass-Through Identifier
The School's pass-through identifying number is unknown.

OTHER REQUIRED REPORTS

SCHLENNER WENNER & CO.
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS
Professional Association

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

November 11, 2015

Members of the Board of Education
New Discoveries Montessori Academy
Hutchinson, Minnesota

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 New Discoveries Montessori Academy (the School) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the New Discoveries Montessori Academy's basic financial statements, and have issued our report thereon dated November 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Discoveries Montessori 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during out 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.

St. Cloud
630 Roosevelt Rd. Ste. 201
P.O. Box 1496
St. Cloud, MN 56302
320.251.0286

Little Falls
109 E. Broadway
P.O. Box 365
Little Falls, MN 56345
320.632.6311

Albany
115 6th St.
P.O. Box 268
Albany, MN 56307
320.845.2940

Maple Lake
220 Hwy. 55 North, Ste. 4
P.O. Box 385
Maple Lake, MN 55358
320.963.5414

Monticello
114 W. 3rd St.
P.O. Box 755
Monticello, MN 55362
763.295.5070

Compliance and Other Matters

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

Purpose of this Report

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

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St. Cloud, Minnesota

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

November 11, 2015

To The Members of the School Board
New Discoveries Montessori Academy
Hutchinson, Minnesota

Report on Compliance for Each Major Federal Program

We have audited New Discoveries Montessori Academy, Hutchinson, Minnesota's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2015. The School's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs.*

Management's Responsibility

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

Auditor's Responsibility

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

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

St. Cloud	Little Falls	Albany	Maple Lake	Monticello
630 Roosevelt Rd. Ste. 201	109 E. Broadway	115 6th St.	220 Hwy. 55 North, Ste. 4	114 W. 3rd St.
P.O. Box 1496	P.O. Box 365	P.O. Box 268	P.O. Box 385	P.O. Box 755
St. Cloud, MN 56302	Little Falls, MN 56345	Albany, MN 56307	Maple Lake, MN 55358	Monticello, MN 55362
320.251.0286	320.632.6311	320.845.2940	320.963.5414	763.295.5070

Opinion on Each Major Federal Program

In our opinion, New Discoveries Montessori Academy, Hutchinson, Minnesota, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota

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**INDEPENDENT AUDITORS' REPORT ON
MINNESOTA LEGAL COMPLIANCE**

November 11, 2015

Members of the Board of Education
New Discoveries Montessori Academy
Hutchinson, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Discoveries Montessori Academy, Hutchinson, Minnesota (the School) as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 11, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65, contains two categories of compliance to be tested during audits of charter schools: uniform financial accounting and reporting standards and charter schools. Our audit considered both of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the School failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, matters may have come to our attention regarding the School's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota

NEW DISCOVERIES MONTESSORI ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified			
* Material weakness(es) identified?		Yes	X	No
* Significant deficiencies identified that are not considered to be material weaknesses?		Yes	X	No
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:

* Material weakness(es) identified?		Yes	X	No
* Significant deficiencies identified that are not considered to be material weakness(es)?		Yes	X	No
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?		Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.377	School Improvement Grant

Dollar threshold used to distinguish between type A and type B programs:	$ 300,000			
Auditee qualified as low-risk auditee?	X	Yes		No

SECTION II: FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

None.

SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.