BLUFFVIEW MONTESSORI SCHOOL
WINONA, MINNESOTA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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WINONA, MINNESOTA
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INTRODUCTORY SECTION

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BLUFFVIEW MONTESSORI SCHOOL
WINONA, MINNESOTA
BOARD OF DIRECTORS AND ADMINISTRATION
YEAR ENDED JUNE 30, 2015

BOARD OF DIRECTORS

Henry Schantzen	Chairperson
Jacob Teichroew	Vice Chair
Molly Leifeld	Secretary
Katie Kinneberg	Treasurer
Jill Berlin-Burns	Member
Carla Burton	Member
Erich Lippman	Member

ADMINISTRATION

Stephanie Wehman	Head of School

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Bluffview Montessori School
Winona, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Bluffview Montessori 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bluffview Montessori School as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Food Service Fund, and Pre-School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Prior Year Information

We have previously audited Bluffview Montessori School's 2014 financial statements of the governmental activities and each major fund, and we expressed an unmodified opinion on those audited financial statements in our report dated November 29, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of a Matter

During fiscal year ended June 30, 2015, Bluffview Montessori School adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* As a result of the implementation of these standards, Bluffview Montessori School reported a restatement for the change in accounting principle (see Note 9). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bluffview Montessori School's basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table, as required by the Minnesota Department of Education, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Board of Directors
Bluffview Montessori School

Other Matters (Continued)

Supplementary Information (Continued)

The Uniform Financial Accounting and Reporting Standards Compliance Table is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Uniform Financial Accounting and Reporting Standards Compliance Table is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015, on our consideration of Bluffview Montessori School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result 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 Bluffview Montessori School's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 24, 2015

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REQUIRED SUPPLEMENTARY INFORMATION

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This section of Bluffview Montessori School's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the School's financial statements, which immediately follow this section. The Management's Discussion and Analysis (MD&A) is an element of the Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2014-2015) and the prior year (2013-2014) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2014-2015 fiscal year includes the following:

- The unassigned fund balance of the General Fund is at 26.5% of annual expenditures, after a fund balance increase of $49,586, as of June 30, 2015.
- Overall General Fund revenues were $1,969,853 as compared to $1,920,906 of expenditures.
- Net position of the combined entity increased by $19,185 from June 30, 2014 in addition to a decrease to net position of $1,199,618 due to a prior period adjustment related to the required implementation of GASB Statement Nos. 68 and 71.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *School-wide financial statements* that provide both *short-term* and *long-term* information about the School's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School, reporting the School's operations in *more detail* than the School-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data.

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

School-Wide Statements

The School-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two School-wide statements report the School's *net position* and how they have changed. Net position – the difference between the School's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the School's financial health or *position*.

- Over time, increases or decreases in the School's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School's creditworthiness and the condition of the school building and other facilities.

In the School-wide financial statements the School's activities are shown in one category:

- *Governmental activities* – All of the School's basic services are included here, such as regular and special education and administration. State aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's *funds* – focusing on its most significant or "major" funds – not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The School may establish other funds to control and manage money for a blended component unit.

The School has the following fund type:

- *Governmental funds* – All of the School's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the School-wide statements, we provide additional information at the bottom of the governmental funds statements to explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's *combined* net position was $(1,458,936) on June 30, 2015 (See Table A-1).

Table A-1
The School's Net Position

	Governmental Activities		Percentage
	2015	2014	Change
Current and Other Assets	$ 1,253,183	$ 1,194,331	4.9%
Capital and Noncurrent Assets	3,113,181	3,246,721	-4.1%
Total Assets	4,366,364	4,441,052	-1.7%
Deferred Outflows of Resources	296,693	136,527	117.3%
Current Liabilities	277,111	273,198	1.4%
Long Term Liabilities	5,503,675	4,582,884	20.1%
Total Liabilities	5,780,786	4,856,082	19.0%
Deferred Inflows of Resources	341,207	-	N/A
Net Position			
Net Investment in Capital Assets	(968,927)	(903,515)	-7.2%
Restricted	173,228	162,875	6.4%
Unrestricted	(663,237)	462,137	-243.5%
Total Net Position	$ (1,458,936)	$ (278,503)	423.8%

The School's financial position is the product of many factors. Total revenues on an entity-wide basis exceeded total expenses by $19,185. Also, the School has a restatement of beginning net positon in the amount of $1,199,618 beginning net position related to the required implementation of GASB Statement Nos. 68 and 71. Therefore, total net position ended the fiscal year at $(1,458,936).

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

Changes in Net Position

The School's total revenues were $2,242,940 for the year ended June 30, 2015 (See Table A-2). State formula aid accounted for 58.8% of total revenue for the year. Approximately 2.1% came from other general revenues combined with investment earnings. The remaining 39.1% came from program revenues.

Table A-2
Change in Net Position

	Governmental Activities for the fiscal year ended June 30,		Total %
	2015	**2014**	**Change**
Revenues			
Program Revenues			
Charges for Services	$ 292,660	311,770	-6.13%
Operating Grants and Contributions	584,035	605,541	-3.55%
General Revenues			
Unrestricted State Aid	1,317,758	1,267,643	3.95%
Investment Earnings	561	588	-4.59%
Other	47,926	38,509	24.45%
Total Revenues	2,242,940	2,224,051	
Expenses			
Administration	126,667	140,548	-9.88%
District Support Services	117,382	140,457	-16.43%
Regular Instruction	894,577	936,188	-4.44%
Special Education Instruction	253,270	261,401	-3.11%
Instructional Support Services	83,917	22,211	277.82%
Pupil Support Services	31,639	46,533	-32.01%
Sites and Buildings	153,515	150,147	2.24%
Fiscal and Other Fixed Cost Programs	13,750	12,528	9.75%
Food Service	79,038	78,266	0.99%
Community Service	177,335	179,494	-1.20%
Interest and Fiscal Charges on Long-Term Liabilities	292,665	297,364	-1.58%
Total Expenses	2,223,755	2,265,137	-1.83%
Change in Net Position	19,185	(41,086)	
Beginning Net Position	(278,503)	(237,417)	
Prior Period Adjustment	(1,199,618)	-	
Beginning Net Position - As Restated	(1,478,121)	(237,417)	
Ending Net Position	$ (1,458,936)	$ (278,503)	

The total cost of all programs and services excluding interest and fiscal charges was $1,931,090. Total revenues exceeded expenses, increasing net position $19,185 from the prior year.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

The cost of all *governmental* activities this year was $2,223,755.

- Some of the cost was paid by the users of the School's programs ($292,660).
- The federal government and private grant funds as well as restricted state aids subsidized certain programs with grants and contributions ($584,035).
- Most of the School's costs, however, were paid for by unrestricted State Aid ($1,317,758).

Figure A-1 Sources of District's Revenues for Fiscal 2015

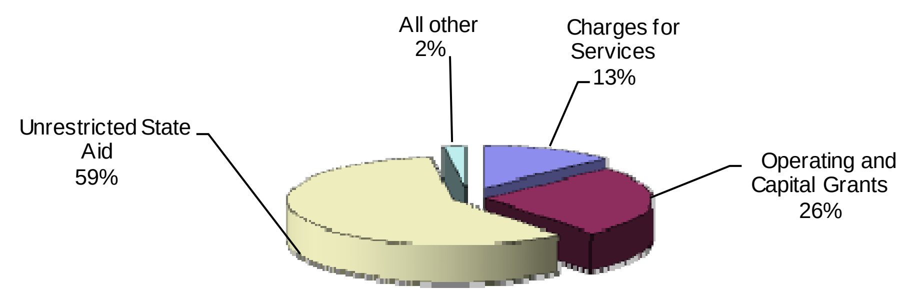
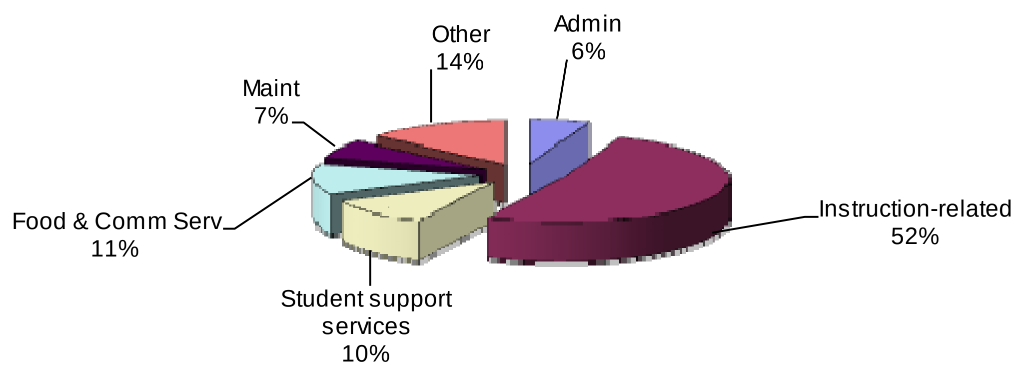


Figure A-2 District Expenses for Fiscal 2015



FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

All governmental funds include funds received for the general operation of the School, which are used for classroom instruction, as well as funds to support programs such as free and reduced school lunches, and other Federal programs. Funding for the general operation of the School is controlled by the state.

Table A-3
Change in Net Position

	Total Cost of Services 2015	Total Cost of Services 2014	Percentage Change	Net Cost of Services 2015	Net Cost of Services 2014	Percentage Change
Administration	$ 126,667	$ 140,548	-9.9%	$ 81,667	$ 95,548	-14.5%
District Support Services	117,382	140,457	-16.4%	117,382	140,457	-16.4%
Regular Instruction	894,577	936,188	-4.4%	823,532	831,890	-1.0%
Special Education Instruction	253,270	261,401	-3.1%	23,300	31,357	-25.7%
Instructional Support Services	83,917	22,211	277.8%	83,917	22,211	277.8%
Pupil Support Services	31,639	46,533	-32.0%	31,639	46,533	-32.0%
Sites and Buildings	153,515	150,147	2.2%	153,515	150,147	2.2%
Fiscal and Other Fixed Cost Programs	13,750	12,528	9.8%	13,750	12,528	9.8%
Food Service	79,038	78,266	1.0%	1,043	5,282	-80.3%
Community Service	177,335	179,494	-1.2%	(13,746)	(22,391)	-38.6%
Interest and Fiscal Charges on Long-Term Liabilities	292,665	297,364	-1.6%	31,061	34,264	-9.3%
Total	$ 2,223,755	$ 2,265,137	-1.8%	$ 1,347,060	$ 1,347,826	-0.1%

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The financial performance of the School as a whole is reflected in its governmental funds as well. As the School completed the year, its governmental funds reported a *combined* fund balance of $1,106,839, which is $59,152 above last year's ending fund balance of $1,047,687.

Revenues for the School's governmental funds were $2,635,645 while total expenditures were $2,578,175.

GENERAL FUND

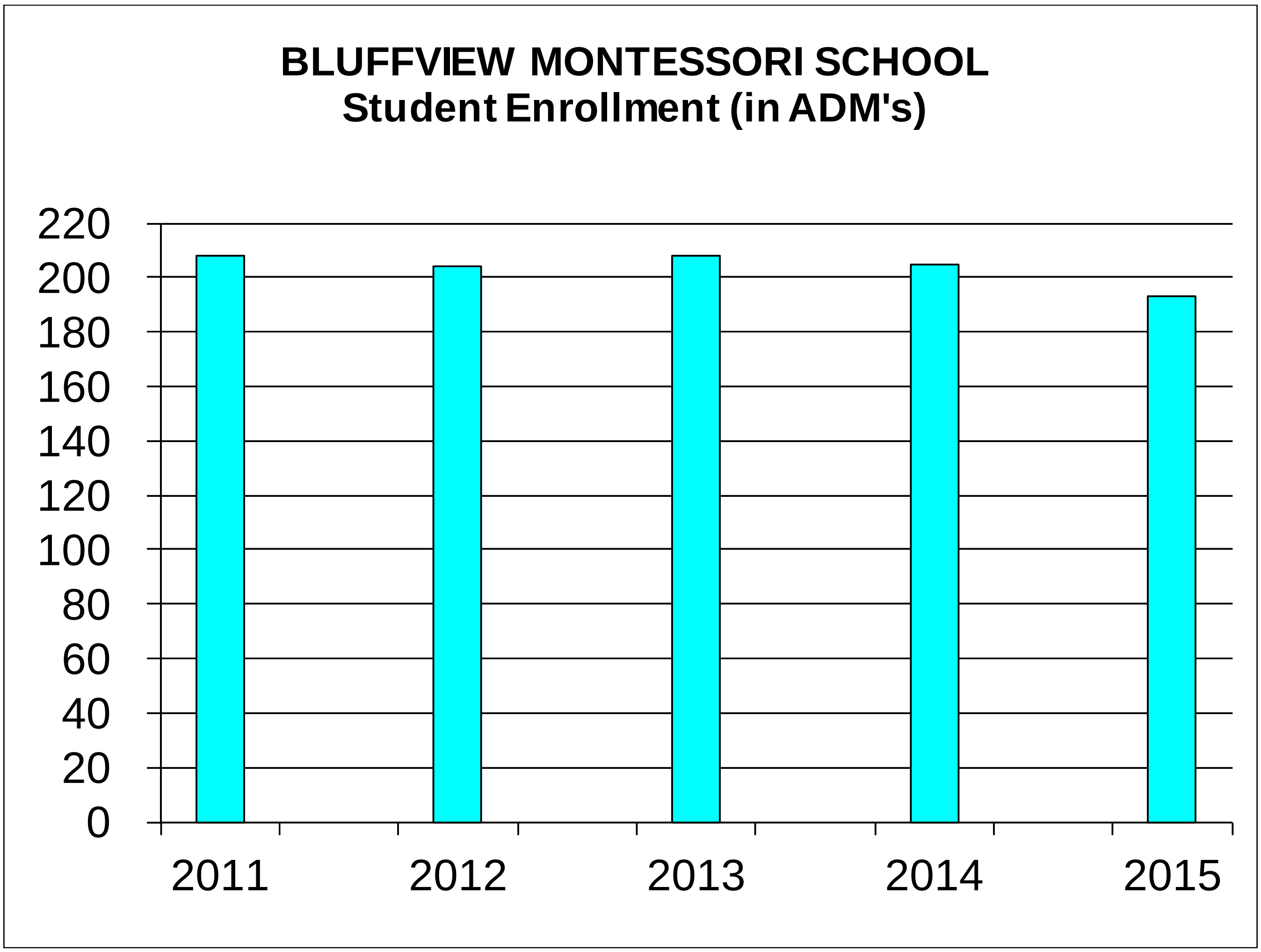
The General Fund includes the primary operations of the School in providing educational services to students from Kindergarten through grade 8 including activities and capital outlay projects. General Fund activities also include revenues to provide administrative support for a tuition-based preschool.

Approximately 91% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the Board of Directors having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model which typically provides roughly 2/3 of program expenditures during any given year.

ENROLLMENT

Enrollment is a critical factor in determining revenue with over 80% of General Fund revenue being determined by enrollment. The following chart shows that the number of students remained stable in FY 2015.

Table A-4
Five-Year Enrollment Trend
Average Daily Membership (ADM)



During fiscal year 2015 the School achieved an average daily membership of 193 students. This was a result of a decrease of 12 pupil units over the prior year. This number is slightly below the adjusted capacity of 215 students. An increase in capacity was the direct result of the new addition brought on line in September 2008. The school continues to have students on waiting lists. However, these waiting lists do not always coincide with the grade levels where the school has space.

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Revenues.

Table A-5
General Fund Revenues

Funding Source	Year Ended June 30, 2015	Year Ended June 30, 2014	Change Increase (Decrease)	Change Percent
Local Sources				
Earnings on Investments	$ 425	$ 421	$ 4	1.0%
Other	113,136	110,682	2,454	2.2%
State Sources	1,787,599	1,741,294	46,305	2.7%
Federal Sources	68,693	96,573	(27,880)	-28.9%
Total General Fund Revenue	$ 1,969,853	$ 1,948,970	$ 20,883	1.1%

Total General Fund Revenue increased by $20,883 from the previous year. Basic general education revenue is determined by multiple complex state formulas, largely enrollment driven, and consists of a specified minimum amount with variables such as socioeconomic indicators driving additional funding. For Minnesota charter schools the majority of all funding is made up of general education aid, special education aid and charter school lease aid. Other revenue consists of federal and private grant funding that is often expenditure driven.

The following schedule presents a summary of General Fund Expenditures.

Table A-6
General Fund Expenditures

	Year Ended June 30, 2015	Year Ended June 30, 2014	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	$ 1,014,537	$ 1,028,825	$ (14,288)	-1.4%
Employee Benefits	156,224	152,597	3,627	2.4%
Purchased Services	647,335	658,167	(10,832)	-1.6%
Supplies and Materials	68,123	59,142	8,981	15.2%
Capital Expenditures	21,960	30,746	(8,786)	-28.6%
Other Expenditures	12,727	20,167	(7,440)	-36.9%
Total Expenditures	$ 1,920,906	$ 1,949,644	$ (28,738)	-1.5%

Total General Fund Expenditures decreased $28,738 from the previous year.

In 2014-15, General Fund revenues and other financing sources were greater than expenditures and other financing uses by $49,586. The General Fund total fund balance increased to $514,607 as of June 30, 2015.

GENERAL FUND (CONTINUED)

Unassigned fund balance is the single best measure of overall financial health. The unassigned fund balance of $509,242 at June 30, 2015 represents 26.5% of annual expenditures or about 14 weeks of operations.

General Fund Budgetary Highlights

The budget is approved prior to the beginning of the fiscal year. The School may revise the annual operating budget mid-year. These budget amendments fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over from the prior fiscal year.
- Legislation passed subsequent to budget adoption, changes necessitated by employment agreements, and increases in appropriations for significant unbudgeted costs.

Bluffview revised its budget during FY 2015.

Actual revenues were $6,492 less than expected, which is a difference of -0.3%, and actual expenditures were $19,073 under budget, which is a difference of -1.0%.

The School's final budget for the general fund anticipated an overage in which revenues would exceed expenditures by approximately $36,366. However, the actual results for the year show revenues and other financing sources exceeding expenditures and other financing uses by $49,586 including the transfers to the food service fund. This is a $13,220 or 36.4% variance. The school administration is pleased to be under budget on their expenses as it agrees with the schools conservative approach.

OTHER MAJOR FUNDS

The Building Corporation's fund balance decreased; expenditures exceeded revenues by $1,910. From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, the Building Corporation Fund continues to operate on a sound financial basis.

Expenditures exceeded revenues in the Food Service Fund by $1,043, however, the School Board approved a transfer from the General Fund to the Food Service Fund to eliminate the cumulative fund balance deficit of $1,043 effective June 30, 2015. Revenues exceeded expenditures in the Community Service Fund by $11,476, ending the year with a fund balance of $38,260 as of June 30, 2015.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015, the School had invested $4.8 million in a broad range of capital assets, including a school building, playground apparatus, and computer and audio-visual equipment (See Table A-7.) (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was $164,776. Most new capital asset costs were covered by funds collected as part of a major capital campaign that collected private donations.

Table A-7
The School's Capital Assets

	2015	2014	Percentage Change
Charter School			
Land Improvements	$ 24,457	$ 24,457	0.0%
Buildings and Improvements	113,737	102,218	11.3%
Equipment	145,337	148,107	-1.9%
Building Corporation			
Land	663,049	663,049	0.0%
Construction in Progress	1,735	-	N/A
Land Improvements	11,296	11,296	0.0%
Buildings and Improvements	3,796,569	3,778,495	0.5%
Equipment	74,728	74,728	0.0%
Less: Accumulated Depreciation	(1,717,727)	(1,555,629)	10.4%
Total	$ 3,113,181	$ 3,246,721	-4.1%

Long-Term Liabilities

At year-end, the School had $4,580,000 in general obligation bonds outstanding – a decrease of 1.7% percent from last year – as shown in Note 5 to Financial Statements. The School also recorded a net pension liability of $1,005,474 related to the implementation of GASB Statement Nos. 68 and 71.

Table A-8
The School's Long-Term Liabilities

	2015	2014	Percentage Change
General Obligation Bonds	$ 4,580,000	$ 4,660,000	-1.7%
Pension Benefits Payable	1,005,474	-	N/A
Severance Benefits Payable	3,201	2,884	11.0%
Total	$ 5,588,675	$ 4,662,884	19.9%
Long-term Liabilities:			
Due Within One Year	$ 85,000	$ 80,000	
Due in More Than One Year	5,503,675	4,582,884	
	$ 5,588,675	$ 4,662,884	

FACTORS BEARING ON THE SCHOOL'S FUTURE

The School is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have been helpful to meet instructional program needs and increased costs due to inflation. The school also lost their grandfathered lease aid beginning fiscal year 2012-13 which continues to impact their revenue by approximately $186 per pupil unit. The school continues to budget conservatively and reach out for donations to help offset the impact to the budget.

Fiscal 2015-16 will see the per-pupil unit general education formula allowance increase from $5,831 to $5,948.

The School continues to strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility. This goal of excellence remains in fiscal year 2015-16 as the board adopted a balanced budget that will continue to project a growing fund balance.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our constituents, state oversight agencies, lenders, customers, legislative leaders and creditors with a 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, contact Brenda Kes at Beltz, Kes, Darling & Associates at 22488 Chippendale Avenue, Farmington, Minnesota 55024, 651-463-2233, ext. 204.

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BASIC FINANCIAL STATEMENTS

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BLUFFVIEW MONTESSORI SCHOOL
WINONA, MINNESOTA
STATEMENT OF NET POSITION
JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2014)

	Governmental Activities	
	2015	**2014**
ASSETS		
Cash and Investments	$ 349,324	$ 475,339
Cash and Investments Held by Trustee	550,585	547,984
Receivables		
Other Governments	318,250	149,209
Other	29,481	19,817
Prepaid Items	5,543	1,982
Capital Assets		
Land	664,784	663,049
Other Capital Assets, Net of Depreciation	2,448,397	2,583,672
Total Assets	4,366,364	4,441,052
DEFERRED OUTFLOWS OF RESOURCES		
Loss on Refunding	124,655	136,527
Pension Deferred Outflows	172,038	-
Total Deferred Outflows of Resources	296,693	136,527
LIABILITIES		
Salaries and Payroll Deduction Payable	125,285	133,810
Accounts Payable	16,955	12,600
Deposits	104	34
Accrued Interest	45,767	46,554
Unearned Revenue	4,000	200
Long-Term Liabilities		
Portion Due Within One Year	85,000	80,000
Portion Due in More Than One Year	5,503,675	4,582,884
Total Liabilities	5,780,786	4,856,082
DEFERRED INFLOWS OF RESOURCES		
Pension Deferred Inflows	341,207	-
NET POSITION		
Net Investment in Capital Assets	(968,927)	(903,515)
Restricted for:		
Pre-School	38,260	26,784
Debt Service	134,968	136,091
Unrestricted	(663,237)	462,137
Total Net Position	$ (1,458,936)	$ (278,503)

See accompanying Notes to Financial Statements.

BLUFFVIEW MONTESSORI SCHOOL
WINONA, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

	2015				2014
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Total Governmental Activities**	**Total Governmental Activities**
Governmental Activities					
Administration	$ 126,667	$ 45,000	$ -	$ (81,667)	$ (95,548)
District Support Services	117,382	-	-	(117,382)	(140,457)
Regular Instruction	894,577	21,892	49,153	(823,532)	(831,890)
Special Education Instruction	253,270	-	229,970	(23,300)	(31,357)
Instructional Support Services	83,917	-	-	(83,917)	(22,211)
Pupil Support Services	31,639	-	-	(31,639)	(46,533)
Sites and Buildings	153,515	-	-	(153,515)	(150,147)
Fiscal and Other Fixed Cost Programs	13,750	-	-	(13,750)	(12,528)
Food Service	79,038	34,687	43,308	(1,043)	(5,282)
Community Service	177,335	191,081	-	13,746	22,391
Interest and Fiscal Charges on Long-Term Liabilities	292,665	-	261,604	(31,061)	(34,264)
Total School District	$ 2,223,755	$ 292,660	$ 584,035	(1,347,060)	(1,347,826)
General Revenues					
State Aid Not Restricted to Specific Purposes				1,317,758	1,267,643
Earnings on Investments				561	588
Miscellaneous				47,926	38,509
Total General Revenues				1,366,245	1,306,740
Change in Net Position				19,185	(41,086)
Net Position - Beginning				(278,503)	(237,417)
Prior Period Adjustment Related to Change in Accounting Principle				(1,199,618)	-
Net Position - As Restated				(1,478,121)	(237,417)
Net Position - Ending				$ (1,458,936)	$ (278,503)

BLUFFVIEW MONTESSORI SCHOOL
WINONA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2014)

			Major
	General	Food Service	Pre- School
ASSETS			
Cash and Investments	$ 295,195	$ -	$ 38,971
Cash and Investments Held by Trustee	-	-	-
Receivables			
Due from Minnesota Department of Education	309,686	304	-
Due from Federal through Minnesota Department of Education	7,791	469	-
Other Receivables	17,314	384	11,783
Due from Other Funds	12,957	-	-
Prepaid Items	5,365	178	-
Total Assets	$ 648,308	$ 1,335	$ 50,754
LIABILITIES AND FUND BALANCE			
Liabilities			
Salaries and Payroll Deduction Payable	$ 112,832	$ -	$ 12,453
Accounts Payable	16,869	45	41
Deposits	-	-	-
Due to Other Funds	-	1,290	-
Unearned Revenue	4,000	-	-
Total Liabilities	133,701	1,335	12,494
Fund Balance			
Nonspendable:			
Prepaids	5,365	178	-
Restricted:			
Debt Service	-	-	-
Pre- School Programs	-	-	38,260
Unassigned	509,242	(178)	-
Total Fund Balance	514,607	-	38,260
Total Liabilities and Fund Balance	$ 648,308	$ 1,335	$ 50,754

See accompanying Notes to Financial Statements.

Funds	Total Governmental Funds	
Building Corporation	2015	2014
$ 15,158	$ 349,324	$ 475,339
550,585	550,585	547,984
-	309,990	96,488
-	8,260	52,721
-	29,481	19,817
-	12,957	1,214
-	5,543	1,982
$ 565,743	$ 1,266,140	$ 1,195,545
$ -	$ 125,285	$ 133,810
-	16,955	12,600
104	104	34
11,667	12,957	1,214
-	4,000	200
11,771	159,301	147,858
-	5,543	1,982
553,972	553,972	555,882
-	38,260	26,784
-	509,064	463,039
553,972	1,106,839	1,047,687
$ 565,743	$ 1,266,140	$ 1,195,545

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BLUFFVIEW MONTESSORI SCHOOL
WINONA, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2014)

	2015	2014
Total Fund Balance for Governmental Funds	$ 1,106,839	$ 1,047,687
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	663,049	663,049
Construction in Progress	1,735	-
Land Improvements, Net of Accumulated Depreciation	13,051	14,274
Buildings, Net of Accumulated Depreciation	2,360,384	2,477,755
Equipment, Net of Accumulated Depreciation	74,962	91,643
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(45,767)	(46,554)
The School's Net Pension Liability and related deferred inflows and outflows are recorded only on the Statement of Net Position. Balances at year-end are:		
Net Pension Liability	(1,005,474)	-
Deferred Inflows of Resources - Pensions	(341,207)	-
Deferred Outflows of Resources - Pensions	172,038	-
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:		
Bonds Payable	(4,580,000)	(4,660,000)
Refunding Loss	124,655	136,527
Severance Payable	(3,201)	(2,884)
Total Net Position of Governmental Activities	$ (1,458,936)	$ (278,503)

See accompanying Notes to Financial Statements.

BLUFFVIEW MONTESSORI SCHOOL
WINONA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

	Major		
	General	Food Service	Pre-School
REVENUES			
Local Sources			
Earnings on Investments	$ 425	$ -	$ -
Other	113,136	34,687	191,081
State Sources	1,787,599	3,723	-
Federal Sources	68,693	39,585	-
Total Revenues	1,969,853	77,995	191,081
EXPENDITURES			
Current			
Administration	123,571	-	-
District Support Services	97,108	-	-
Regular Instruction	762,682	-	-
Special Education Instruction	257,148	-	-
Instructional Support Services	80,579	-	-
Pupil Support Services	31,432	-	-
Sites and Buildings	532,676	-	-
Fiscal and Other Fixed Cost Programs	13,750	-	-
Food Service	-	78,255	-
Community Service	-	-	179,605
Capital Outlay	21,960	783	-
Debt Service			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	1,920,906	79,038	179,605
Excess (Deficiency) of Revenues Over (Under) Expenditures	48,947	(1,043)	11,476
OTHER FINANCING SOURCES (USES)			
Insurance Recovery Proceeds	1,682	-	-
Transfers In	-	1,043	-
Transfers Out	(1,043)	-	-
Total Other Financing Sources (Uses)	639	1,043	-
Net Change in Fund Balances	49,586	-	11,476
Fund Balances - Beginning	465,021	-	26,784
Fund Balances - Ending	$ 514,607	$ -	$ 38,260

See accompanying Notes to Financial Statements.

Funds		
	Total Governmental Funds	
Building Corporation	2015	2014
$ 136	$ 561	$ 588
396,580	735,484	746,464
-	1,791,322	1,744,030
-	108,278	129,154
396,716	2,635,645	2,620,236
-	123,571	135,508
18,625	115,733	138,519
-	762,682	789,055
-	257,148	261,176
-	80,579	22,211
-	31,432	45,888
277	532,953	533,057
-	13,750	12,528
-	78,255	78,266
-	179,605	179,494
18,144	40,887	46,016
80,000	80,000	75,000
281,580	281,580	286,230
398,626	2,578,175	2,602,948
(1,910)	57,470	17,288
-	1,682	45
-	1,043	5,282
-	(1,043)	(5,282)
-	1,682	45
(1,910)	59,152	17,333
555,882	1,047,687	1,030,354
$ 553,972	$ 1,106,839	$ 1,047,687

BLUFFVIEW MONTESSORI SCHOOL
WINONA, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

	2015	2014
Net Change in Fund Balance-Total Governmental Funds	$ 59,152	$ 17,333
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.		
Capital Outlays	31,328	39,758
Gain (Loss) on Disposal of Capital Assets	(92)	-
Depreciation Expense	(164,776)	(161,727)
Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expense on the Statement of Activities are measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources.	24,975	-
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of lease revenue bonds and related items is as follows:		
Repayment of Bond Principal	80,000	75,000
Change in Accrued Interest Expense - General Obligation Bonds	787	738
Amortization of Bond Refunding Loss	(11,872)	(11,872)
In the statement of activities, certain operating expenses - severance benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
Change in Severance Payable	(317)	(316)
Change in Net Position of Governmental Activities	$ 19,185	$ (41,086)

See accompanying Notes to Financial Statements.

BLUFFVIEW MONTESSORI SCHOOL
WINONA, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources				
Earnings on Investments	$ 500	$ 500	$ 425	$ (75)
Other	96,767	95,239	113,136	17,897
State Sources	1,852,155	1,813,698	1,787,599	(26,099)
Federal Sources	68,791	66,908	68,693	1,785
Total Revenues	2,018,213	1,976,345	1,969,853	(6,492)
EXPENDITURES				
Current:				
Administration	138,271	123,278	123,571	293
District Support Services	131,454	97,924	97,108	(816)
Regular Instruction	813,137	770,271	762,682	(7,589)
Special Education Instruction	272,761	258,198	257,148	(1,050)
Instructional Support Services	25,946	92,816	80,579	(12,237)
Pupil Support Services	43,776	29,420	31,432	2,012
Sites and Buildings	526,055	538,822	532,676	(6,146)
Fiscal and Other Fixed Cost Programs	15,919	16,813	13,750	(3,063)
Capital Outlay	12,257	12,437	21,960	9,523
Total Expenditures	1,979,576	1,939,979	1,920,906	(19,073)
Excess (Deficiency) of Revenues Over (Under) Expenditures	38,637	36,366	48,947	12,581
OTHER FINANCING (USES)				
Insurance Recovery Proceeds	-	-	1,682	1,682
Transfer out	-	-	(1,043)	(1,043)
Total Other Financing (Uses)	-	-	639	639
Net Change in Fund Balance	$ 38,637	$ 36,366	49,586	$ 13,220
FUND BALANCE				
Beginning of Year			465,021	
End of Year			$ 514,607	

See accompanying Notes to Financial Statements.

BLUFFVIEW MONTESSORI SCHOOL
WINONA, MINNESOTA
FOOD SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources				
Other - Primarily Meal Sales	$ 33,000	$ 29,992	$ 34,687	$ 4,695
State Sources	2,300	2,300	3,723	1,423
Federal Sources	25,000	29,750	39,585	9,835
Total Revenues	60,300	62,042	77,995	15,953
EXPENDITURES				
Current				
Food Service	73,846	69,526	78,255	8,729
Capital Outlay	-	750	783	33
Total Expenditures	73,846	70,276	79,038	8,762
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,546)	(8,234)	(1,043)	7,191
OTHER FINANCING SOURCES				
Transfer in	4,896	-	1,043	1,043
Net Change in Fund Balance	$ (8,650)	$ (8,234)	-	$ 8,234
FUND BALANCE				
Beginning of Year			-	
End of Year			$ -	

See accompanying Notes to Financial Statements.

BLUFFVIEW MONTESSORI SCHOOL
WINONA, MINNESOTA
PRE-SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources				
Other	$ 210,335	$ 188,660	$ 191,081	$ 2,421
Total Revenues	210,335	188,660	191,081	2,421
EXPENDITURES				
Current				
Community Service	192,161	182,856	179,605	(3,251)
Capital Outlay	168	-	-	-
Total Expenditures	192,329	182,856	179,605	(3,251)
Excess of Revenues Over Expenditures	$ 18,006	$ 5,804	11,476	$ 5,672
FUND BALANCE				
Beginning of Year			26,784	
End of Year			$ 38,260	

See accompanying Notes to Financial Statements.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Bluffview Montessori School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

B. Financial Reporting Entity

Bluffview Montessori School (the School) is a Charter School and was formed December 22, 1992 through an agreement with Independent School District No. 861 in accordance with Minnesota Statutes and began operating March 1, 1993 pursuant to applicable Minnesota laws and statutes. Accounting Principles Generally Accepted in the United States of America (GAAP) require that the School's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the School. In addition, the School's financial statements are to include all component units - entities for which the School is financially accountable.

Bluffview Montessori School is a nonprofit corporation. Their primary objectives are to foster and promote learning through outcome based education as well as to provide before school and after school care.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burdens on, the organization. These financial statements include all funds and account groups of the School.

Based on these criteria, there is one organization that is considered to be a component unit of the School. BMS Building Corporation (BMS) is a Minnesota nonprofit corporation holding Internal Revenue Service classification as a 501(c)(3) tax exempt organization which owns the real estate and building that is leased by the School for its operations. BMS is governed by a separate board appointed by the board of the School. Although it is legally separate from the School, BMS is reported as if it were part of the School (as a blended component unit) because its sole purpose is to acquire, construct and own an educational site which is leased to the School. No separate financial statements for BMS are issued. All long-term debt related to the purchase of the building and property and all fixed assets related to the school site will be the responsibility of and will be under the ownership of BMS.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Change in Accounting Principle

During fiscal year ended June 30, 2015, Bluffview Montessori School adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. They also improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities. See Note 9 for more detail on the effect of this change in account principle on the financial statements.

D. Basic Financial Statement Presentation

The School-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the School.

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

The School applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Generally, the effect of material interfund activity has been removed from the School-wide financial statements.

Separate Fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The School-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 when all eligibility requirements imposed by the provider have been met.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. Revenue Recognition – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales and other miscellaneous revenue are recorded as revenues when received because they are generally not measurable until then. A six-month availability period is generally used for other fund revenue.

2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

Unearned revenues are those in which resources are received by the School before it has a legal claim to them. The School has reported unearned revenues for fees paid toward fiscal 2016 activities.

F. Description of Funds

As required by state statute, the School operates as a nonprofit corporation under Minnesota Statutes §317A. However, state law also requires that the School comply with Uniform Financial Accounting and Reporting Standards for Minnesota School Districts (UFARS) which mandates the use of a governmental fund accounting structure. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. A description of the funds included in this report are as follows:

Major Governmental Funds

<u>General Fund</u> – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes all revenues and expenditures for general operation, special education programs, transportation and capital expenditures.

<u>Food Service Special Revenue Fund</u> - The Food Service Fund is used to account for the School’s food service revenues and expenditures. The major revenue sources for this fund are state and federal meal reimbursements in addition to meal sales.

<u>Pre-School Special Revenue Fund</u> - The Pre-School Fund is used to account for the revenues and expenditures of the pre-school portion of Bluffview. The major source of revenue for this fund is fees charged for providing the pre-school services.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Description of Funds (Continued)

Building Corporation Special Revenue Fund – The Building Corporation Fund accounts for all activities of the Bluffview Montessori Building Corporation. This includes accounting for the proceeds and uses of resources borrowed for the purpose of purchasing and building the school site, the receipt of lease payments from Bluffview Montessori School, as well as the debt service payments required under the terms of the related long-term Revenue Bonds.

G. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

H. Income Taxes

The School is classified as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable sections of the Minnesota income tax statutes.

I. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the Board of Directors adopts an annual budget for the following fiscal year for the General, Food Service and Pre-School Funds. Reported budget amounts represent the amended budget as adopted by the Board of Directors. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the School Coordinator submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by Board of Directors action. Revisions to budgeted amounts must be approved by the Board of Directors.

Total fund expenditures in excess of the budget require approval of the Board of Directors. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

The Building Corporation does not adopt an annual budget and is not required to do so.

J. Cash and Investments

Cash and investments consist of checking accounts, certificates of deposit, savings account and cash on hand.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Cash and Investments Held by Trustee

Cash and investments held by trustee consist of mutual funds, treasury funds, and money market funds held by an escrow agent for the purpose of providing debt service payments on the Revenue Bonds used to obtain the site for the school as well as the construction of the school building.

The detail of these funds at June 30, 2015 is as follows:

Bond Sinking Fund	$	177,348
Bond Reserve Fund		373,237
Total	$	550,585

L. Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the School. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

M. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments Expense is allocated over the periods benefitted.

N. 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 $1,000 for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the School-wide financial statement, 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 by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 10 to 20 years for equipment and 40 to 50 years on buildings.

Capital assets not being depreciated include land.

The School does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of improvable property.

O. Deposits

The School has a Treasury Index Fund funded by donations and investments from members of the community as well as employees of the School.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Unearned Revenue

Unearned revenues are those in which resources are received by the School before it has a legal claim to them. The School has reported unearned revenues for funds received in fiscal year 2015 related to fiscal year 2016 activities.

Q. Deferred Outflows/Inflows of Resources

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

The School has two types of items that qualify for reporting in this category. When refunding debt issuances, the difference between the reacquisition price of the refunded debt and the net carrying amount of that debt (net of any unamortized premium or discount) is considered a deferred outflow of resources and amortized as a component of interest expense over the shorter of the remaining life of the refunded debt or the life of the new refunding debt. The second item relates to deferred amounts for pension contributions that will recognized the following year as part of pension expense.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. For the School, deferred inflows of resources occur because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District’s year-end) under the modified accrual basis of accounting. The School had deferred inflows of resources related to pensions related to the sum of the net difference between project and actual investment earnings of the pension plans, changes in the School’s proportionate share, and the difference between the School’s contributions and proportionate share of contributions to the pension plans. These items will be recognized as a reduction to pension expense over the next 5 years.

R. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period they are incurred.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Severance Payable

Upon terminating employment with the School, employees receive a benefit payment equal to $10 per day for unused personal leave time, up to a maximum payment of 10% of the employee's annual salary. At June 30, 2015, unpaid severance payable of $3,201 is recorded in the statement of net position.

T. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned fund balances. Nonspendable portions of fund balance are amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact such as amounts related to prepaids, inventories, long term receivables, and corpus on any permanent fund.

Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. The Board of Directors chose not to pass a resolution authorizing anyone to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts.

Although the School Board has not adopted a spending prioritization policy for restricted fund balance, the School applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted fund balance is available. The default spending priority per GASB Statement No. 54 for unrestricted fund balance is when an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

U. Risk Management

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; natural disasters and workers compensation. The School purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

V. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the School-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the School-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W. Summarized Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2014, from which the summarized information was derived. Certain comparative information has been reclassified to conform with the current year presentation.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following fund:

	Budget	Expenditures	Excess
Special Revenue Fund			
Food Service Fund	$ 70,276	$ 79,038	$ 8,762

B. Interfund Transfers

The School had the following interfund transfer for the year ended June 30, 2015:

	Transfer Out: General Fund
Transfer in:	
Food Service Fund	$ 1,043

The General Fund transferred $1,043 to the Food Service Fund to subsidize operations in the Food Service Fund.

C. Interfund Balances

The School had the following interfund balances at June 30, 2015:

	Due from Other Fund	Due to Other Fund
General Fund	$ 12,957	$ -
Food Service Fund	-	1,290
BMS Building Corporation Fund	-	11,667
	$ 12,957	$ 12,957

The purpose of the interfund balances between the General and Food Service Funds was to eliminate deficit cash balance in the Food Service Fund. The interfund balance between the General Fund and BMS Building Corporation Fund was related to payments by the General Fund to be reimbursed by the BMS Building Corporation Fund. All balances are expected to be repaid within one year.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

The School maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments". In accordance with applicable Minnesota Statutes, the School maintains deposits at depository banks authorized by the Board of Directors.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

The School's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

B. Investments

The School may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen 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 banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories
- Repurchase or reverse purchase agreement and securities lending agreements 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.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

At June 30, 2015, the School had the following investments:

	Amortized Cost
Wells Fargo Advantage Treasury Plus Money Market	$ 537,055

The Wells Fargo Advantage Treasury Plus Money Market is an external investment pool and its investments are valued at amortized cost, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. The amortized cost method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of instruments.

Credit Risk – The Wells Fargo Advantage Plus Money Market is rated AAAm by Standard and Poor's.
The deposits and investments are presented in the financial statements as follows:

Deposits	$ 362,554
Cash on Hand	300
Wells Fargo Advantage Treasury Plus Money Market	537,055
Total Cash and Investments	$ 899,909
These amounts are presented on the statement of net position as follows:	
Cash and Investments - Statement of Net Position	$ 349,324
Cash and Investments Held by Trustee - Statement of Net Position	550,585
Total Cash and Investments	$ 899,909

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated				
BMS Building Corporation				
Land	$ 663,049	$ -	$ -	663,049
Bluffview Montessori School				
Construction in Progress	-	1,735	-	1,735
Total Capital Assets, Not Being Depreciated	663,049	1,735	-	664,784
Capital Assets, Being Depreciated				
BMS Building Corporation				
Land Improvements	11,296	-	-	11,296
Building	3,778,495	18,074	-	3,796,569
Equipment	74,728	-	-	74,728
Bluffview Montessori School				
Land Improvements	24,457	-	-	24,457
Building	102,218	11,519	-	113,737
Equipment	148,107	-	(2,770)	145,337
Total Capital Assets, Being Depreciated	4,139,301	29,593	(2,770)	4,166,124
Accumulated Depreciation for:				
BMS Building Corporation				
Land Improvements	(11,296)	-	-	(11,296)
Building	(1,357,117)	(140,804)	-	(1,497,921)
Equipment	(42,405)	(3,038)	-	(45,443)
Bluffview Montessori School				
Land Improvements	(10,183)	(1,223)	-	(11,406)
Building	(45,842)	(6,159)	-	(52,001)
Equipment	(88,786)	(13,552)	2,678	(99,660)
Total Accumulated Depreciation	(1,555,629)	(164,776)	2,678	(1,717,727)
Total Capital Assets, Being Depreciated, Net	2,583,672	(135,183)	(92)	2,448,397
Governmental Activities Capital Assets, Net	$ 3,246,721	$ (133,448)	$ (92)	$ 3,113,181

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

Governmental Activities	
Administration	$ 5,040
District Support Services	1,649
Regular Instruction	143,453
Pupil Support Services	645
Sites and Buildings	13,989
Total Depreciation Expense, Governmental Activities	$ 164,776

NOTE 5 LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

The following is a summary of debt transactions during the year ended June 30, 2015:

				Principal Outstanding	
Issue Date	Net Interest Rate	Original Issue	Final Maturity	Due Within One Year	Total
11/1/2007	6.00%-7.25%	$ 5,055,000	11/1/2037	$ 85,000	$ 4,580,000
Pension Benefits Payable				-	1,005,474
Severance Payable				-	3,201
Total Long-Term Liabilities				$ 85,000	$ 5,588,675

Lease Revenue Bond Mortgage Loan (2007 Series A & B) – On November 1, 2007, Bluffview Montessori School (BMS) Building Corporation obtained a $5,055,000 loan from lease revenue bond proceeds sold by the Port Authority of Winona, Minnesota with an average interest rate of 6.47% to advance refund $3,130,000 of outstanding 1999 Series Bonds with an average interest rate of 6.85%, and to finance the construction of an addition to the existing building owned by BMS Building Corporation and leased to Bluffview Montessori School. The Port Authority of Winona, Minnesota issued two separate bond issues as follows: $4,785,000 of nontaxable lease revenue bonds (Series 2007A) and $270,000 of taxable lease revenue bonds (Series 2007B).

The resulting loan is payable in monthly installments of principal and interest beginning November 1, 2007 through November 1, 2037. The note is split to pay annual interest rates of 6.00%, 6.15%, and 7.25%, the rates of the related lease revenue bonds and is secured by a mortgage agreement covering the related land, school building and building contents, as well as the assignment of all lease revenue. The loan is also guaranteed by Bluffview Montessori School.

The School has pledged certain revenues in order to provide additional security for the timely payments of amounts due under the Lease. These revenues consists of all funds received by the School from the State of Minnesota with respect to general student funding, state building lease aid payments, state distributions of federal Title I funds, or any other funding sources, after deduction of all such operating expenses of the School (including the current expenses for staff and administrative salaries and benefits) required under law to provide educational program expenditures.

The total pledged revenue reported by the School for the year ended June 30, 2015 amounted to $1,583,599, of which $396,580 (or 25.0%) was remitted during the current year as lease payments to the Building Company.

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

Following are maturities of general long-term debt for the School and BMS Building Corporation for each of the next five years and thereafter ended June 30:

	Lease Revenue Bonds Payable	
Year Ending June 30	Principal	Interest
2016	$ 85,000	$ 276,630
2017	90,000	271,380
2018	100,000	265,680
2019	105,000	259,530
2020	110,000	253,080
2021 - 2025	660,000	1,155,000
2026 - 2030	900,000	921,323
2031 - 2035	1,225,000	598,856
2036 - 2038	1,305,000	145,909
	$ 4,580,000	$ 4,147,388

Resources for the payment of severance payable included in long-term liabilities are provided by the General Fund.

B. Changes in Long-Term Debt

	June 30, 2014	Additions	Retirements	June 30, 2015
Lease Revenue Bonds Payable	$ 4,660,000	$ -	$ 80,000	$ 4,580,000
Pension Benefits Payable	1,272,603	-	267,129	1,005,474
Severance Payable	2,884	3,201	2,884	3,201
	$ 5,935,487	$ 3,201	$ 350,013	$ 5,588,675

NOTE 6 RESTRICTED FUND BALANCES

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. The following is a summary of the restricted funds balance for the governmental funds:

Restricted for Debt Service

Represents amounts that are to be used to satisfy the debt service payments on the Lease Revenue Bond Mortgage Loan.

Restricted for Pre-School Programs

Represents amounts that are to be used to for operations of the School’s pre-school program.

NOTE 7 DEFINED BENEFIT PENSION PLANS

Substantially all employees of the School are required by state law to belong to pension plans administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follow:

A. Plan Description

The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Fund (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 IRC.

1. General Employees Retirement Plan (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.

2. 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.

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. 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: Postretirement 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.

1. 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 1, 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 1.7% 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.

2. 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.

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

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	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years of Service are Up to July 1, 2006	1.2% per Year
	First Ten Years, if Service Years are July 1, 2006 or After	1.4% per Year
	All Other Years of Service If Service Years are Up 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

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. 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 l, 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.

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

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.

C. Contributions

Minnesota Statutes, Chapter 353, sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. GERF 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 $21,205. The School's contributions were equal to the required contributions for each year as set by state statute.

2. 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	10.50%	11.00%	11.00%	11.50%
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 $53,470. The School's contributions were equal to the required contributions for each year as set by state statute.

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

1. GERF Pension Costs

At June 30, 2015, the School reported a liability of $291,245 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, 2015, the School's proportion was .0062%.

For the year ended June 30, 2015, the School recognized pension expense of $21,245 for its proportionate share of GERF's pension expense.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 4,470	$ -
Changes in Actuarial Assumptions	30,016	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	78,694
Changes in Proportion and Differences Between School Contributions and Proportionate Share of Contributions	-	-
School Contributions Subsequent to the Measurement Date	21,205	-
Total	$ 55,691	$ 78,694

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

A total of $21,205 reported as deferred outflows of resources related to pensions resulting from School contributions to GERF 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 pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2016	$ (8,178)
2017	(8,178)
2018	(8,178)
2019	(19,674)
2020	-
Thereafter	-

2. TRA Pension Costs

At June 30, 2015, the School reported a liability of $714,229 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 District. The School's proportionate share was .0155% at the end of the measurement period and .0163% 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:

Description	Amount
School's Proportionate Share of the TRA Net Pension Liability	$ 714,229
State's Proportionate Share of TRA's Net Pension Liability Associated with the School	50,274

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Costs (Continued)

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 $24,442. It also recognized $2,193 as pension expense for the support provided by direct aid.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 60,943	$ -
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Investment Earnings	-	224,546
Changes in Proportion and Differences Between School Contributions and Proportionate Share of Contributions	1,934	37,967
School Contributions Subsequent to the Measurement Date	53,470	
Total	$ 116,347	$ 262,513

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Costs (Continued)

A total of $53,470 reported as deferred outflows of resources related to pensions resulting from School contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2016	$ (50,936)
2017	(50,936)
2018	(50,936)
2019	(50,936)
2020	4,108
Thereafter	-

E. Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75% per Year	3.50%
Active Member Payroll Growth	3.50% per Year	3.75% 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 the actuarial experience study for the period of July 1, 2004 to June 30, 2008, and a limited scope experience study dated August 29, 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 1, 2014, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2031.

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

There was a change in actuarial assumptions that affected the measurement of the total liability for TRA since the prior measurement date. Postretirement 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, 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 Equity	45%	5.50%
International Equity	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Totals	100%	

F. 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 rate specified in statute. Based on that assumption, 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 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

The following 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 one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Current 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	$ 469,499	$ 291,245	$ 144,584
TRA Discount Rate	7.25%	8.25%	9.25%
School's Proportionate Share of the TRA Net Pension Liability	$ 1,180,376	$ 714,229	$ 325,624

H. Pension Plan Fiduciary Net Position

Detailed information about GERF's fiduciary's 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, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

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 #400, St. Paul, Minnesota, 55103-4000; or by calling (651) 296-2409 or 1-800-657-3669.

NOTE 8 COMMITMENTS AND CONTINGENCIES

A. 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 although the School expects such amounts, if any, to be immaterial.

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

B. Lease Commitment and Terms – School Site – BMS Building Corporation

The school leases its educational site from BMS Building Corporation (a blended component unit). Under the terms of the amended lease agreement established with the issuance of the 2007 A & B Series Lease Revenue Bonds, the lease term is for the period beginning November 1, 2007 and ending June 30, 2038. The school has an option to extend the lease term for an unlimited number of consecutive ten-year lease periods either on the same lease terms or as agreed upon with the Building Corporation.

The net annual base rent for the term of the lease agreement is directly tied to the debt service requirements of the BMS Building Corporation, including amounts held in escrow as part of the respective loan agreements. In addition, the school is responsible for all interior and exterior repair and maintenance costs as well as all utility costs.

The total amount of rent owed by the School to BMS Building Corporation under the terms of the lease agreement was $396,580 for fiscal 2015. The total cost of all educational-related space for fiscal 2014-2015 which qualified for state lease aid was $396,580. The annual lease aid entitlement is based on the lesser of 90% of the lease cost or an allowance per pupil unit. For fiscal 2015, the School qualified for state charter school lease aid which equaled $1,314 per pupil unit, amounting to $261,604. This entitlement is subject to proration by the Minnesota Department of Education to the extent the overall funding that has been provided is insufficient to meet all amounts owed to Minnesota charter schools. Future amounts to be requested for state lease aid from the Minnesota Department of Education may vary due to financing arrangements, which are subject to change.

The School’s ability to make payments under this Lease agreement is dependent on its revenues which are in turn, largely dependent on sufficient enrollments at the School and on sufficient state aids per student being authorized and received from the State of Minnesota. The School believes that its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due.

C. Operating Lease Commitment and Terms – Copier Lease

On August 15, 2012, the School entered into an operating copier lease agreement for multiple copiers with Metro Sales Inc. The lease had a 5 year term and payments began in September of 2012. The future lease payments are as follows:

Year Ending June 30,	Amount
2016	$ 10,090
2017	10,090
2018	1,682
	$ 21,862

Lease expense for the year ended June 30, 2015 was $10,090.

NOTE 9 CHANGE IN ACCOUNTING PRINCIPLE

During fiscal year ended June 30, 2015, Bluffview Montessori School adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result, Bluffview Montessori School's net position as of June 30, 2014 has been restated to reflect the recognition of the School's proportionate share of the Public Employees' Retirement Association of Minnesota General Employees' Retirement Fund's net pension liability as well as their portion of the Teacher's Retirement Association's Coordinated and Basic Plan net pension liability.

	Governmental Activities
Net Position, June 30, 2014, as Previously Reported	$ (278,503)
Cumulative Affect of Application of GASB 68, Net Pension Liability	(1,272,603)
Cumulative Affect of Application of GASB 71, Deferred Outflow of Resources for District Contributions Made to the Plan During Fiscal Year Ending June 30, 2014	72,985
Net Position, June 30, 2014, as Restated	$ (1,478,121)

REQUIRED SUPPLEMENTARY INFORMATION

BLUFFVIEW MONTESSORI SCHOOL
WINONA, MINNESOTA
TRA SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2015

	Measurement Date 6/30/14
School's Proportion of the Net Pension Liability	0.0155%
School's Proportionate Share of the Net Pension Liability	$ 714,229
State's Proportionate Share of the Net Pension Liability Associated with School	50,274
Total	$ 764,503
School's Covered-Employee Payroll	696,129
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	102.60%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	81.50%

BLUFFVIEW MONTESSORI SCHOOL
WINONA, MINNESOTA
TRA SCHEDULE OF SCHOOL CONTRIBUTIONS
JUNE 30, 2015

	2015	2014
Statutorily Required Contribution	$ 53,470	$ 48,729
Contributions in Relation to the Statutorily Required Contribution	(53,470)	(48,729)
Contribution Deficiency (Excess)	$ -	$ -
School's Covered-Employee Payroll	$ 712,933	$ 696,129
Contributions as a Percentage of Covered Employee Payroll	7.5%	7.00%

BLUFFVIEW MONTESSORI SCHOOL
WINONA, MINNESOTA
PERA SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LAIBILITY
JUNE 30, 2015

		Measurement Date 6/30/14
School's Proportion of the Net Pension Liability		0.0062%
School's Proportionate Share of the Net Pension Liability	$	291,245
School's Covered-Employee Payroll		334,566
School's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll		87.05%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability		78.70%

BLUFFVIEW MONTESSORI SCHOOL
WINONA, MINNESOTA
PERA SCHEDULE OF SCHOOL CONTRIBUTIONS
JUNE 30, 2015

	2015	2014
Statutorily Required Contribution	$ 21,205	$ 24,256
Contributions in Relation to the Statutorily Required Contribution	(21,205)	(24,256)
Contribution Deficiency (Excess)	$ -	$ -
School's Covered-Employee Payroll	$ 287,525	$ 334,566
Contributions as a Percentage of Covered Employee Payroll	7.38%	7.25%

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*

Board of Directors
Bluffview Montessori School
Winona, 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 and each major fund of Bluffview Montessori School, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Bluffview Montessori School's basic financial statements, and have issued our report thereon dated November 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bluffview Montessori School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bluffview Montessori School's internal control. Accordingly, we do not express an opinion on the effectiveness of Bluffview Montessori 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 School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Directors
Bluffview Montessori School

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bluffview Montessori 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 result 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 24, 2015

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
Bluffview Montessori School
Winona, 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 and each major fund of Bluffview Montessori School as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 24, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, identifies two main categories of compliance to be tested in audits of charter schools: uniform financial accounting and reporting standards and charter schools. Our study included the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that Bluffview Montessori 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, other 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 relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the School's compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 24, 2015

BLUFFVIEW MONTESSORI SCHOOL
WINONA, MINNESOTA
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2015

	AUDIT	UFARS	Difference
01 GENERAL FUND			
Total Revenue	$ 1,949,015	$ 1,949,015	$ -
Total Expenditures	$ 1,949,644	$ 1,949,645	$ (1)
Non Spendable:			
460 Non Spendable Fund Balance	$ 1,804	$ 1,804	$ -
Restricted/Reserved:			
403 Staff Development	$ -	$ -	$ -
405 Deferred Maintenance	$ -	$ -	$ -
406 Health & Safety	$ -	$ -	$ -
407 Capital Project Levy	$ -	$ -	$ -
408 Cooperative Programs	$ -	$ -	$ -
411 Severance Pay	$ -	$ -	$ -
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 State Approved Alt. Program	$ -	$ -	$ -
438 Gifted & Talented	$ -	$ -	$ -
441 Basic Skills Programs	$ -	$ -	$ -
445 Career and Technical Programs	$ -	$ -	$ -
446 First Grade Preparedness	$ -	$ -	$ -
449 Safe Schools Crime	$ -	$ -	$ -
450 Prekindergarten	$ -	$ -	$ -
451 QZAB Payments	$ -	$ -	$ -
452 OPEB Liab Not In Trust	$ -	$ -	$ -
453 Unfunded Sev & Retirement Levy	$ -	$ -	$ -
Restricted:			
464 Restricted Fund Balance	$ -	$ -	$ -
Committed:			
418 Committed for Separation	$ -	$ -	$ -
461 Committed Fund Balance	$ -	$ -	$ -
Assigned:			
462 Restricted Fund Balance	$ -	$ -	$ -
Unassigned:			
422 Unassigned Fund Balance	$ 463,217	$ 463,218	$ (1)
02 FOOD SERVICE			
Total Revenue	$ 72,984	$ 72,984	$ -
Total Expenditures	$ 78,266	$ 78,266	$ -
Non Spendable:			
460 Non Spendable Fund Balance	$ 178	$ 178	$ -
Restricted:			
452 OPEB Liab Not In Trust	$ -	$ -	$ -
464 Restricted Fund Balance	$ -	$ -	$ -
Unassigned:			
463 Unassigned Fund Balance	$ (178)	$ (178)	$ -
04 COMMUNITY SERVICE			
Total Revenue	$ 201,885	$ 201,885	$ -
Total Expenditures	$ 179,494	$ 179,494	$ -
Restricted/Reserved:			
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	$ 26,784	$ 26,783	$ (1)
Unreserved:			
463 Unassigned Fund Balance	$ -	$ -	$ -

	AUDIT	UFARS	DIFFERENCE
06 BUILDING CONSTRUCTION			
Total Revenue	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
Reserved:			
407 Capital Projects Levy	$ -	$ -	$ -
409 Alternative Facility Program	$ -	$ -	$ -
413 Project Funded by COP	$ -	$ -	$ -
419 Encumbrances	$ -	$ -	$ -
Unreserved:			
422 Unreserved/Undesignated	$ -	$ -	$ -
07 DEBT SERVICE			
Total Revenue	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
Reserved:			
425 Bond Refundings	$ -	$ -	$ -
451 QZAB Payments	$ -	$ -	$ -
Unreserved:			
422 Unreserved/Undesignated	$ -	$ -	$ -
08 TRUST			
Total Revenue	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
Reserved:			
419 Encumbrances	$ -	$ -	$ -
Unreserved:			
422 Unreserved/Undesignated	$ -	$ -	$ -
09 AGENCY			
Unreserved: Should Always Be -0-			
422 Unreserved/Undesignated	$ -	$ -	$ -
20 INTERNAL SERVICE			
Total Revenue	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
Reserved:			
419 Encumbrances	$ -	$ -	$ -
Unreserved:			
422 Unreserved/Undesignated	$ -	$ -	$ -
25 OPEB REVOCABLE TRUST			
Total Revenue	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
Unreserved:			
422 Unreserved/Undesignated	$ -	$ -	$ -
45 OPEB IRREVOCABLE TRUST			
Total Revenue	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
Unreserved:			
422 Unreserved/Undesignated	$ -	$ -	$ -
47 OPEB DEBT SERVICE			
Total Revenue	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
Reserved:			
425 Bond Refundings	$ -	$ -	$ -
Unreserved:			
422 Unreserved/Undesignated	$ -	$ -	$ -