

Ionia Public  
Schools



Year Ended,  
June 30, 2015

Financial  
Statements and  
Single Audit Act  
Compliance

# IONIA PUBLIC SCHOOLS

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**INDEPENDENT AUDITORS' REPORT**

October 21, 2015

Board of Education  
Ionia Public Schools  
Ionia, Michigan**Report on the Financial Statements**

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

*Management's Responsibility for the Financial Statements*

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

*Independent Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ionia Public Schools as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *Implementation of GASB Statement No. 68*

As described in Note 15, the District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in the current year. Accordingly, beginning net position of governmental activities was restated. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2015 on our consideration of Ionia Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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## MANAGEMENT'S DISCUSSION AND ANALYSIS



# IONIA PUBLIC SCHOOLS

## Management's Discussion and Analysis

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

### Financial Highlights

- The District implemented GASB Statement No. 68 in the current year. In addition to expanded disclosure requirements, the District is required to report its proportionate share of the MPSERS net pension liability on the statement of net position. This change has resulted in a larger negative total net position of governmental activities of \$43,527,215.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,039,282, a decrease of \$266,139 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,319,902 or 8.5% percent of total general fund expenditures.
- The District had capital assets of \$27,529,096.

### Overview of the Financial Statements

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

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

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

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

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

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

# IONIA PUBLIC SCHOOLS

## Management's Discussion and Analysis

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

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

The District maintains three individual governmental funds, one private-purpose trust fund and one agency fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the major governmental funds. The general and debt service funds are considered major funds.

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

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs.

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

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension plan immediately following the notes to the financial statements.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows of resources by \$43,527,215 at the close of the most recent fiscal year. This is primarily the result of incurring debt through the School Bond Loan Fund program for the purpose of repaying general obligation bonds for which sufficient property tax revenue has not been collected and the requirement to present the District's proportionate share of the MPSERS net pension liability.

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

# IONIA PUBLIC SCHOOLS

## Management's Discussion and Analysis

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

	Net Position	
	2015	2014
<b>Assets</b>		
Current and other assets	\$ 7,149,745	\$ 8,012,143
Capital assets, net	27,529,096	29,206,929
<b>Total assets</b>	<u>34,678,841</u>	<u>37,219,072</u>
Deferred outflows of resources	<u>6,279,640</u>	<u>389,835</u>
<b>Liabilities</b>		
Current and other liabilities	39,468,739	4,859,185
Long-term liabilities	41,126,022	41,922,283
<b>Total liabilities</b>	<u>80,594,761</u>	<u>46,781,468</u>
Deferred inflows of resources	<u>3,890,935</u>	<u>-</u>
<b>Net position</b>		
Net investment in capital assets	7,051,275	6,526,901
Restricted	377,606	424,904
Unrestricted (deficit)	(50,956,096)	(16,124,366)
<b>Total net position</b>	<u>\$ (43,527,215)</u>	<u>\$ (9,172,561)</u>

# IONIA PUBLIC SCHOOLS

## Management's Discussion and Analysis

	Change in Net Position	
	2015	2014
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 411,592	\$ 487,438
Operating grants and contributions	6,324,407	6,014,769
General revenues:		
Property taxes - operations	1,946,077	1,934,295
Property taxes - debt service	2,823,613	2,780,143
Grants and contributions not restricted to specific programs	19,749,924	18,910,268
Gain on sale of capital assets	4,508	8,262
Unrestricted investment earnings	3,323	2,155
Other revenues	83,800	60,530
<b>Total revenues</b>	<b>31,347,244</b>	<b>30,197,860</b>
<b>Expenses</b>		
Instruction	16,549,567	16,262,805
Supporting services	9,248,567	9,429,870
Athletics	503,275	501,746
Community services	59,602	172,160
Food services	1,442,523	1,521,034
Interest on long-term debt	1,539,247	1,604,062
Depreciation - unallocated	1,827,854	1,823,859
<b>Total expenses</b>	<b>31,170,635</b>	<b>31,315,536</b>
<b>Change in net position</b>	<b>176,609</b>	<b>(1,117,676)</b>
Net position, beginning of year	(9,172,561)	(8,054,885)
Restatement	(34,531,263)	-
<b>Net position, end of year</b>	<b>\$ (43,527,215)</b>	<b>\$ (9,172,561)</b>

**Governmental Activities.** Net position increased by \$176,609. The total unrestricted net position deficit increased from \$9,172,561 in the prior year to \$43,527,215. This increase was primarily the result of the implementation of GASB 68 which required the District to record its proportionate share of the MPSERS net pension liability.

### Financial Analysis of the Government's Funds

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

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

# IONIA PUBLIC SCHOOLS

## Management's Discussion and Analysis

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,319,902, while the total fund balance was \$2,562,747. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent 8.5% and 9.4%, respectively, of total general fund expenditures.

The fund balance of the District's general fund decreased by \$165,307, or 6.1% from the prior year. The largest revenue source in this fund is state revenue which includes primarily state aid. Expenditures consist primarily of costs associated with instruction and related supporting activities. The decrease in fund balance was primarily due to the settlement of all five of the district's collective bargain agreements which resulted in increased wages from step increases.

### General Fund Budgetary Highlights

Amendments to the original adopted budget are passed in order to reflect changes in information and circumstances. Some of the more significant changes between the original adopted and final amended budgets were:

- Budgeted State revenue for student memberships was increased by approximately \$230,000 from the original to the final amended budget, as actual student enrollment was higher than expected.
- Budgeted State revenue for MPSERS UAAL rate stabilization and one time liability payment was increased by \$500,000 from the original to the final amended budget, as funding was higher than expected.
- Budgeted Other revenue for special education from Ionia County Intermediate School District (ISD) was reduced by \$260,000 from the original to the final amended budget due to the elimination of Priority 4 funding.
- Budgeted expenditures for retirement costs (MPSERS UAAL) were lower from the original budget to the final amended budget per the higher than expected retirement rate.
- Budget expenditures for wages and benefits for employees covered by union contract increased from the original budget compared to the final amended budget. All union contract were settled after the adoption of the original budget and the original budget did not contain the cost for step increases which were part of the union agreements.

In accordance with State statute, the District is prohibited from amending the budget after year-end. As the District's books are not closed for accounting purposes at that point, a certain level of estimation is required in determining actual need. Some of the more significant differences between the final amended budget and the actual financial results were:

- Actual revenue from federal sources were approximately \$240,000 less than the final amended budget because Title I and Title IIA budgets were set at the total award amount per the consolidated application, while actual expenditures were less than budget mainly due to unfilled positions.
- Actual revenue from other sources were approximately \$52,000 less than the final amended budget because the anticipated payment for special education Priority Level 4 from the Ionia ISD was completely eliminated.

# IONIA PUBLIC SCHOOLS

## Management's Discussion and Analysis

### Capital Asset and Debt Administration

**Capital Assets.** The District's investment in capital assets for its governmental activities as of June 30, 2015 amounted to \$27,529,096 (net of accumulated depreciation). Significant additions included new transportation equipment. Capital assets at year-end included the following:

	Capital Assets (Net of Depreciation)	
	2015	2014
Land	\$ 331,540	\$ 331,540
Land improvements	3,522,890	3,814,652
Buildings and improvements	22,278,871	23,269,127
Equipment and furniture	598,196	717,490
Transportation equipment	410,449	542,647
Computer equipment	387,150	531,473
Total capital assets, net	<u>\$ 27,529,096</u>	<u>\$ 29,206,929</u>

Additional information on the District's capital assets can be found in Note 7 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the District had total long-term debt outstanding of \$41,126,022. The District's total debt decreased by \$796,261 during the current fiscal year. Increases to long-term debt resulted from the borrowing from the Michigan School Bond Loan Program of \$140,000 and an increase in accrued interest of \$646,119 on these borrowings. The District issued \$16,315,000 of 2015 refunding bonds to advance refund \$15,945,000 of outstanding bonds.

Additional information on the District's long-term debt can be found in Note 9 of this report.

### Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future.

- State Aid is expected to increase by \$50 per student.
- Property tax operating millage will remain the same as the 2014-2015 school year.
- The District plans to borrow \$3.0 million through the State Aid Note Loan Program for cash flow purposes.
- All five (5) of the union contracts are in place through June 30, 2016.
- The District anticipates to change its status and discontinue borrowing on long term debt from the School Bond Loan Program and begin making payments in May, 2016.

### Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Donald G. Wilcox, Director of Finance, Ionia Public Schools, 250 E. Tuttle Road, Ionia, Michigan 48846.

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## BASIC FINANCIAL STATEMENTS



# IONIA PUBLIC SCHOOLS

## Statement of Net Position

June 30, 2015

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 1,920,855
Receivables	4,980,124
Inventories	66,254
Prepays	182,512
Capital assets not being depreciated	331,540
Capital assets being depreciated, net	<u>27,197,556</u>
<b>Total assets</b>	<u>34,678,841</u>
<b>Deferred outflows of resources</b>	
Loss on advance bond refundings, net	993,404
Deferred pension amounts	<u>5,286,236</u>
<b>Total deferred outflows</b>	<u>6,279,640</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	3,915,579
Note payable	357,260
Long-term debt:	
Due in one year	1,966,850
Due in more than one year	39,159,172
Net pension liability	<u>35,195,900</u>
<b>Total liabilities</b>	<u>80,594,761</u>
<b>Deferred inflows of resources</b>	
Deferred pension amounts	<u>3,890,935</u>
<b>Net position</b>	
Net investment in capital assets	7,051,275
Restricted for food service operations	377,606
Unrestricted (deficit)	<u>(50,956,096)</u>
<b>Total net position</b>	<u><u>\$ (43,527,215)</u></u>

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

# IONIA PUBLIC SCHOOLS

## Statement of Activities

For the Year Ended June 30, 2015

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities</b>				
Instruction	\$ 16,549,567	\$ -	\$ 4,816,213	\$ (11,733,354)
Supporting services	9,248,567	59,163	315,244	(8,874,160)
Athletics	503,275	71,584	-	(431,691)
Community services	59,602	-	-	(59,602)
Food services	1,442,523	280,845	1,192,950	31,272
Interest on long-term debt	1,539,247	-	-	(1,539,247)
Unallocated depreciation	1,827,854	-	-	(1,827,854)
<b>Total governmental activities</b>	<u>\$ 31,170,635</u>	<u>\$ 411,592</u>	<u>\$ 6,324,407</u>	<u>(24,434,636)</u>
<b>General revenues</b>				
Property taxes - operations				1,946,077
Property taxes - debt service				2,823,613
Unrestricted State aid				19,749,924
Gain on sale of capital assets				4,508
Unrestricted investment earnings				3,323
Other revenues				83,800
<b>Total general revenues</b>				<u>24,611,245</u>
<b>Change in net position</b>				176,609
<b>Net position, beginning of year, as restated</b>				<u>(43,703,824)</u>
<b>Net position, end of year</b>				<u>\$ (43,527,215)</u>

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

# IONIA PUBLIC SCHOOLS

## Balance Sheet Governmental Funds June 30, 2015

	General Fund	Debt Service	Nonmajor Governmental Fund - Food Service	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 1,447,514	\$ 98,929	\$ 374,412	\$ 1,920,855
Due from other governments	4,963,914	-	16,210	4,980,124
Due from other funds	-	-	3,754	3,754
Inventory	60,333	-	5,921	66,254
Prepaid items	182,512	-	-	182,512
<b>Total assets</b>	<b>\$ 6,654,273</b>	<b>\$ 98,929</b>	<b>\$ 400,297</b>	<b>\$ 7,153,499</b>
<b>Liabilities</b>				
Accounts payable	\$ 209,002	\$ -	\$ 10,059	\$ 219,061
Accrued liabilities	2,883,389	-	12,632	2,896,021
Due to other governments	638,121	-	-	638,121
Due to other funds	3,754	-	-	3,754
State aid notes payable	357,260	-	-	357,260
<b>Total liabilities</b>	<b>4,091,526</b>	<b>-</b>	<b>22,691</b>	<b>4,114,217</b>
<b>Fund balances</b>				
Nonspendable	242,845	-	5,921	248,766
Restricted	-	98,929	371,685	470,614
Unassigned	2,319,902	-	-	2,319,902
<b>Total fund balances</b>	<b>2,562,747</b>	<b>98,929</b>	<b>377,606</b>	<b>3,039,282</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,654,273</b>	<b>\$ 98,929</b>	<b>\$ 400,297</b>	<b>\$ 7,153,499</b>

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

# IONIA PUBLIC SCHOOLS

## Reconciliation

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

Fund balances - total governmental funds	\$ 3,039,282
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	331,540
Capital assets being depreciated, net	27,197,556
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
General obligation bonds payable	(20,650,000)
Loan funds payable	(19,499,212)
Unamortized bond premiums and discounts, net	(821,225)
Unamortized deferred loss on bond refunding	993,404
Accrued interest on bonds payable	(162,376)
Compensated absences payable	(155,585)
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(35,195,900)
Deferred outflows related to the net pension liability	5,286,236
Deferred inflows related to the net pension liability	<u>(3,890,935)</u>
Net position of governmental activities	<u>\$ (43,527,215)</u>

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

# IONIA PUBLIC SCHOOLS

## Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2015

	General Fund	Debt Service	Nonmajor Governmental Fund - Food Service	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 2,162,266	\$ 2,825,294	\$ 281,797	\$ 5,269,357
Interdistrict sources	880,415	-	-	880,415
State sources	23,162,304	11,347	55,475	23,229,126
Federal sources	827,315	-	1,136,523	1,963,838
<b>Total revenues</b>	<b>27,032,300</b>	<b>2,836,641</b>	<b>1,473,795</b>	<b>31,342,736</b>
<b>Expenditures</b>				
Current:				
Instruction	17,080,308	-	-	17,080,308
Supporting services	10,062,134	-	-	10,062,134
Community services	59,673	-	-	59,673
Food services	-	-	1,460,214	1,460,214
Debt service:				
Principal	-	2,500,000	-	2,500,000
Interest and fiscal charges	-	585,422	-	585,422
Bond issuance costs	-	294,611	-	294,611
Capital outlay	-	-	5,632	5,632
<b>Total expenditures</b>	<b>27,202,115</b>	<b>3,380,033</b>	<b>1,465,846</b>	<b>32,047,994</b>
Revenues over (under) expenditures	(169,815)	(543,392)	7,949	(705,258)
<b>Other financing sources (uses)</b>				
Issuance of long-term debt	-	16,455,000	-	16,455,000
Premium on issuance of long-term debt	-	754,524	-	754,524
Payment to refunded bond escrow agent	-	(16,774,913)	-	(16,774,913)
Proceeds from sale of capital assets	4,508	-	-	4,508
<b>Total other financing sources (uses)</b>	<b>4,508</b>	<b>434,611</b>	<b>-</b>	<b>439,119</b>
<b>Net changes in fund balances</b>	<b>(165,307)</b>	<b>(108,781)</b>	<b>7,949</b>	<b>(266,139)</b>
Fund balances, beginning of year	2,728,054	207,710	369,657	3,305,421
<b>Fund balances, end of year</b>	<b>\$ 2,562,747</b>	<b>\$ 98,929</b>	<b>\$ 377,606</b>	<b>\$ 3,039,282</b>

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

# IONIA PUBLIC SCHOOLS

## Reconciliation

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

Net change in fund balances - total governmental funds \$ (266,139)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets purchased/constructed	150,021
Depreciation expense	(1,827,854)
Proceeds from sale of capital assets	(4,508)
Gain on sale of capital assets	4,508

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but a reduction in long-term debt on the statement of net position.

Principal payments on long-term debt	2,500,000
Payment to refunded bond escrow agent	16,774,913
Issuance of long-term debt	(16,455,000)
Premium on long-term debt	(754,524)
Accrued interest on School Loan Funds added to principal	(646,119)
Amortization of bond premiums	26,343
Amortization of deferred loss on bond refunding	(29,525)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in accrued interest payable on bonds	(9,913)
Change in compensated absences payable	(16,258)
Change in the net pension liability and related deferred amounts	730,664

Change in net position of governmental activities \$ 176,609

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

# IONIA PUBLIC SCHOOLS

## Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Local sources	\$ 2,126,500	\$ 2,155,000	\$ 2,162,266	\$ 7,266
Interdistrict sources	1,146,000	899,900	880,415	(19,485)
State sources	22,305,950	23,156,830	23,162,304	5,474
Federal sources	940,301	1,071,000	827,315	(243,685)
<b>Total revenues</b>	<b>26,518,751</b>	<b>27,282,730</b>	<b>27,032,300</b>	<b>(250,430)</b>
<b>Expenditures</b>				
<b>Instruction:</b>				
Basic programs	13,217,591	13,809,650	13,781,361	(28,289)
Added needs	3,125,081	3,397,513	3,298,947	(98,566)
<b>Total instruction</b>	<b>16,342,672</b>	<b>17,207,163</b>	<b>17,080,308</b>	<b>(126,855)</b>
<b>Supporting services:</b>				
Pupil	1,512,180	1,629,665	1,617,093	(12,572)
Instructional staff	720,991	701,347	631,331	(70,016)
General administration	477,370	542,680	521,748	(20,932)
School administration - office of the principal	1,923,150	1,959,720	1,961,303	1,583
Business	389,510	376,670	383,729	7,059
Operations and maintenance	2,201,340	2,296,270	2,200,446	(95,824)
Pupil transportation services	1,780,450	1,733,667	1,744,239	10,572
Central	542,090	528,576	487,033	(41,543)
Other - athletics	485,220	524,840	515,212	(9,628)
<b>Total supporting services</b>	<b>10,032,301</b>	<b>10,293,435</b>	<b>10,062,134</b>	<b>(231,301)</b>
Community services	79,932	86,549	59,673	(26,876)
<b>Total expenditures</b>	<b>26,454,905</b>	<b>27,587,147</b>	<b>27,202,115</b>	<b>(385,032)</b>
Revenues over (under) expenditures	63,846	(304,417)	(169,815)	134,602
<b>Other financing sources</b>				
Proceeds from sale of capital assets	10,000	5,000	4,508	(492)
<b>Net changes in fund balance</b>	<b>73,846</b>	<b>(299,417)</b>	<b>(165,307)</b>	<b>134,110</b>
Fund balance, beginning of year	2,728,054	2,728,054	2,728,054	-
<b>Fund balance, end of year</b>	<b>\$ 2,801,900</b>	<b>\$ 2,428,637</b>	<b>\$ 2,562,747</b>	<b>\$ 134,110</b>

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

# IONIA PUBLIC SCHOOLS

## Statement of Fiduciary Net Position

June 30, 2015

	Scholarship Trust Fund	Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 44,781	\$ 107,623
Investments	756,718	-
<b>Total assets</b>	<u>801,499</u>	<u>\$ 107,623</u>
<b>Liabilities</b>		
Awards payable	35,050	\$ -
Due to student groups	-	107,623
<b>Total liabilities</b>	<u>35,050</u>	<u>\$ 107,623</u>
<b>Net position restricted for scholarships</b>	<u>\$ 766,449</u>	

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



# IONIA PUBLIC SCHOOLS

## Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2015

	Scholarship Trust Fund
<b>Additions</b>	
Contributions	\$ 55,294
Investment gain	<u>13,545</u>
<b>Total additions</b>	68,839
<b>Deductions</b>	
Scholarships awarded	<u>71,567</u>
<b>Change in net position</b>	(2,728)
<b>Net position, beginning of year</b>	<u>769,177</u>
<b>Net position, end of year</b>	<u><u>\$ 766,449</u></u>

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

## NOTES TO FINANCIAL STATEMENTS

# IONIA PUBLIC SCHOOLS

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of *Ionia Public Schools* (the "District") have been prepared in conformity with generally accepted accounting principles 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 District's significant accounting policies are described below.

#### Reporting Entity

The District is an independent entity with an elected Board of Education. The Board consists of seven members and has decision-making authority, the authority to levy taxes and determine its budget, the power to designate management, and primary accountability for fiscal matters. The financial statements of the District contain all funds controlled by the District's Board of Education.

#### *Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2015.

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

Separate financial statements are provided for governmental, proprietary and fiduciary funds even though the latter are excluded from the government-wide financial statements.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, although the agency fund does not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# IONIA PUBLIC SCHOOLS

## Notes to Financial Statements

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

Property taxes, unrestricted school aid, expenditure-driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Additionally, the District reports the following fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The *private-purpose trust fund* is used to account for arrangements under which principal and income benefit individuals, private organizations or other governments. The District's private-purpose trust fund accounts for endowments established to provide scholarships to eligible students.

The *agency fund* accounts for assets held for student groups and organizations and is custodial in nature.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the government-wide financial statements.

# IONIA PUBLIC SCHOOLS

## Notes to Financial Statements

### *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity*

#### *Cash and Cash Equivalents*

The District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

#### *Investments*

The District's investments consist of mutual funds and amounts held in a trustee capacity by the Grand Rapids Community Foundation. Investments are stated at fair value.

State statutes authorize the District to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

#### *Receivables*

The District follows the practice of recording revenues that have been earned but not yet received as receivables. Receivables consist primarily of State Aid payments from the State of Michigan and Federal grant funds earned but not yet collected. No amounts have been identified as potentially uncollectible by management, and therefore, no amount has been recorded as a provision for bad debts.

#### *Inventories*

Inventories are stated at cost using the first-in, first-out method, and consist primarily of food, cafeteria supplies and teaching supplies. USDA donated commodities in the food service fund are recorded at fair value. Inventory reported in the general fund consists of amounts incurred on various building trade projects. Inventories are recorded as assets until consumed, at which time an expenditure is recorded.

# IONIA PUBLIC SCHOOLS

## Notes to Financial Statements

### *Capital Assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

	Years
Land improvements	10 - 20
Buildings and improvements	50
Furniture and equipment	5 - 15
Transportation equipment	5 - 12
Computer equipment	5 - 10

### *Deferred Outflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows for the loss on refunding. This amount represents the difference in the carrying value of refunded debt and its reacquisition price and is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to the net pension liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date. More detailed information on pension-related deferred outflows of resources can be found in Note 10.

### *Accrued Liabilities*

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

# IONIA PUBLIC SCHOOLS

## Notes to Financial Statements

### *Due to Other Governments*

The District was notified by the City of Ionia that property tax captures for tax years 2007-2010 were calculated and applied incorrectly. Based on revised taxable value information provided by the City and applicable millage rates for each respective tax year, the City has notified the District that property tax revenues in the amount of \$638,121 will be recouped. The District has not been notified of the expected timing of the recovery.

### *Unearned Revenues*

Unearned revenue is comprised of amounts received prior to the delivery of goods/service or expenditure on allowable costs.

### *Deferred Inflows of Resources*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District's deferred inflows of resources related to pension costs. More detailed information can be found in Note 10.

### *Compensated Absences*

District employees are granted vacation and sick leave in varying amounts, based on length of service. Unused vacation time does not accumulate from year to year, except for the Superintendent. Unused sick leave accumulates from year to year to a maximum, which varies for different categories of employees, except for certain contractual arrangements. Vacation and sick liabilities are normally liquidated by the General Fund. Upon termination of employment for those central office staff who were approved on October 15, 2001, unused sick leave is paid at 50% of accumulated days at the current per diem rate. Vacation and sick pay is accrued when incurred in the government-wide financial statements. Unused sick leave expires upon termination of non-central office employees and central office employees not included in the October 15, 2001 Board of Education motion.

### *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received in debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

# IONIA PUBLIC SCHOOLS

## Notes to Financial Statements

### *Fund Equity*

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify, or rescind a fund balance commitment. The District reports assigned fund balance for amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Assignments are made by the Board of Education and this authority has not been delegated. Unassigned fund balance is the residual classification for the general fund.

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

### *Interfund Transactions*

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District. Balances outstanding at year-end are reported as due to/from other funds.

### *Property Taxes*

Property taxes are recognized as revenue in the general and debt service funds on a levy year basis. The 2014 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within sixty days after year end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues in the year collected. Property taxes are levied December 1 on the assessed valuation of property located in the District as of the preceding December 31, the lien date. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

### *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



# IONIA PUBLIC SCHOOLS

## Notes to Financial Statements

### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## 2. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan school aid appropriation acts. State funding represented 86% of the District's general fund revenue during the 2015 fiscal year.

## 3. ACCOUNTABILITY AND BUDGETARY COMPLIANCE

### *Budgets and Budgetary Accounting*

Budgets are adopted for general and special revenue funds as required by state law and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The District considers the debt service payment schedule to be an adequate budgetary control for the debt service fund. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
5. Adoption and amendments of all budgets used by the District are governed by Public Act 621, which was followed for the year ended June 30, 2015. Expenditures may not exceed appropriations at the function code level. The appropriations resolutions are based on the projected expenditures budget of the department heads of the District. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the School Board.

# IONIA PUBLIC SCHOOLS

## Notes to Financial Statements

### *Excess of Expenditures over Appropriations in Budgetary Funds*

During the year ended June 30, 2015, the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund			
Supporting services:			
School administration - office of the principal	\$ 1,959,720	\$ 1,961,303	\$ 1,583
Business	376,670	383,729	7,059
Pupil transportation services	1,733,667	1,744,239	10,572

## 4. DEPOSITS AND INVESTMENTS

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

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 1,920,855	\$ 152,404	\$ 2,073,259
Investments	-	756,718	756,718
<b>Total</b>	<b>\$ 1,920,855</b>	<b>\$ 909,122</b>	<b>\$ 2,829,977</b>

Deposits and investments were comprised of the following at year-end:

Checking and savings accounts	\$ 2,051,729
Certificate of deposit (due within one year)	11,075
Mutual funds	9,138
Endowment balance with community foundation	756,718
Cash on hand	1,317
<b>Total</b>	<b>\$ 2,829,977</b>

The District has an endowment fund with the Grand Rapids Community Foundation (the "Foundation"), which is accounted for as an agency fund by the Foundation. Since the Foundation's investments are pooled, the District's specific investments cannot be separately identified. In addition to the amount listed above, the Foundation maintains a donor fund for the benefit of the District which has not been included in the accompanying financial statements. Resources of the donor fund can be requested and expended by the District under the provisions of the fund agreement and upon approval by the Foundation. The balance in the donor fund at June 30, 2015 was \$302,957.

# IONIA PUBLIC SCHOOLS

## Notes to Financial Statements

### *Investment and Deposit Risk*

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year-end, \$1,725,666 of the District's bank balance of \$2,137,275 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk - Investments.* Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agency but not in the government's name. In accordance with the District's investment policy, all investments are held in the name of the District. The District has no investments subject to custodial credit risk at June 30, 2015 as all investments are held in the name of the District.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of District's specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in Note 1 (summary of significant accounting policies). The investment policy does not have specific limits in excess of State law on investment credit risk. Of the above mutual fund investments and balance with the Foundation, the District's custodial credit risk exposure cannot be determined because they are not comprised of specifically identifiable securities.

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investments in mutual funds and investments held by the Foundation have no maturity dates.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

# IONIA PUBLIC SCHOOLS

## Notes to Financial Statements

### 5. RECEIVABLES AND PAYABLES

Receivables in the government-wide financial statements at year-end related to amounts due from other governments of \$4,980,124.

Accounts payable and accrued expenditures in the government-wide financial statements at year-end are as follows:

	Governmental Activities
Accounts	\$ 219,061
Accrued liabilities	2,896,021
Due to other governments	638,121
Interest payable on long-term debt	<u>162,376</u>
 Totals	 <u><u>\$ 3,915,579</u></u>

### 6. INTERFUND TRANSACTIONS

For the year ended June 30, 2015, interfund receivables and payables consisted of the following:

	Interfund Receivable	Interfund Payable
General fund	\$ -	\$ 3,754
Nonmajor governmental funds	<u>3,754</u>	<u>-</u>
 Total	 <u><u>\$ 3,754</u></u>	 <u><u>\$ 3,754</u></u>

Interfund balances result from timing variances between the payment for goods and services by one fund and cash reimbursement from the fund incurring the cost.

# IONIA PUBLIC SCHOOLS

## Notes to Financial Statements

### 7. CAPITAL ASSETS

A summary of changes in capital assets activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 331,540	\$ -	\$ -	\$ -	\$ 331,540
Capital assets, being depreciated:					
Land improvements	5,939,132	-	-	-	5,939,132
Buildings and improvements	42,426,719	90,171	-	-	42,516,890
Equipment and furniture	10,836,883	13,150	-	-	10,850,033
Transportation equipment	2,139,424	46,700	(49,798)	-	2,136,326
Computer equipment	1,869,318	-	-	-	1,869,318
	<u>63,211,476</u>	<u>150,021</u>	<u>(49,798)</u>	<u>-</u>	<u>63,311,699</u>
Less accumulated depreciation for:					
Land improvements	(2,124,480)	(291,762)	-	-	(2,416,242)
Buildings and improvements	(19,157,592)	(1,080,427)	-	-	(20,238,019)
Equipment and furniture	(10,119,393)	(132,444)	-	-	(10,251,837)
Transportation equipment	(1,596,777)	(178,898)	49,798	-	(1,725,877)
Computer equipment	(1,337,845)	(144,323)	-	-	(1,482,168)
	<u>(34,336,087)</u>	<u>(1,827,854)</u>	<u>49,798</u>	<u>-</u>	<u>(36,114,143)</u>
Total capital assets being depreciated, net	<u>28,875,389</u>	<u>(1,677,833)</u>	<u>-</u>	<u>-</u>	<u>27,197,556</u>
Governmental activities capital assets, net	<u>\$ 29,206,929</u>	<u>\$ (1,677,833)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,529,096</u>

Depreciation expense is reported as unallocated in the statement of activities.

# IONIA PUBLIC SCHOOLS

## Notes to Financial Statements

### 8. SHORT-TERM DEBT

The following is a summary of short-term debt transactions of the District for the year ended June 30, 2015:

	Beginning Balance	Additions	Deductions	Ending Balance
School aid anticipation note (matured July 2014)	\$ 357,275	\$ -	\$ (357,275)	\$ -
School aid anticipation note (maturing July 2015) with an interest rate of 0.42%	-	2,500,000	(2,142,740)	357,260
<b>Total short-term debt</b>	<b>\$ 357,275</b>	<b>\$ 2,500,000</b>	<b>\$ (2,500,015)</b>	<b>\$ 357,260</b>

### 9. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2015:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
General obligation bonds	\$ 22,780,000	\$ 16,315,000	\$ (18,445,000)	\$ 20,650,000	\$ 1,905,000
Unamortized premiums	289,863	754,524	(223,162)	821,225	61,850
School Loan Funds	18,713,093	786,119	-	19,499,212	-
Compensated absences	139,327	16,258	-	155,585	-
<b>Total governmental activities</b>	<b>\$ 41,922,283</b>	<b>\$ 17,871,901</b>	<b>\$ (18,668,162)</b>	<b>\$ 41,126,022</b>	<b>\$ 1,966,850</b>

#### General obligation bonds

2006 building and site bonds due in one installment of \$1,000,000 plus interest ranging at 4.00% payable semi-annually, through 2016; partially refunded in 2015

\$ 1,000,000

2013 refunding bonds due in annual installments from \$285,000 to \$375,000 plus interest ranging from 2.00-2.20% through 2025

3,335,000

2015 refunding bonds due in annual installments from \$260,000 to \$1,535,000 plus interest ranging from 2.00-3.00% through 2029

16,315,000

Total

\$ 20,650,000

# IONIA PUBLIC SCHOOLS

## Notes to Financial Statements

Following is a summary of future bond principal maturities and interest requirements:

Year Ended June 30,	Principal	Interest	Total
2016	\$ 1,905,000	\$ 608,716	\$ 2,513,716
2017	1,865,000	473,970	2,338,970
2018	1,840,000	436,670	2,276,670
2019	1,845,000	399,870	2,244,870
2020	1,825,000	362,970	2,187,970
2021-2025	9,065,000	1,122,750	10,187,750
2026-2029	2,305,000	116,400	2,421,400
<b>Totals</b>	<b>\$ 20,650,000</b>	<b>\$ 3,521,346</b>	<b>\$ 24,171,346</b>

The State of Michigan School Loan Funds represent amounts borrowed from the State of Michigan School Bond loan program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the debt service requirements on the general obligation bonds. Changes to the School Loan Funds for the year ended June 30, 2015, are as follows:

	School Bond Loan Fund		School Loan Revolving Fund		Total
	Principal	Interest	Principal	Interest	
Beginning balance	\$ 7,660,277	\$ 7,683,612	\$ 3,045,000	\$ 324,204	\$ 18,713,093
Additions	-	528,955	140,000	117,164	786,119
Ending balance	<u>\$ 7,660,277</u>	<u>\$ 8,212,567</u>	<u>\$ 3,185,000</u>	<u>\$ 441,368</u>	<u>\$ 19,499,212</u>

Compensated absences are expected to be liquidated by the general and food service funds.

### *Refunded and Defeased Debt*

During 2015, the District issued \$16,315,000 of 2015 Refunding Bonds to provide resources to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments on \$885,000 of 2004 Refunding Bonds, \$3,610,000 of 2005 Refunding Bonds and \$11,450,000 of 2006 Building and Site Bonds. As a result, the bonds are considered defeased and the liability has been removed from the statement of net position. The refunding resulted in a savings of \$1,491,967 and an economic gain of \$1,443,275. Defeased bonds outstanding at June 30, 2015 were \$11,450,000, all to be redeemed during fiscal year 2016.

# IONIA PUBLIC SCHOOLS

## Notes to Financial Statements

### 10. RETIREMENT PLAN

#### *General Information about the Pension Plan*

*Plan Description.* The District contributes to the Michigan Public School Employees Retirement System (“MPSERS”), a cost-sharing multiple-employer pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Services with oversight from a 12-member board. Benefit provisions are established and may be amended by state statute. The Office of Retirement Services issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report can be obtained by writing to Michigan Public School Employees Retirement Services, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling (517) 322-5103.

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Member Investment Plan (MIP)	Defined Benefit	Closed
Basic	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

The *Member Investment Plan* (MIP) includes additional subgroups based on hire date. The *MIP Fixed* plan includes members hired prior to January 1, 1990. The *MIP Graded* plan includes members first hired from January 1, 1990 through June 30, 2008. The *MIP Plus* plan includes members first hired from July 1, 2008 through June 30, 2010. Members who initially enrolled in the MIP plan and made a voluntary election to contribute a higher rate are participants in the *MIP 7 %* plan.

Members hired between July 1, 2010 and September 3, 2012 were enrolled in the *Pension Plus* plan. Members hired on or after September 4, 2012 are automatically enrolled in this plan unless an election is made to participate in the defined contribution plan. The plan includes a pension component as well as a savings component. Member contributions to the savings component are matched at a rate of 50% by the employer (up to a maximum of 1%) and invested in a 401(k) plan.

Effective February 1, 2013, members that initially enrolled in MIP were provided the option to convert to a defined contribution plan (*Basic 4%*). In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4% employer contributions to a personal 401(k) account.

A member first enrolling in MPSERS on or after September 4, 2012 may elect to enroll in the *defined contribution* plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the Pension Plus plan as described above.



# IONIA PUBLIC SCHOOLS

## Notes to Financial Statements

*Benefits Provided.* MPSERS provides retirement, death, disability and postemployment benefits to eligible participants. Retirement benefits are calculated as a percentage of the employee's final average compensation times the employee's years of service. All participants qualify for a benefit multiplier of 1.5% for the first 30 years of service. Certain benefit groups receive a reduced rate of 1.25% for service above 30 years. Disability benefits are calculated the same as regular service retirement. Participants are eligible to receive full retirement benefits upon reaching the age and years of service requirements below. Most plans offer additional options for early retirement if certain stipulations have been met. Voluntary contributions vest immediately.

Plan	Eligibility Based on Years of Service	Vesting
Member Investment Plan (MIP)	Age 46 with 30 years or age 60 with 10 years	10 years
Basic	Age 55 with 30 years or Age 60 with 10 years	10 years
Pension Plus	Age 60 with 10 years	4 years
Defined Contribution	Age 46 with 30 years or age 60 with 10 years	4 years

*Contributions.* Employer contributions to the plans are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Member contributions are determined based on date of hire and the plan selected. In addition, the District is invoiced monthly an amount that approximates 7.63% of covered payroll for "MPSERS UAAL Stabilization." This additional contribution is offset by monthly State aid payments equal to the amounts actually billed by the Office of Retirement Services. For the plan year ended September 30, 2015, an additional 1.13% MPSERS liability prepayment was invoiced as a one-time cost. Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization and one-time prepayment rates, range from 27.52% to 31.83% of covered payroll. Plan member contributions range from 0.0% to 7.0% of covered payroll.

The District's contribution to MPSERS under all pension plans, inclusive of the MPSERS UAAL Stabilization and one-time prepayment rates, for the year ended June 30, 2015 was \$4,244,461.

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

At June 30, 2015, the District reported a liability of \$35,195,900 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2014, the District's proportion (as calculated by MPSERS) was 0.15978887%.

# IONIA PUBLIC SCHOOLS

## Notes to Financial Statements

For the year ended June 30, 2015, the District recognized pension expense of \$2,850,963. At June 30, 2015, the District reported pension-related deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in assumptions	\$ 1,298,653	\$ -	\$ 1,298,653
Changes in proportion and differences between employer contribution and proportionate share	-	14	(14)
Net difference between projected and actual earnings on pension plan investments	-	3,890,921	(3,890,921)
	<u>1,298,653</u>	<u>3,890,935</u>	<u>(2,592,282)</u>
District contributions subsequent to the measurement date	3,987,583	-	3,987,583
	<u>3,987,583</u>	<u>-</u>	<u>3,987,583</u>
<b>Total</b>	<b><u>\$ 5,286,236</u></b>	<b><u>\$ 3,890,935</u></b>	<b><u>\$ 1,395,301</u></b>

The amount of deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as pension-related deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2016	\$ (635,045)
2017	(635,045)
2018	(635,045)
2019	<u>(687,147)</u>
<b>Total</b>	<b><u>\$ (2,592,282)</u></b>

*Actuarial Assumptions.* The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.5%
Salary increases	3.5% to 12.3%, including wage inflation at 3.5%
Investment rate of return	8.0% (7.0% for the Pension Plus plan)
Cost of living adjustments	3.0% annual, non-compounded for MIP members
Healthcare cost trend rate	8.5% year 1 graded to 3.5% year 12

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

# IONIA PUBLIC SCHOOLS

## Notes to Financial Statements

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	4.80%	1.34%
Alternative investment pool	18.00%	8.50%	1.53%
International equity	16.00%	6.10%	0.98%
Fixed income pools	10.50%	1.50%	0.16%
Real estate and infrastructure pools	10.00%	5.30%	0.53%
Absolute return pools	15.50%	6.30%	0.98%
Short-term investment pools	2.00%	-0.20%	-0.02%
	100.00%		5.50%
Inflation			2.50%
Investment rate of return			8.00%

*Discount Rate.* The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that District contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the District, calculated using the discount rate of 8.0%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
District's proportionate share of the net pension liability	\$ 46,402,730	\$ 35,195,900	\$ 25,753,981

# IONIA PUBLIC SCHOOLS

## Notes to Financial Statements

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

*Payable to the Pension Plan.* At June 30, 2015, the District reported a payable of \$668,394 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2015.

### *Other Postemployment Benefits*

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the *Premium Subsidy* plan, a defined benefit postemployment healthcare plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.20% to 2.71% of covered payroll. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

Plan members enrolled on or after September 4, 2012 participate in the *Personal Healthcare Fund*. This defined contribution other postemployment benefits plan includes a required 2% employee contribution into a personal tax-deferred account, which is matched by an additional 2% employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2013, these members are no longer required to make the 3% employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 are pending a Supreme Court resolution.

The District's contributions to MPSERS for other postemployment benefits amounted to \$414,381 for the year ended June 30, 2015.

# IONIA PUBLIC SCHOOLS

## Notes to Financial Statements

### 11. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Debt Service	Food Service	Total
<b>Nonspendable</b>				
Inventory	\$ 60,333	\$ -	\$ 5,921	\$ 66,254
Prepaid items	182,512	-	-	182,512
	<u>242,845</u>	<u>-</u>	<u>5,921</u>	<u>248,766</u>
<b>Restricted</b>				
Debt service	-	98,929	-	98,929
Food service program	-	-	371,685	371,685
	<u>-</u>	<u>98,929</u>	<u>371,685</u>	<u>470,614</u>
<b>Unassigned</b>	<u>2,319,902</u>	<u>-</u>	<u>-</u>	<u>2,319,902</u>
<b>Total fund balances - governmental funds</b>	<u>\$ 2,562,747</u>	<u>\$ 98,929</u>	<u>\$ 377,606</u>	<u>\$ 3,039,282</u>

### 12. NET INVESTMENT IN CAPITAL ASSETS

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

	Governmental Activities
<b>Capital assets:</b>	
Capital assets not being depreciated	\$ 331,540
Capital assets being depreciated, net	27,197,556
	<u>27,529,096</u>
<b>Related debt:</b>	
Bonds payable	20,650,000
Premiums on bonds payable, net	821,225
Deferred loss on advance bond refundings, net	(993,404)
	<u>20,477,821</u>
<b>Net investment in capital assets</b>	<u>\$ 7,051,275</u>

# IONIA PUBLIC SCHOOLS

## Notes to Financial Statements

### 13. CONTINGENCIES

#### *Federal Grant Programs*

The District participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

#### *Risk Management*

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2015, the District carried commercial insurance and participated in a public entity risk pool. The District has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

### 14. SUBSEQUENT EVENTS

Subsequent to June 30, 2015, the District received proceeds of \$3,000,000 in State of Michigan School Aid anticipation notes due in July 2016. The notes have a blended effective interest rate of 0.992%.

### 15. RESTATEMENT

The District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result of this change, beginning net position of governmental activities was decreased by \$34,531,263.



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## REQUIRED SUPPLEMENTARY INFORMATION



# IONIA PUBLIC SCHOOLS

## Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30, 2015
District's proportion of the net pension liability	0.15978887%
District's proportionate share of the net pension liability	\$ 35,195,900
District's covered-employee payroll	13,140,445
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	267.84%
Plan fiduciary net position as a percentage of the total pension liability	66.20%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

# IONIA PUBLIC SCHOOLS

## Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

### Schedule of District Contributions

	Year Ended June 30, 2015
Contractually required contribution	\$ 4,244,461
Contributions in relation to the contractually required contribution	<u>(4,244,461)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
District's covered-employee payroll	\$ 13,126,974
Contributions as a percentage of covered employee payroll	32.33%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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## SUPPLEMENTARY INFORMATION

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## GENERAL FUND

# IONIA PUBLIC SCHOOLS

## Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Local sources	\$ 2,126,500	\$ 2,155,000	\$ 2,162,266	\$ 7,266
Interdistrict sources	1,146,000	899,900	880,415	(19,485)
State sources	22,305,950	23,156,830	23,162,304	5,474
Federal sources	940,301	1,071,000	827,315	(243,685)
<b>Total revenues</b>	<b>26,518,751</b>	<b>27,282,730</b>	<b>27,032,300</b>	<b>(250,430)</b>
<b>Expenditures</b>				
Instruction:				
Basic programs:				
Elementary	6,357,250	6,536,150	6,495,605	(40,545)
Middle school	3,012,950	3,128,030	3,116,670	(11,360)
High school	3,703,300	4,002,060	4,027,778	25,718
Pre-kindergarten	78,590	86,790	84,883	(1,907)
Summer school	65,501	56,620	56,425	(195)
<b>Total basic programs</b>	<b>13,217,591</b>	<b>13,809,650</b>	<b>13,781,361</b>	<b>(28,289)</b>
Added needs:				
Special education	2,591,530	2,708,320	2,719,872	11,552
Compensatory education	533,551	689,193	579,075	(110,118)
<b>Total added needs</b>	<b>3,125,081</b>	<b>3,397,513</b>	<b>3,298,947</b>	<b>(98,566)</b>
<b>Total instruction</b>	<b>16,342,672</b>	<b>17,207,163</b>	<b>17,080,308</b>	<b>(126,855)</b>
Supporting services:				
Pupil:				
Guidance services	462,530	505,980	491,643	(14,337)
Health services	66,000	66,330	63,919	(2,411)
Speech pathology and audiology services	606,500	641,500	646,103	4,603
Social work services	166,400	164,290	163,745	(545)
Teacher consultation	210,750	251,565	251,683	118
<b>Total pupil</b>	<b>1,512,180</b>	<b>1,629,665</b>	<b>1,617,093</b>	<b>(12,572)</b>
Instructional staff:				
Improvement of instruction	145,800	230,287	160,886	(69,401)
Educational media services	127,050	142,930	141,244	(1,686)
Instruction related technology	45,947	-	198	198
Supervision and direction of instructional staff	402,194	328,130	329,003	873
<b>Total instructional staff</b>	<b>720,991</b>	<b>701,347</b>	<b>631,331</b>	<b>(70,016)</b>

continued...

# IONIA PUBLIC SCHOOLS

## Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures</b>				
Supporting services (concluded):				
General administration:				
Board of education	\$ 125,300	\$ 132,800	\$ 118,932	\$ (13,868)
Executive administration	352,070	409,880	402,816	(7,064)
Total general administration	<u>477,370</u>	<u>542,680</u>	<u>521,748</u>	<u>(20,932)</u>
School administration - office of the principal	<u>1,923,150</u>	<u>1,959,720</u>	<u>1,961,303</u>	<u>1,583</u>
Business:				
Fiscal services	347,110	341,570	350,737	9,167
Other business services	42,400	35,100	32,992	(2,108)
Total business	<u>389,510</u>	<u>376,670</u>	<u>383,729</u>	<u>7,059</u>
Operations and maintenance	<u>2,201,340</u>	<u>2,296,270</u>	<u>2,200,446</u>	<u>(95,824)</u>
Pupil transportation services	<u>1,780,450</u>	<u>1,733,667</u>	<u>1,744,239</u>	<u>10,572</u>
Central:				
Staff/personnel services	18,870	13,376	10,301	(3,075)
Non-instructional technology services	444,720	436,700	398,825	(37,875)
Pupil accounting	78,500	78,500	77,907	(593)
Total central	<u>542,090</u>	<u>528,576</u>	<u>487,033</u>	<u>(41,543)</u>
Other - athletics	<u>485,220</u>	<u>524,840</u>	<u>515,212</u>	<u>(9,628)</u>
Total supporting services	<u>10,032,301</u>	<u>10,293,435</u>	<u>10,062,134</u>	<u>(231,301)</u>
Community services:				
Community activities	61,290	59,707	54,592	(5,115)
Non-public school pupils	18,642	26,842	5,081	(21,761)
Total community services	<u>79,932</u>	<u>86,549</u>	<u>59,673</u>	<u>(26,876)</u>
Total expenditures	<u>26,454,905</u>	<u>27,587,147</u>	<u>27,202,115</u>	<u>(385,032)</u>
Revenues over (under) expenditures	63,846	(304,417)	(169,815)	134,602

continued...



## IONIA PUBLIC SCHOOLS

**Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual - General Fund  
 For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Other financing sources				
Proceeds from sale of capital assets	\$ 10,000	\$ 5,000	\$ 4,508	\$ (492)
Net changes in fund balance	73,846	(299,417)	(165,307)	134,110
Fund balance, beginning of year	2,728,054	2,728,054	2,728,054	-
Fund balance, end of year	<u>\$ 2,801,900</u>	<u>\$ 2,428,637</u>	<u>\$ 2,562,747</u>	<u>\$ 134,110</u>

concluded

## NONMAJOR GOVERNMENTAL FUNDS

# IONIA PUBLIC SCHOOLS

## Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Food Service Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Local sources	\$ 327,500	\$ 288,010	\$ 281,797	\$ (6,213)
State sources	62,000	55,670	55,475	(195)
Federal sources	1,113,000	1,117,500	1,136,523	19,023
<b>Total revenues</b>	<u>1,502,500</u>	<u>1,461,180</u>	<u>1,473,795</u>	<u>12,615</u>
<b>Expenditures</b>				
Current - food services	1,530,550	1,500,130	1,460,214	(39,916)
Capital outlay	15,000	10,000	5,632	(4,368)
<b>Total expenditures</b>	<u>1,545,550</u>	<u>1,510,130</u>	<u>1,465,846</u>	<u>(44,284)</u>
<b>Net changes in fund balance</b>	(43,050)	(48,950)	7,949	56,899
Fund balance, beginning of year	<u>369,657</u>	<u>369,657</u>	<u>369,657</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 326,607</u>	<u>\$ 320,707</u>	<u>\$ 377,606</u>	<u>\$ 56,899</u>

## AGENCY FUND

# IONIA PUBLIC SCHOOLS

## Statement of Changes in Fiduciary Assets and Liabilities

Agency Fund  
June 30, 2015

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
<b>Assets</b>				
Cash and cash equivalents	\$ 122,747	\$ 106,430	\$ (121,554)	\$ 107,623
<b>Liabilities</b>				
Due to student groups	\$ 122,747	\$ 106,430	\$ (121,554)	\$ 107,623

## SINGLE AUDIT ACT COMPLIANCE

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**INDEPENDENT AUDITORS' REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

October 21, 2015

Board of Education  
Ionia Public Schools  
Ionia, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Ionia Public Schools* (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 21, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Rehmann Robson LLC*



# IONIA PUBLIC SCHOOLS

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

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Approved Grant Award Amount
<b>U.S. Department of Agriculture</b>				
Child Nutrition Cluster:				
Cash assistance:				
National school lunch - breakfast	10.553	MDE	141970-1314	\$ 31,868
National school lunch - breakfast	10.553	MDE	151970-1415	270,117
National school lunch	10.555	MDE	141960-1314	85,765
National school lunch	10.555	MDE	151960-1415	636,045
Summer food service	10.559	MDE	140900-1314	27,619
Summer food service	10.559	MDE	141900-1314	2,531
Non-cash assistance:				
Entitlement commodities	10.555	MDE	n/a	79,282
Fresh fruit and vegetable program	10.582	MDE	140950-1314	13,609
Fresh fruit and vegetable program	10.582	MDE	150950-1415	7,515
Fresh fruit and vegetable program	10.582	MDE	1509V0-1415	835
<b>Total U.S. Department of Agriculture</b>				
<b>U.S. Department of Education</b>				
Title I, Part A - Improving Basic Programs:				
2013 - 2014	84.010	MDE	141530-1314	831,559
2014 - 2015	84.010	MDE	151530-1415	735,571
Title II, Part A - Improving Teacher Quality:				
2013 - 2014	84.367	MDE	140520-1314	156,949
2014 - 2015	84.367	MDE	150520-1415	206,446
Title VI, Part B - Rural Education	84.358	MDE	150660-1415	56,395
McKinney Vento	84.196A	MCISD	142320-1314	792
<b>Total U.S. Department of Education</b>				
<b>Total Federal Financial Assistance</b>				

<sup>(1)</sup> The accrued revenue balance as of June 30, 2014 was adjusted by \$174 for amounts not received by the District.

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue June 30, 2014	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Expenditures Year Ended June 30, 2015	Accrued (Unearned) Revenue June 30, 2015
\$ 19,683	\$ 51,551	\$ -	\$ 31,868	\$ -
-	270,116	-	270,116	-
53,090	138,855	-	85,765	-
-	636,045	-	636,045	-
-	19,068	-	24,167	5,099
1,064	3,038	-	1,974	-
-	78,238	-	78,238	-
<u>73,837</u>	<u>1,196,911</u>	<u>-</u>	<u>1,128,173</u>	<u>5,099</u>
5,053 <sup>(1)</sup>	5,053	-	-	-
-	6,531	-	7,515	984
-	835	-	835	-
<u>5,053</u>	<u>12,419</u>	<u>-</u>	<u>8,350</u>	<u>984</u>
<u>78,890</u>	<u>1,209,330</u>	<u>-</u>	<u>1,136,523</u>	<u>6,083</u>
251,451	330,328	664,084	78,877	-
-	517,158	-	552,953	35,795
<u>251,451</u>	<u>847,486</u>	<u>664,084</u>	<u>631,830</u>	<u>35,795</u>
27,178	50,252	57,519	23,074	-
-	102,011	-	115,224	13,213
<u>27,178</u>	<u>152,263</u>	<u>57,519</u>	<u>138,298</u>	<u>13,213</u>
-	56,395	-	56,395	-
-	792	-	792	-
<u>278,629</u>	<u>1,056,936</u>	<u>721,603</u>	<u>827,315</u>	<u>49,008</u>
<u>\$ 357,519</u>	<u>\$ 2,266,266</u>	<u>\$ 721,603</u>	<u>\$ 1,963,838</u>	<u>\$ 55,091</u>

# IONIA PUBLIC SCHOOLS

## Notes to Schedule of Expenditures of Federal Awards

### 1. BASIS OF ACCOUNTING

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

### 2. RECONCILIATION OF BASIC FINANCIAL STATEMENTS

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

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

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

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

### 3. PASS-THROUGH AGENCIES

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

Pass-through Agency Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
MCISD	Montcalm County Intermediate School District



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

October 21, 2015

Board of Education  
Ionia Public Schools  
Ionia, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Ionia Public Schools* (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2015.

#### Internal Control Over Financial Reporting

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

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

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

October 21, 2015

Board of Education  
Ionia Public Schools  
Ionia, Michigan**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Independent Auditors' Responsibility***

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

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

### *Opinion on Each Major Federal Program*

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

### *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001, that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

#### Purpose of this Report

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

A handwritten signature in black ink that reads "Rehmann Lohorn LLC". The signature is written in a cursive style with a large, prominent 'R' at the beginning.



# IONIA PUBLIC SCHOOLS

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

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?        yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?   X   yes        none reported

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

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

Identification of major programs:

CFDA Number Name of Federal Program or Cluster

10.553, 10.555 and 10.559 Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:   \$  300,000  

Auditee qualified as low-risk auditee?   X   yes        no

# IONIA PUBLIC SCHOOLS

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

### SECTION II - FINANCIAL STATEMENT FINDINGS

No matters reported.

# IONIA PUBLIC SCHOOLS

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

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### 2015-001 - Internal Controls over Eligibility

**Finding Type.** Immaterial Noncompliance / Significant Deficiency in Internal Control over Compliance (Eligibility).

**Program.** Child Nutrition Cluster; U.S. Department of Agriculture; CFDA Numbers 10.553, 10.555 and 10.559; Passed through the Michigan Department of Education; Award Numbers 140900-1314, 141900-1314, 141960-1314, 141970-1314, 151960-1415 and 151970-1415.

**Criteria.** Recipients of federal awards are responsible for compliance with various requirements in accordance with the 2 CFR 200 Compliance Supplement and the award agreement. The Child Nutrition Cluster requires that students receiving free or reduced rate meals meet certain income guidelines, unless they are categorically eligible by being homeless, a migrant, or by meeting other specified conditions. Eligibility determinations should be supported by an application or other documentation.

**Condition.** In our sample of 40 applications from all students receiving free or reduced cost meals during the year, we noted one instance in which the student's eligibility for participation in the program was calculated incorrectly.

**Cause.** This condition was caused by an oversight by the food service staff when entering the household income into the food service system, which then calculates the student eligibility.

**Effect.** As a result of this condition, the District provided free meals to a student who only qualified for reduced-price meals.

**Questioned Costs.** Based on the actual meals provided to the student noted in the condition above (including siblings and others listed on the same application) at the stated reimbursement rate of the pass-through grantor, known questioned costs amounted to just \$29.

**Recommendation.** We recommend that the District review its existing procedures for obtaining and processing applications to determine whether procedures could be revised, in a cost-effective manner, to prevent similar errors in the future. Whenever possible, that eligibility determinations should be reviewed for accuracy by an independent individual or administrator.

**View of Responsible Officials.** Ionia Public Schools will implement a process whereby it will independently review all of the free, reduced and denied applications to ensure the accuracy of the eligibility determinations.

# IONIA PUBLIC SCHOOLS

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

No matters reported.





**Dr. Patricia L. Batista, Superintendent**  
**Benjamin R. Kirby, Ed.S., Associate Superintendent**  
**Donald G. Wilcox, Director of Finance**

**250 E. Tuttle Road**  
**Ionia, MI 48846**  
**616-527-9280**  
**616-527-8846 (Fax)**  
**www.dawggle.net**

October 19, 2015

**Re: Corrective Action Plan for Audit Finding for the Fiscal Year Ending June 30, 2015**

The following is the corrective action plan for the one audit finding in the single audit report for the fiscal year ending June 30, 2015.

**2015-001 - Internal Controls over Eligibility**

Condition - In the samples of 40 applications from all students receiving free or reduce cost meals during the year, there was one instance in which the student's eligibility for participation was calculated incorrectly.

Corrective Action - Ionia Public Schools will implement a process whereby it will independently review all of the free, reduced and denied applications to ensure the accuracy of the eligibility determinations.

Person Responsible for the Corrective Action Plan - Elena May, Food Service Director

Anticipated Completion Date: The process of implementing independent review of all free, reduced and denied applications will start in September 2015 and will be on-going throughout each school year.