

Ionia Public
Schools



Year Ended,
June 30, 2016

Financial
Statements and
Single Audit Act
Compliance

IONIA PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 13, 2016

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, 2016, 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, 2016, 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.

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 13, 2016 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.

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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, 2016.

Financial Highlights

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,463,889, an increase of \$424,607 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,534,417 or 9.2% of total general fund expenditures.
- The District had capital assets of \$26,306,341.

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, 2016.

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.

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.

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Management's Discussion and Analysis

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 of resources exceeded assets and deferred outflows of resources by \$43,653,130 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	
	2016	2015
Assets		
Current and other assets	\$ 8,093,349	\$ 7,149,745
Capital assets, net	26,306,341	27,529,096
Total assets	<u>34,399,690</u>	<u>34,678,841</u>
Deferred outflows of resources	<u>5,819,115</u>	<u>6,279,640</u>
Liabilities		
Current and other liabilities	44,212,910	39,468,739
Long-term liabilities	39,528,165	41,126,022
Total liabilities	<u>83,741,075</u>	<u>80,594,761</u>
Deferred inflows of resources	<u>130,860</u>	<u>3,890,935</u>
Net position		
Net investment in capital assets	7,721,440	7,051,275
Restricted	653,737	377,606
Unrestricted (deficit)	(52,028,307)	(50,956,096)
Total net position	<u>\$ (43,653,130)</u>	<u>\$ (43,527,215)</u>

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Management's Discussion and Analysis

	Change in Net Position	
	2016	2015
Revenues		
Program revenues:		
Charges for services	\$ 385,715	\$ 411,592
Operating grants and contributions	7,145,289	6,324,407
Capital grants and contributions	307,957	-
General revenues:		
Property taxes - operations	2,106,096	1,946,077
Property taxes - debt service	2,912,555	2,823,613
Grants and contributions not restricted to specific programs	19,442,757	19,749,924
Gain on sale of capital assets	10,943	4,508
Unrestricted investment earnings	2,431	3,323
Other revenues	79,042	83,800
Total revenues	<u>32,392,785</u>	<u>31,347,244</u>
Expenses		
Instruction	17,545,969	16,549,567
Supporting services	10,043,513	9,248,567
Athletics	534,129	503,275
Community services	49,696	59,602
Food services	1,450,514	1,442,523
Interest on long-term debt	1,125,758	1,539,247
Depreciation - unallocated	1,769,121	1,827,854
Total expenses	<u>32,518,700</u>	<u>31,170,635</u>
Change in net position	(125,915)	176,609
Net position, beginning of year	(43,527,215)	(9,172,561)
Restatement	-	(34,531,263)
Net position, end of year	<u>\$ (43,653,130)</u>	<u>\$ (43,527,215)</u>

Governmental Activities. Net position decreased by \$125,915. The total unrestricted net position deficit increased from \$50,956,096 in the prior year to \$52,028,307. This was primarily the result of increased instruction and supporting services expenses.

In the current year the District received capital grants and contributions amounting \$307,957 as part of the E-Rate grant program for a phone system upgrade.

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 \$2,534,417, while the total fund balance was \$2,731,157. 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 9.2% and 9.9%, respectively, of total general fund expenditures.

The fund balance of the District's general fund increased by \$168,410, or 6.6% 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 increase in fund balance was primarily due to prior year personal property tax revenues in the amount of \$120,550.

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 revenue for student memberships was decreased by approximately \$200,000 from the original to the final amended budget, as actual student enrollment was lower than expected.
- Budgeted other revenue for special education ICT from Ionia County Intermediate School District (ISD) was increased by \$240,000 from the original to the final amended budget due to the current year receipt of Priority 4 funding.

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 \$156,000 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.
- Actual revenue from interdistrict sources were approximately \$44,000 less than the final amended budget because the actual special education reimbursement from the Ionia ISD was less than budgeted.

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, 2016 amounted to \$26,306,341 (net of accumulated depreciation). Significant additions included new transportation equipment. Capital assets at year-end included the following:

	Capital Assets (Net of Depreciation)	
	2016	2015
Land	\$ 331,540	\$ 331,540
Land improvements	3,233,655	3,522,890
Buildings and improvements	21,191,815	22,278,871
Equipment and furniture	543,467	598,196
Transportation equipment	402,786	410,449
Computer equipment	603,078	387,150
Total capital assets, net	<u>\$ 26,306,341</u>	<u>\$ 27,529,096</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 \$39,528,165. The District's total debt decreased by \$1,597,857 during the current fiscal year. In the current year, the District refinanced \$19,965,000 of its Michigan School Bond Loan Fund debt. Overall, the District has outstanding general obligation bonds of \$38,710,000. Remaining debt includes \$2,920 in School Bond Loan Fund borrowings, \$55,870 accrued compensated absences, and unamortized premiums of \$759,375.

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 \$20 per student.
- Property tax operating millage will remain the same as the 2015-2016 school year.
- The District plans to borrow \$2.5 million through the State Aid Note Loan Program for cash flow purposes.
- Union contract settlements may result in future increased costs.

Requests for Information

This financial report is designed to provide a 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 Adrienne Barna, 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, 2016

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,810,176
Receivables	5,079,856
Inventories	66,910
Prepays	136,407
Capital assets not being depreciated	331,540
Capital assets being depreciated, net	<u>25,974,801</u>
Total assets	<u>34,399,690</u>
Deferred outflows of resources	
Deferred charge on advance bond refundings, net	919,474
Deferred pension amounts	<u>4,899,641</u>
Total deferred outflows of resources	<u>5,819,115</u>
Liabilities	
Accounts payable and accrued liabilities	4,273,315
Unearned revenue	6,311
Note payable	428,829
Long-term debt:	
Due in one year	2,929,791
Due in more than one year	36,598,374
Net pension liability	<u>39,504,455</u>
Total liabilities	<u>83,741,075</u>
Deferred inflows of resources	
Deferred pension amounts	<u>130,860</u>
Net position	
Net investment in capital assets	7,721,440
Restricted for food service operations	399,342
Restricted for debt service	254,395
Unrestricted (deficit)	<u>(52,028,307)</u>
Total net position	<u>\$ (43,653,130)</u>

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

IONIA PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2016

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction	\$ 17,545,969	\$ -	\$ 5,546,938	\$ -	\$ (11,999,031)
Supporting services	10,043,513	38,099	382,810	307,957	(9,314,647)
Athletics	534,129	89,704	-	-	(444,425)
Community services	49,696	-	-	-	(49,696)
Food services	1,450,514	257,912	1,215,541	-	22,939
Interest on long-term debt	1,125,758	-	-	-	(1,125,758)
Unallocated depreciation	1,769,121	-	-	-	(1,769,121)
Total governmental activities	\$ 32,518,700	\$ 385,715	\$ 7,145,289	\$ 307,957	(24,679,739)
General revenues					
Property taxes - operations					2,106,096
Property taxes - debt service					2,912,555
Unrestricted State aid					19,442,757
Gain on sale of capital assets					10,943
Unrestricted investment earnings					2,431
Other revenues					79,042
Total general revenues					24,553,824
Change in net position					(125,915)
Net position, beginning of year					(43,527,215)
Net position, end of year					\$ (43,653,130)

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

IONIA PUBLIC SCHOOLS

Balance Sheet Governmental Funds June 30, 2016

	General Fund	Debt Service	Nonmajor Governmental Fund - Food Service	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,183,769	\$ 275,600	\$ 350,807	\$ 2,810,176
Accounts receivable	3,380	-	326	3,706
Due from other governments	4,961,005	57,790	57,355	5,076,150
Due from other funds	-	-	7,598	7,598
Inventory	60,333	-	6,577	66,910
Prepaid items	136,407	-	-	136,407
Total assets	\$ 7,344,894	\$ 333,390	\$ 422,663	\$ 8,100,947
Liabilities				
Accounts payable	\$ 203,634	\$ -	\$ 6,876	\$ 210,510
Accrued liabilities	3,159,536	-	16,296	3,175,832
Due to other governments	807,829	-	149	807,978
Due to other funds	7,598	-	-	7,598
Unearned revenue	6,311	-	-	6,311
State aid notes payable	428,829	-	-	428,829
Total liabilities	4,613,737	-	23,321	4,637,058
Fund balances				
Nonspendable	196,740	-	6,577	203,317
Restricted	-	333,390	392,765	726,155
Unassigned	2,534,417	-	-	2,534,417
Total fund balances	2,731,157	333,390	399,342	3,463,889
Total liabilities and fund balances	\$ 7,344,894	\$ 333,390	\$ 422,663	\$ 8,100,947

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, 2016

Fund balances - total governmental funds	\$ 3,463,889
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	25,974,801
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	(38,710,000)
Loan funds payable	(2,920)
Unamortized bond premiums and discounts, net	(759,375)
Unamortized deferred charge on bond refunding	919,474
Accrued interest on bonds payable	(78,995)
Compensated absences payable	(55,870)
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	(39,504,455)
Deferred outflows related to the net pension liability	4,899,641
Deferred inflows related to the net pension liability	(130,860)
Net position of governmental activities	<u>\$ (43,653,130)</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, 2016

	General Fund	Debt Service	Nonmajor Governmental Fund - Food Service	Total Governmental Funds
Revenues				
Local sources	\$ 2,313,598	\$ 2,914,329	\$ 259,164	\$ 5,487,091
Interdistrict sources	994,497	-	-	994,497
State sources	23,523,858	4,644	51,787	23,580,289
Federal sources	849,506	-	1,162,502	2,012,008
Total revenues	27,681,459	2,918,973	1,473,453	32,073,885
Expenditures				
Current:				
Instruction	16,923,714	-	-	16,923,714
Supporting services	10,539,711	-	-	10,539,711
Community services	49,402	-	-	49,402
Food services	-	-	1,431,152	1,431,152
Debt service:				
Principal	-	1,905,000	-	1,905,000
Interest and fiscal charges	-	608,714	-	608,714
Bond issuance costs	-	102,637	-	102,637
Capital outlay	-	-	20,565	20,565
Other expenditures	11,165	51,161	-	62,326
Total expenditures	27,523,992	2,667,512	1,451,717	31,643,221
Revenues over expenditures	157,467	251,461	21,736	430,664
Other financing sources (uses)				
Issuance of long-term debt	-	19,965,000	-	19,965,000
Payment to refunded bond escrow agent	-	(19,982,000)	-	(19,982,000)
Proceeds from sale of capital assets	10,943	-	-	10,943
Total other financing sources (uses)	10,943	(17,000)	-	(6,057)
Net changes in fund balances	168,410	234,461	21,736	424,607
Fund balances, beginning of year	2,562,747	98,929	377,606	3,039,282
Fund balances, end of year	\$ 2,731,157	\$ 333,390	\$ 399,342	\$ 3,463,889

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, 2016

Net change in fund balances - total governmental funds \$ 424,607

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	238,409
Capital assets contributed	307,957
Depreciation expense	(1,769,121)
Proceeds from sale of capital assets	(10,943)
Gain on sale of capital assets	10,943

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	1,905,000
Payment to refunded bond escrow agent	19,982,000
Issuance of long-term debt	(19,965,000)
Accrued interest on School Loan Funds added to principal	(485,708)
Amortization of bond premiums	61,850
Amortization of deferred charge on bond refunding	(73,930)

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	83,381
Change in compensated absences payable	99,715
Change in the net pension liability and related deferred amounts	(935,075)

Change in net position of governmental activities \$ (125,915)

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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 2,140,050	\$ 2,247,400	\$ 2,313,598	\$ 66,198
Interdistrict sources	798,000	1,038,200	994,497	(43,703)
State sources	23,764,101	23,627,590	23,523,858	(103,732)
Federal sources	924,588	1,005,661	849,506	(156,155)
Total revenues	27,626,739	27,918,851	27,681,459	(237,392)
Expenditures				
Instruction:				
Basic programs	13,897,180	13,685,998	13,600,568	(85,430)
Added needs	3,419,727	3,412,881	3,323,146	(89,735)
Total instruction	17,316,907	17,098,879	16,923,714	(175,165)
Supporting services:				
Pupil	1,648,010	1,769,250	1,760,734	(8,516)
Instructional staff	755,650	808,044	735,968	(72,076)
General administration	568,240	612,860	627,277	14,417
School administration - office of the principal	2,000,430	2,024,980	1,999,048	(25,932)
Business	384,340	447,660	444,161	(3,499)
Operations and maintenance	2,297,060	2,214,690	2,152,218	(62,472)
Pupil transportation services	1,826,800	1,745,306	1,756,252	10,946
Central	526,780	587,848	526,724	(61,124)
Other - athletics	533,500	550,040	537,329	(12,711)
Total supporting services	10,540,810	10,760,678	10,539,711	(220,967)
Community services	85,549	75,340	49,402	(25,938)
Other expenditures	-	-	11,165	11,165
Total expenditures	27,943,266	27,934,897	27,523,992	(410,905)
Revenues over (under) expenditures	(316,527)	(16,046)	157,467	173,513
Other financing sources				
Proceeds from sale of capital assets	5,000	11,000	10,943	(57)
Net changes in fund balance	(311,527)	(5,046)	168,410	173,456
Fund balance, beginning of year	2,562,747	2,562,747	2,562,747	-
Fund balance, end of year	\$ 2,251,220	\$ 2,557,701	\$ 2,731,157	\$ 173,456

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

IONIA PUBLIC SCHOOLS

Statement of Fiduciary Net Position

June 30, 2016

	Scholarship Trust Fund	Agency Fund
Assets		
Cash and cash equivalents	\$ 26,912	\$ 109,450
Investments	712,784	-
Accounts receivable	773	-
	<hr/>	<hr/>
Total assets	740,469	\$ 109,450
	<hr/>	<hr/>
Liabilities		
Awards payable	38,277	\$ -
Due to student groups	-	109,450
	<hr/>	<hr/>
Total liabilities	38,277	\$ 109,450
	<hr/>	<hr/>
Net position restricted for scholarships	\$ 702,192	
	<hr/>	

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, 2016

	Scholarship Trust Fund
Additions	
Contributions	\$ 33,280
Investment loss	<u>(27,614)</u>
Total additions	5,666
Deductions	
Scholarships awarded	<u>69,923</u>
Change in net position	(64,257)
Net position, beginning of year	<u>766,449</u>
Net position, end of year	<u><u>\$ 702,192</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, 2016.

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 funds:

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 *Scholarship 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.

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.

IONIA PUBLIC SCHOOLS

Notes to Financial Statements

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.

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.

IONIA PUBLIC SCHOOLS

Notes to Financial Statements

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.

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 District expects that State Aid in the amount of \$807,829 will be eventually be recouped.

IONIA PUBLIC SCHOOLS

Notes to Financial Statements

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 2015 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 85% of the District's general fund revenue during the 2016 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, 2016. 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.

Excess of Expenditures over Appropriations in Budgetary Funds

During the year ended June 30, 2016, 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:			
General administration	\$ 612,860	\$ 627,277	\$ 14,417
Pupil transportation services	1,745,306	1,756,252	10,946
Other expenditures	-	11,165	11,165

IONIA PUBLIC SCHOOLS

Notes to Financial Statements

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	\$ 2,810,176	\$ 136,362	\$ 2,946,538
Investments	-	712,784	712,784
Total	\$ 2,810,176	\$ 849,146	\$ 3,659,322

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

Checking and savings accounts	\$ 2,935,820
Mutual funds	9,421
Endowment balance with community foundation	712,784
Cash on hand	1,297
Total	\$ 3,659,322

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, 2016 was \$261,079.

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, \$3,106,023 of the District's bank balance of \$3,517,569 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, 2016 as all investments are held in the name of the District.

IONIA PUBLIC SCHOOLS

Notes to Financial Statements

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.

Fair Value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investments in mutual funds are valued using Level 1 inputs, and the endowment balance with the community foundation is valued using Level 3 inputs.

5. RECEIVABLES AND PAYABLES

Receivables in the government-wide financial statements at year-end related to accounts of \$3,706 and amounts due from other governments of \$5,076,150, for a total of \$5,079,856.

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

	Governmental Activities
Accounts	\$ 210,510
Accrued liabilities	3,175,832
Due to other governments	807,978
Interest payable on long-term debt	<u>78,995</u>
Totals	<u>\$ 4,273,315</u>

IONIA PUBLIC SCHOOLS

Notes to Financial Statements

6. INTERFUND TRANSACTIONS

For the year ended June 30, 2016, interfund receivables and payables consisted of the following:

	Interfund Receivable	Interfund Payable
General fund	\$ -	\$ 7,598
Nonmajor governmental funds	7,598	-
Total	<u>\$ 7,598</u>	<u>\$ 7,598</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.

7. CAPITAL ASSETS

A summary of changes in capital assets activity for the year ended June 30, 2016 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	42,516,890	-	-	-	42,516,890
Equipment and furniture	10,850,033	40,121	-	-	10,890,154
Transportation equipment	2,136,326	121,299	(152,300)	-	2,105,325
Computer equipment	1,869,318	384,946	(81,267)	-	2,172,997
	<u>63,311,699</u>	<u>546,366</u>	<u>(233,567)</u>	<u>-</u>	<u>63,624,498</u>
Less accumulated depreciation for:					
Land improvements	(2,416,242)	(289,235)	-	-	(2,705,477)
Buildings and improvements	(20,238,019)	(1,087,056)	-	-	(21,325,075)
Equipment and furniture	(10,251,837)	(94,850)	-	-	(10,346,687)
Transportation equipment	(1,725,877)	(128,962)	152,300	-	(1,702,539)
Computer equipment	(1,482,168)	(169,018)	81,267	-	(1,569,919)
	<u>(36,114,143)</u>	<u>(1,769,121)</u>	<u>233,567</u>	<u>-</u>	<u>(37,649,697)</u>
Total capital assets being depreciated, net	<u>27,197,556</u>	<u>(1,222,755)</u>	<u>-</u>	<u>-</u>	<u>25,974,801</u>
Governmental activities capital assets, net	<u>\$ 27,529,096</u>	<u>\$ (1,222,755)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,306,341</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, 2016:

	Beginning Balance	Additions	Deductions	Ending Balance
School aid anticipation note (maturing July 2015) with an interest rate of 0.42%	\$ 357,260	\$ -	\$ (357,260)	\$ -
School aid anticipation note (maturing July 2016) with an interest rate of 0.76%	-	2,049,057	(1,757,628)	291,429
School aid anticipation note (maturing July 2016) with an interest rate of 0.64%	-	965,400	(828,000)	137,400
Total short-term debt	\$ 357,260	\$ 3,014,457	\$ (2,942,888)	\$ 428,829

9. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2016:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 20,650,000	\$ 19,965,000	\$ (1,905,000)	\$ 38,710,000	\$ 2,865,000
Unamortized premiums	821,225	-	(61,850)	759,375	61,850
School Loan Funds	19,499,212	485,708	(19,982,000)	2,920	-
Compensated absences	155,585	1,904	(101,619)	55,870	2,941
Total governmental activities	\$ 41,126,022	\$ 20,452,612	\$ (22,050,469)	\$ 39,528,165	\$ 2,929,791

General obligation bonds

2013 refunding bonds due in annual installments from \$285,000 to \$375,000 plus interest ranging from 2.00-2.20% through 2025	\$ 15,775,000
2015 refunding bonds due in annual installments from \$260,000 to \$1,535,000 plus interest ranging from 2.00-3.00% through 2029	2,970,000
2016 refunding bonds due in annual installments from \$1,000,000 to \$4,060,000 plus interest ranging from 1.27-2.33% through 2022	<u>19,965,000</u>
Total	<u>\$ 38,710,000</u>

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
2017	\$ 2,865,000	\$ 891,420	\$ 3,756,420
2018	5,410,000	802,514	6,212,514
2019	5,500,000	710,736	6,210,736
2020	5,600,000	611,702	6,211,702
2021	5,710,000	503,854	6,213,854
2022-2026	12,835,000	960,028	13,795,028
2027-2029	790,000	47,250	837,250
Totals	\$ 38,710,000	\$ 4,527,504	\$ 43,237,504

Advance Refunding. During fiscal year 2016, the District issued \$19,965,000 of 2016 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 School Loan Revolving Funds. As a result, the bonds are considered defeased and the liability has been removed from the statement of net position.

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, 2016, are as follows:

	School Bond Loan Fund		School Loan Revolving Fund		Total
	Principal	Interest	Principal	Interest	
Beginning balance	\$ 7,660,277	\$ 8,212,567	\$ 3,185,000	\$ 441,368	\$ 19,499,212
Additions	-	395,351	-	90,357	485,708
Deductions	(7,660,277)	(8,607,918)	(3,182,106)	(531,699)	(19,982,000)
Ending balance	\$ -	\$ -	\$ 2,894	\$ 26	\$ 2,920

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

IONIA PUBLIC SCHOOLS

Notes to Financial Statements

10. RETIREMENT PLAN

Plan Description

The Michigan Public School Employees' Retirement System (the "System" or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "State") originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

DB member plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions and Funded Status

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21-year period for the 2015 fiscal year.

IONIA PUBLIC SCHOOLS

Notes to Financial Statements

The table below summarizes pension contribution rates in effect for fiscal year 2015.

Benefit Structure	Member Rates	Employer Rates
Basic	0.0% - 4.0%	22.52% - 23.07%
Member Investment Plan (MIP)	3.0% - 7.0%	22.52% - 23.07%
Pension Plus	3.0% - 6.4%	21.99%
Defined Contribution	0.0%	17.72% - 18.76%

The District's contribution to MPSERS under all pension plans for the year ended June 30, 2016 was \$3,650,652.

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

At June 30, 2016, the District reported a liability of \$39,504,455 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2014. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the District's proportion was 0.16174%, which was an increase of 0.00195% from its proportion measured as of September 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$3,437,013. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 130,850	\$ (130,850)
Changes in assumptions	972,683	-	972,683
Net difference between projected and actual earnings on pension plan investments	201,638	-	201,638
Changes in proportion and differences between employer contributions and proportionate share of contributions	364,306	10	364,296
	<u>1,538,627</u>	<u>130,860</u>	<u>1,407,767</u>
District contributions subsequent to the measurement date	3,361,014	-	3,361,014
Total	<u>\$ 4,899,641</u>	<u>\$ 130,860</u>	<u>\$ 4,768,781</u>

IONIA PUBLIC SCHOOLS

Notes to Financial Statements

\$3,361,014 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2017	\$ 208,894
2018	208,894
2019	156,155
2020	<u>833,824</u>
Total	<u>\$ 1,407,767</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	3.5%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	8.0%
Pension Plus plan (hybrid)	7.5%
Projected salary increases	3.5% - 12.3%, including wage inflation at 3.5%
Cost of living adjustments	3% annual non-compounded for MIP members
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.

IONIA PUBLIC SCHOOLS

Notes to Financial Statements

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, 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%	5.90%	1.64%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.90%	0.09%
Real estate and infrastructure pools	10.00%	4.30%	0.43%
Absolute return pools	15.50%	6.00%	0.93%
Short-term investment pools	2.00%	0.00%	0.00%
	100.00%		5.90%
Inflation			2.10%
Investment rate of return			8.00%

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

IONIA PUBLIC SCHOOLS

Notes to Financial Statements

Sensitivity of District's Proportionate Share of the Net Pension Liability to Changes in the Discount

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
District's proportionate share of the net pension liability	\$ 50,931,369	\$ 39,504,455	\$ 29,871,098

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2016, the District reported a payable of \$585,811 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2016.

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 prefunded 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 2.71% to 6.83% 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 were declared unconstitutional by the Supreme Court. Such amounts will be refunded by MPSERS to each District, including interest, and will then be refunded to individual employees.

The District's contributions to MPSERS for other postemployment benefits amounted to \$1,334,406 for the year ended June 30, 2016.

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
Nonspendable				
Inventory	\$ 60,333	\$ -	\$ 6,577	\$ 66,910
Prepaid items	136,407	-	-	136,407
	<u>196,740</u>	<u>-</u>	<u>6,577</u>	<u>203,317</u>
Restricted				
Debt service	-	333,390	-	333,390
Food service program	-	-	392,765	392,765
	<u>-</u>	<u>333,390</u>	<u>392,765</u>	<u>726,155</u>
Unassigned	<u>2,534,417</u>	<u>-</u>	<u>-</u>	<u>2,534,417</u>
Total fund balances - governmental funds	<u>\$ 2,731,157</u>	<u>\$ 333,390</u>	<u>\$ 399,342</u>	<u>\$ 3,463,889</u>

12. NET INVESTMENT IN CAPITAL ASSETS

The composition of the District's net investment in capital assets as of June 30, 2016, was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	\$ 331,540
Capital assets being depreciated, net	25,974,801
	<u>26,306,341</u>
Related debt:	
Bonds payable	38,710,000
Less: noncapital debt	(19,965,000)
Premiums on bonds payable, net	759,375
Deferred charge on advance bond refundings, net	(919,474)
	<u>18,584,901</u>
Net investment in capital assets	<u>\$ 7,721,440</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, 2016, 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

On August 22, 2016, the District received proceeds of \$2,500,000 in State of Michigan School Aid anticipation notes due in July 2017. The notes have interest rates ranging from 0.76% to 1.00%.



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	2016
District's proportionate share of the net pension liability	\$ 35,195,900	\$ 39,504,455
District's proportion of the net pension liability	0.15979%	0.16174%
District's covered-employee payroll	13,140,445	13,183,981
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	267.84%	299.64%
Plan fiduciary net position as a percentage of the total pension liability	66.20%	63.17%

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	2016
Contractually required contribution	\$ 3,087,444	\$ 3,650,652
Contributions in relation to the contractually required contribution	<u>(3,087,444)</u>	<u>(3,650,652)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 13,126,947	\$ 13,260,211
Contributions as a percentage of covered employee payroll	23.52%	27.53%

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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 2,140,050	\$ 2,247,400	\$ 2,313,598	\$ 66,198
Interdistrict sources	798,000	1,038,200	994,497	(43,703)
State sources	23,764,101	23,627,590	23,523,858	(103,732)
Federal sources	924,588	1,005,661	849,506	(156,155)
Total revenues	27,626,739	27,918,851	27,681,459	(237,392)
Expenditures				
Instruction:				
Basic programs:				
Elementary	6,542,320	6,413,240	6,353,502	(59,738)
Middle school	3,211,850	3,212,988	3,190,250	(22,738)
High school	4,054,850	3,977,580	3,972,932	(4,648)
Pre-kindergarten	88,160	82,190	83,884	1,694
Total basic programs	13,897,180	13,685,998	13,600,568	(85,430)
Added needs:				
Special education	2,776,290	2,779,634	2,751,203	(28,431)
Compensatory education	643,437	633,247	571,943	(61,304)
Total added needs	3,419,727	3,412,881	3,323,146	(89,735)
Total instruction	17,316,907	17,098,879	16,923,714	(175,165)
Supporting services:				
Pupil:				
Guidance services	520,670	506,980	499,563	(7,417)
Health services	66,780	66,630	65,887	(743)
Speech pathology and audiology services	641,500	680,300	681,848	1,548
Social work services	165,630	212,530	211,822	(708)
Teacher consultation	253,430	302,810	301,614	(1,196)
Total pupil	1,648,010	1,769,250	1,760,734	(8,516)
Instructional staff:				
Improvement of instruction	215,460	255,106	205,015	(50,091)
Educational media services	145,210	149,390	141,238	(8,152)
Supervision and direction of instructional staff	394,980	403,548	389,715	(13,833)
Total instructional staff	755,650	808,044	735,968	(72,076)

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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures				
Supporting services (concluded):				
General administration:				
Board of education	\$ 117,800	\$ 126,500	\$ 135,580	\$ 9,080
Executive administration	450,440	486,360	491,697	5,337
Total general administration	<u>568,240</u>	<u>612,860</u>	<u>627,277</u>	<u>14,417</u>
School administration - office of the principal	<u>2,000,430</u>	<u>2,024,980</u>	<u>1,999,048</u>	<u>(25,932)</u>
Business:				
Fiscal services	349,240	398,840	395,932	(2,908)
Other business services	35,100	48,820	48,229	(591)
Total business	<u>384,340</u>	<u>447,660</u>	<u>444,161</u>	<u>(3,499)</u>
Operations and maintenance	<u>2,297,060</u>	<u>2,214,690</u>	<u>2,152,218</u>	<u>(62,472)</u>
Pupil transportation services	<u>1,826,800</u>	<u>1,745,306</u>	<u>1,756,252</u>	<u>10,946</u>
Central:				
Staff/personnel services	5,000	39,106	22,958	(16,148)
Non-instructional technology services	443,280	470,822	427,296	(43,526)
Pupil accounting	78,500	77,920	76,470	(1,450)
Total central	<u>526,780</u>	<u>587,848</u>	<u>526,724</u>	<u>(61,124)</u>
Other - athletics	<u>533,500</u>	<u>550,040</u>	<u>537,329</u>	<u>(12,711)</u>
Total supporting services	<u>10,540,810</u>	<u>10,760,678</u>	<u>10,539,711</u>	<u>(220,967)</u>
Community services:				
Community activities	58,707	61,259	45,243	(16,016)
Non-public school pupils	26,842	14,081	4,159	(9,922)
Total community services	<u>85,549</u>	<u>75,340</u>	<u>49,402</u>	<u>(25,938)</u>
Other expenditures	<u>-</u>	<u>-</u>	<u>11,165</u>	<u>11,165</u>
Total expenditures	<u>27,943,266</u>	<u>27,934,897</u>	<u>27,523,992</u>	<u>(410,905)</u>

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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues over (under) expenditures	\$ (316,527)	\$ (16,046)	\$ 157,467	\$ 173,513
Other financing sources				
Proceeds from sale of capital assets	5,000	11,000	10,943	(57)
Net changes in fund balance	(311,527)	(5,046)	168,410	173,456
Fund balance, beginning of year	2,562,747	2,562,747	2,562,747	-
Fund balance, end of year	<u>\$ 2,251,220</u>	<u>\$ 2,557,701</u>	<u>\$ 2,731,157</u>	<u>\$ 173,456</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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 267,050	\$ 257,790	\$ 259,164	\$ 1,374
State sources	56,000	51,690	51,787	97
Federal sources	1,177,640	1,197,800	1,162,502	(35,298)
Total revenues	1,500,690	1,507,280	1,473,453	(33,827)
Expenditures				
Current - food services	1,519,130	1,462,255	1,431,152	(31,103)
Capital outlay	5,000	25,000	20,565	(4,435)
Total expenditures	1,524,130	1,487,255	1,451,717	(35,538)
Net changes in fund balance	(23,440)	20,025	21,736	1,711
Fund balance, beginning of year	377,606	377,606	377,606	-
Fund balance, end of year	\$ 354,166	\$ 397,631	\$ 399,342	\$ 1,711

AGENCY FUND

IONIA PUBLIC SCHOOLS

Statement of Changes in Fiduciary Assets and Liabilities

Agency Fund
June 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Assets				
Cash and cash equivalents	\$ 107,623	\$ 97,984	\$ (96,157)	\$ 109,450
Liabilities				
Due to student groups	\$ 107,623	\$ 97,984	\$ (96,157)	\$ 109,450

SINGLE AUDIT ACT COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

October 13, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 13, 2016 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



IONIA PUBLIC SCHOOLS

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Approved Grant Award Amount
U.S. Department of Agriculture				
Child Nutrition Cluster:				
National school lunch - breakfast	10.553	MDE	151970-1415	\$ 297,924
National school lunch - breakfast	10.553	MDE	161970-1516	281,230
National school lunch	10.555	MDE	151960-1415	713,393
National school lunch	10.555	MDE	161960-1516	677,759
Entitlement commodities (non-cash)	10.555	MDE	n/a	91,471
Summer food service	10.559	MDE	151900-1415	27,484
Summer food service	10.559	MDE	161900-1516	3,569
Total U.S. Department of Agriculture				
U.S. Department of Education				
Title I, Part A - Improving Basic Programs:				
2014 - 2015	84.010	MDE	151530-1415	735,571
2015 - 2016	84.010	MDE	161530-1516	666,248
Title II, Part A - Improving Teacher Quality:				
2014 - 2015	84.367	MDE	150520-1415	206,446
2015 - 2016	84.367	MDE	160520-1516	266,360
Title VI, Part B - Rural Education				
McKinney Vento	84.358	MDE	160660-1516	58,806
McKinney Vento	84.196A	MCISD	142320-1516	1,447
Total U.S. Department of Education				
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue June 30, 2015	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Expenditures Year Ended June 30, 2016	Accrued (Unearned) Revenue June 30, 2016
\$ -	\$ 27,808	\$ 270,116	\$ 27,808	\$ -
-	267,551	-	281,230	13,679
-	295,359	270,116	309,038	13,679
-	77,348	636,045	77,348	-
-	647,175	-	677,759	30,584
-	91,471	-	91,471	-
-	815,994	636,045	846,578	30,584
5,099	8,416	24,167	3,317	-
-	-	-	3,569	3,569
5,099	8,416	24,167	6,886	3,569
5,099	1,119,769	930,328	1,162,502	47,832
35,795	52,237	552,953	16,442	-
-	521,824	-	576,923	55,099
35,795	574,061	552,953	593,365	55,099
13,213	15,784	115,224	2,571	-
-	139,882	-	193,317	53,435
13,213	155,666	115,224	195,888	53,435
-	58,806	-	58,806	-
-	1,447	-	1,447	-
49,008	789,980	668,177	849,506	108,534
\$ 54,107	\$ 1,909,749	\$ 1,598,505	\$ 2,012,008	\$ 156,366

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, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 the Uniform Guidance, 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.

For purposes of charging indirect costs to federal awards, the District has not elected to use the 10% de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

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 13, 2016

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 *Ionia Public Schools* (the "District"), as of and for the year ended June 30, 2016, 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 13, 2016.

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.

Rehmann Lobarr LLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 13, 2016

Board of Education
Ionia Public Schools
Ionia, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of *Ionia Public Schools* (the "District") with the types of compliance requirements described in the *OMB 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, 2016. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 its major federal program for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. 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 the Uniform Guidance, 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 2016-001 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rehmann Johnson LLC

IONIA PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

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 2 CFR 200.516(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: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

IONIA PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters reported.

IONIA PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2016-001 - Internal Controls over Grant Reporting

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

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 151970-1415, 161970-1516, 151960-1415, 161960-1560, 151900-1415 and 161900-1516.

Criteria. Recipients of federal awards are responsible for compliance with various requirements in accordance with the OMB Compliance Supplement and the award agreement. The Child Nutrition Cluster requires Districts to submit monthly claim status reports for lunches served.

Condition. We observed for one month tested that free lunches were under-reported by approximately 300 meals and paid lunches were over-reported by the same amount.

Cause. This condition was caused by an oversight by the food service staff when entering actual free meal counts into the claims status report system. The District also does not have a review process over these reports.

Effect. As a result of this condition, the District requested less in meal claim reimbursements than it was entitled to.

Questioned Costs. No costs were required to be questioned inasmuch as the District requested a lesser amount to be reimbursed than it was entitled.

Grant Reporting Recommendation. All grant reports should be subject to independent review and approval. Evidence of this review should be documented by the reviewer either signing or initialing the report reviewed. Additionally, the support for each meals claim status report submitted should be retained with each report.

View of Responsible Officials. Ionia Public Schools will review the claims status reports to ensure the claims are accurate prior to submitting.

IONIA PUBLIC SCHOOLS

Summary Schedule of Prior Audit Findings

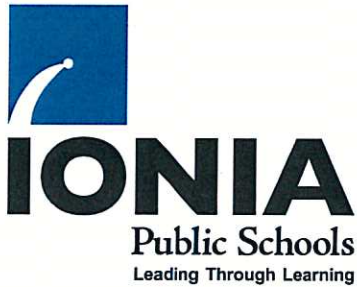
For the Year Ended June 30, 2016

2015-001 - Internal Controls over Eligibility

CFDA # 10.553, 10.555 and 10.559 - Child Nutrition Cluster

An instance was identified in which a student's free or reduced lunch eligibility status was not calculated properly. Similar errors were not identified in the current year. This matter is considered resolved.





Ronald C. Wilson, Superintendent
Benjamin R. Kirby, Ed.S., Associate Superintendent
Adrienne Barna, Director of Finance

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CORRECTIVE ACTION PLAN

A certain matter was brought to our attention as a result of the audit process. This is described more fully in the Schedule of Findings and Questioned Costs. We evaluated this matter as noted below, and have described our planned actions as a result.

2016-001 - Internal Controls over Grant Reporting

Planned Corrective Action. The District will begin reviewing claims status reports, and will evidence that review by the Finance Director's signature

Responsible Party. Finance Director.

Date of Planned Corrective Action. June 30, 2017.

Management Assessment. We concur with the audit assessment regarding this matter.