

Ypsilanti
Community
Schools
Ypsilanti, Michigan



For the Year
Ended June 30,
2016

Financial
Statements and
Single Audit Act
Compliance

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YPSILANTI COMMUNITY SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 24, 2016

Board of Education
Ypsilanti Community Schools
Ypsilanti, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Ypsilanti Community 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 contain 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 the Ypsilanti Community Schools as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Restatement of Beginning Net Position of Governmental Activities

As discussed in Note 16 to the financial statements, beginning net position of governmental activities was restated to correct an error in capital assets. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules for the pension plan, 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 combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 24, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

YPSILANTI COMMUNITY SCHOOLS

Management's Discussion and Analysis

As management of Ypsilanti Community Schools, 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

- The District's total net position decreased by \$3,378,780.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$6,270,049, a decrease of \$1,244,965 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was a deficit of \$468,919.

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 themselves.

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 between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government'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 vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, supporting services, athletics, food service and community services. The District has no business-type activities as of and for the year ending 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. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

YPSILANTI COMMUNITY SCHOOLS

Management's Discussion and Analysis

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund 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 four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service Ypsilanti fund which are considered to be major funds. Data from the two other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its general and special revenue fund. Budgetary comparison statements have been provided for the general fund herein to demonstrate compliance with that budget.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to 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. The combining statements referred to earlier in connection with nonmajor governmental funds are presented 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 a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows by \$123,648,630 at the close of the most recent fiscal year.

YPSILANTI COMMUNITY SCHOOLS

Management's Discussion and Analysis

Current and other liabilities increased by approximately \$11.9 million, primarily due to the net pension liability increase.

A portion of the District's net position reflects its investment in capital assets (e.g. land, buildings and improvements, furniture and equipment, and buses and other vehicles); less any related debt used to acquire those assets that is still outstanding, which is (\$15,536,191) at June 30, 2016. 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.

	District's Net Position	
	Governmental Activities	
	2016	2015
Assets		
Current and other assets	\$ 17,067,764	\$ 16,748,896
Capital assets, net	79,374,818	85,472,686
Total assets	96,442,582	102,221,582
Deferred outflows of resources	11,532,586	9,871,401
Liabilities		
Current and other liabilities	81,050,097	69,181,515
Long-term liabilities	150,321,150	155,755,344
Total liabilities	231,371,247	224,936,859
Deferred inflows of resources	252,551	6,514,639
Net position		
Net investment in capital assets	(15,536,191)	(15,712,968)
Restricted	589,241	607,467
Unrestricted (deficit)	(108,701,680)	(104,253,014)
Total net position	\$ (123,648,630)	\$ (119,358,515)

The remaining balance as of June 30, 2016 consists of \$589,241 restricted for food service and unrestricted in a deficit amount of \$108,701,680.

The results of this year's operation for the District as a whole are reported in the statement of activities, which shows the changes in net position for the fiscal year 2016.

YPSILANTI COMMUNITY SCHOOLS

Management's Discussion and Analysis

	District's Net Position	
	Governmental Activities	
	2016	2015
Revenues		
Program revenues:		
Charges for services	\$ 745,001	\$ 1,130,480
Operating grants and contributions	23,654,806	21,172,432
General revenues:		
Property taxes	19,926,452	18,537,111
State school aid	23,270,982	24,334,275
Other	80,757	29,249
Total revenues	67,677,998	65,203,547
Expenses		
Instruction	31,900,019	28,601,026
Supporting services	22,879,901	21,176,051
Athletics	602,458	568,406
Food service	2,895,331	2,365,898
Community services	447,258	392,483
Depreciation - unallocated	5,336,538	5,454,986
Interest on long-term debt	6,995,273	7,488,506
Impairment loss - unallocated	-	756,222
Total expenses	71,056,778	66,803,578
Change in net position	(3,378,780)	(1,600,031)
Net position (deficit):		
Beginning of year	(119,358,515)	(60,083,020)
Restatement for implementation of GASB 68	-	(57,675,464)
Restatement for capital assets	(911,335)	-
End of year	\$ (123,648,630)	\$ (119,358,515)

Governmental Activities. Governmental activities decreased the District's net position by \$3,378,780. Key elements of this decrease are as follows:

- Governmental activities include the general fund where expenditures in excess of revenues of approximately \$1.59 million were incurred for the year ended June 30, 2016. This use of fund balance was budgeted for, since a use of fund balance of \$2.6 million was budgeted for in the District' final budget amendment for the year ended June 30, 2016.
- Depreciation on capital assets exceeded capital asset additions by approximately \$5.2 million.

YPSILANTI COMMUNITY SCHOOLS

Management's Discussion and Analysis

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 government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$6,270,049. Of this total amount, \$620,386 constitutes nonspendable fund balance to indicate that is not available for new spending because the underlying assets are included in inventory and prepaids, while \$1,118,582 is restricted for debt service and food service. Committed fund balance is \$5,000,000, which is earmarked for revenue bond debt service payments. The remaining component is unassigned fund deficit of \$(468,919).

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund deficit of the general fund was \$(468,919) while total fund balance was \$5,106,325. Total fund balance is 9.2% of total general fund expenditures.

The fund balance of the District's general fund decreased by (\$1,416,463) during the current fiscal year. The decrease was primarily due to ongoing expenditures exceeding revenues and the current year revenue bond principal and interest payments of approximately \$1,423,000.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted before the 2015-16 year end. A schedule showing the District's original and final budget amounts compared with amounts actually recorded as revenue and expenditures is provided as a separate statement in the accompanying basic financial statements.

During the year, the budget was amended in a legally permissible manner. Amendments to the original budget were made during the fiscal year as more information became known. The budgets for state and federal revenues were increased by approximately \$5.2 million as District enrollment became known. Also, the budgets for nearly all instructional and supporting services expenditures were increased by \$4.8 million to provide for the actual enrollment counts. For the year ended June 30, 2016, total actual expenditures were less than the total final budget amount by approximately \$3.5 million, which represents a 5.9% variance. Also general fund actual revenues were less than final amended budget revenue by 4.4%. These differences were due primarily to the unexpended federal grant funding and carryovers to fiscal 2016.

YPSILANTI COMMUNITY 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 \$79,374,818 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, buses and other vehicles, and furniture and equipment. Additional information on the District's capital assets is found in Note 6 of the financial statements.

There were no major capital asset addition events during the current fiscal year.

	District's Capital Assets (Net of Depreciation)	
	2016	2015
Land	\$ 911,335	\$ 911,335
Buildings and building improvements	77,297,738	83,304,159
Furniture and equipment	1,053,607	1,070,324
Buses and other vehicles	112,138	186,868
Total capital assets, net	\$ 79,374,818	\$ 85,472,686

Long-Term Debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$109,735,000. Those bonds consisted of the following:

	2016	2015
General obligation bonds	\$ 109,735,000	\$ 117,730,000

During the year ended June 30, 2016, scheduled and refunded bond payments of \$30,110,000 were made. In addition, the District borrowed \$174,290 from the Michigan School Bond Loan Fund to supplement tax revenue in order to service certain bond payments and incurred \$1,236,905 in accrued interest for the 2016-2017 year. Additional information on the District's long-term debt is found in Note 8 of the financial statements.

Factors Bearing on the District's Future

The following factors were also considered in preparing the District's budget for the 2016-17 fiscal year:

- Our elected officials and administration consider many factors when setting the school district's fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count of the 2015-16 fiscal year was 90% of the October 2015 count and 10% of the February 2016 count. The 2016-17 budget was built on a reduction of 300 students for the blended count and a modest increase of \$104 per student for foundation allowance.

YPSILANTI COMMUNITY SCHOOLS

Management's Discussion and Analysis

- Approximately 58% of the General Fund revenue is from state aid. Under state law, the school district cannot access additional property tax revenue for general operations. As a result, District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2016-17 fiscal year, we anticipate that the fall student count will be close to the estimated blended count used in the development of the 2015-16 budget.
- Since the District's revenue is heavily dependent on state funding and on the health of the State's School Aid fund, the actual revenue received depends on the State's ability to fund its appropriation to school districts.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Business and Finance, 1885 Packard Road, Ypsilanti, MI 48197.

BASIC FINANCIAL STATEMENTS

YPSILANTI COMMUNITY SCHOOLS

Statement of Net Position

June 30, 2016

	Governmental Activities
Assets	
Cash and investments	\$ 6,249,681
Accounts receivable	10,197,697
Inventories	52,046
Prepaid items	568,340
Capital assets not being depreciated	911,335
Capital assets being depreciated, net	<u>78,463,483</u>
Total assets	<u>96,442,582</u>
Deferred outflows of resources	
Deferred pension amounts	10,533,007
Loss on advance refundings	<u>999,579</u>
Total deferred outflows of resources	<u>11,532,586</u>
Liabilities	
Accounts payable and accrued liabilities	7,805,233
State aid notes payable	3,119,139
Unearned revenue	846,794
Long-term liabilities:	
Due within one year	8,015,606
Due in more than one year	142,305,544
Net pension liability	<u>69,278,931</u>
Total liabilities	<u>231,371,247</u>
Deferred inflows of resources	
Deferred pension amounts	<u>252,551</u>
Net position	
Net investment in capital assets	(15,536,191)
Restricted for food service	589,241
Unrestricted (deficit)	<u>(108,701,680)</u>
Total net position	<u>\$ (123,648,630)</u>

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

YPSILANTI COMMUNITY SCHOOLS

Statement of Activities

June 30, 2016

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 31,900,019	\$ 689,993	\$ 20,678,473	\$ (10,531,553)
Supporting services	22,879,901	-	-	(22,879,901)
Athletics	602,458	55,008	-	(547,450)
Food service	2,895,331	-	2,976,333	81,002
Community services	447,258	-	-	(447,258)
Depreciation - unallocated	5,336,538	-	-	(5,336,538)
Interest on long-term debt	6,995,273	-	-	(6,995,273)
Total governmental activities	\$ 71,056,778	\$ 745,001	\$ 23,654,806	(46,656,971)
General revenues:				
Property taxes				19,926,452
Unrestricted state aid				23,270,982
Unrestricted investment earnings				80,757
Total general revenues				43,278,191
Change in net position				(3,378,780)
Net position, beginning of year, as restated				(120,269,850)
Net position, end of year				\$ (123,648,630)

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

YPSILANTI COMMUNITY SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2016

	General Fund	Debt Service Ypsilanti Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 5,384,193	\$ 523,969	\$ 392,023	\$ 6,300,185
Accounts receivable	1,438,646	-	2,625	1,441,271
Due from other funds	-	579,702	1,634,916	2,214,618
Due from other governments	8,531,670	2,601	222,155	8,756,426
Inventory	6,904	-	45,142	52,046
Prepaid items	568,340	-	-	568,340
Total assets	\$ 15,929,753	\$ 1,106,272	\$ 2,296,861	\$ 19,332,886
Liabilities				
Negative equity in pooled cash and investments	\$ -	\$ -	\$ 50,504	\$ 50,504
Accounts payable	1,507,553	1,200	136,095	1,644,848
Salaries payable	5,154,756	-	32,178	5,186,934
State aid anticipation note	3,119,139	-	-	3,119,139
Due to other funds	223,283	884,971	1,106,364	2,214,618
Unearned revenue	818,697	-	28,097	846,794
Total liabilities	10,823,428	886,171	1,353,238	13,062,837
Fund balances				
Nonspendable	575,244	-	45,142	620,386
Restricted for:				
Debt service	-	220,101	354,382	574,483
Food service	-	-	544,099	544,099
Committed for revenue bond debt service	5,000,000	-	-	5,000,000
Unassigned (deficit)	(468,919)	-	-	(468,919)
Total fund balances	5,106,325	220,101	943,623	6,270,049
Total liabilities and fund balances	\$ 15,929,753	\$ 1,106,272	\$ 2,296,861	\$ 19,332,886

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

YPSILANTI COMMUNITY SCHOOLS

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2016

Fund balances - total governmental funds	\$ 6,270,049
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 fund statement.	
Capital assets not being depreciated	911,335
Capital assets being depreciated	178,285,050
Accumulated depreciation	(99,821,567)
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Bonds, loans and capital leases payable	(147,443,847)
Unamortized bond premium	(2,813,979)
Unamortized bond loss	999,579
Accrued interest on bonds payable	(973,451)
Compensated absences	(63,324)
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	(69,278,931)
Deferred outflows of resources related to the net pension liability	10,533,007
Deferred inflows of resources related to the net pension liability	(252,551)
Net position of governmental activities	<u>\$ (123,648,630)</u>

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

YPSILANTI COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2016

	General Fund	Debt Service Ypsilanti Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources:				
Property taxes	\$ 9,241,696	\$ 6,749,380	\$ 3,935,376	\$ 19,926,452
Other local revenue	1,539,469	-	333	1,539,802
Food sales	-	-	87,539	87,539
Interest revenue	-	25,508	23,396	48,904
State sources	31,284,666	-	101,799	31,386,465
Federal sources	6,440,167	-	2,786,662	9,226,829
Interdistrict sources	5,462,007	-	-	5,462,007
Total revenues	53,968,005	6,774,888	6,935,105	67,677,998
Expenditures				
Current:				
Instructional services	30,208,117	-	-	30,208,117
Supporting services	22,222,781	-	-	22,222,781
Athletics	581,528	-	-	581,528
Food service	-	-	2,823,832	2,823,832
Community services	420,238	-	-	420,238
Debt service:				
Principal	735,345	3,895,000	2,440,000	7,070,345
Interest	1,387,186	3,090,666	1,501,643	5,979,495
Tax abated	-	13,914	4,614	18,528
Total expenditures	55,555,195	6,999,580	6,770,089	69,324,864
Revenues over (under) expenditures	(1,587,190)	(224,692)	165,016	(1,646,866)
Other financing sources (uses)				
Proceeds from long-term debt	-	12,974,290	9,315,000	22,289,290
Bond premium	-	962,206	498,973	1,461,179
Payment to refunding bond escrow agent	-	(13,636,859)	(9,711,709)	(23,348,568)
Transfers in	170,727	-	-	170,727
Transfers out	-	-	(170,727)	(170,727)
Total other financing sources (uses)	170,727	299,637	(68,463)	401,901
Net change in fund balances	(1,416,463)	74,945	96,553	(1,244,965)
Fund balances, beginning of year	6,522,788	145,156	847,070	7,515,014
Fund balances, end of year	\$ 5,106,325	\$ 220,101	\$ 943,623	\$ 6,270,049

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

YPSILANTI COMMUNITY 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 \$ (1,244,965)

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 outlay	150,005
Depreciation expense	(5,336,538)

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 the repayment reduces long-term liabilities in the
statement of net position.

Principal payments on bonds	7,030,000
Principal payments on capital leases	40,345
Payments to refunding bond escrow agent	23,348,568
Amortization of bond premium	265,945
Amortization of loss on advance refundings	(139,034)

Note proceeds provide financial resources to governmental funds, but issuing debt
increases long-term liabilities in the statement of activities.

Proceeds from issuance of long-term debt and premiums	(23,576,179)
School bond loan fund proceeds	(174,290)

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
governmental funds.

Change in the net pension liability and related deferred amounts	(2,605,226)
Change in accrued interest payable on general obligation bonds and school bond loans	(1,142,689)
Change in compensated absences	5,278

Change in net position of governmental activities	<u>\$ (3,378,780)</u>
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The accompanying notes are an integral part of these financial statements.

YPSILANTI COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances

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	\$ 10,012,756	\$ 10,340,984	\$ 10,781,165	\$ 440,181
State sources	27,310,131	31,679,962	31,284,666	(395,296)
Federal sources	8,176,113	8,974,489	6,440,167	(2,534,322)
Interdistrict sources	5,101,000	5,461,009	5,462,007	998
Total revenues	50,600,000	56,456,444	53,968,005	(2,488,439)
Expenditures				
Current:				
Instructional services:				
Basic program	20,522,984	22,066,075	21,421,689	(644,386)
Added needs	9,135,919	10,676,293	8,637,688	(2,038,605)
Adult/continuing education	152,819	287,966	148,740	(139,226)
Supporting services:				
Pupil	6,119,305	6,866,727	6,463,912	(402,815)
Instructional staff	863,680	1,012,790	882,492	(130,298)
General administration	1,230,535	887,884	810,049	(77,835)
School administration	2,292,225	2,478,048	2,455,258	(22,790)
Business services	801,433	641,504	628,367	(13,137)
Transportation and maintenance	9,180,277	9,998,876	9,832,668	(166,208)
Central services	890,285	1,056,957	1,150,035	93,078
Athletics	560,450	550,448	581,528	31,080
Community services	402,343	420,823	420,238	(585)
Debt service:				
Principal	801,545	735,345	735,345	-
Interest	1,471,200	1,339,900	1,387,186	47,286
Total expenditures	54,425,000	59,019,636	55,555,195	(3,464,441)
Revenues under expenditures	\$ (3,825,000)	\$ (2,563,192)	\$ (1,587,190)	\$ 976,002

continued...

YPSILANTI COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - General Fund For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Other financing sources (uses)				
Transfers in	\$ 100,000	\$ 130,000	\$ 170,727	\$ 40,727
Transfers out	(175,000)	-	-	-
Total other financing sources (uses)	(75,000)	130,000	170,727	40,727
Net change in fund balance	(3,900,000)	(2,433,192)	(1,416,463)	1,016,729
Fund balance, beginning of year	6,522,788	6,522,788	6,522,788	-
Fund balance, end of year	<u>\$ 2,622,788</u>	<u>\$ 4,089,596</u>	<u>\$ 5,106,325</u>	<u>\$ 1,016,729</u>

concluded.

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

YPSILANTI COMMUNITY SCHOOLS

Statement of Fiduciary Assets and Liabilities

June 30, 2016

	Agency Fund
Assets	
Cash and investments	\$ 190,341
Liabilities	
Due to student groups	\$ 190,341

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

NOTES TO FINANCIAL STATEMENTS

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Ypsilanti Community Schools (the “District”) has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

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 non-fiduciary 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 for the year ended June 30, 2016.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 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 funds 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, except for the agency funds, which do 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.

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. 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, are recorded only when payment is due.

Property taxes 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 government.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The *debt service Ypsilanti fund* accounts for debt service amounts that record Ypsilanti School District debt transactions before consolidation.

Additionally, the District reports the following fund types:

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

The *Willow Run debt service fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest, the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs of debt commitments of Willow Run Community Schools before consolidation.

The *student activities agency fund* accounts for the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments consist of participation in an external investment pool. In accordance with GASB 79, the District's shares are recorded at amortized cost, which approximates fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non current portion of interfund loans).

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

Inventory and Prepaid Items

Inventory is valued at cost on a first in, first out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both the government-wide and fund financial statements.

Capital Assets

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

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

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

	Years
Buildings and improvements	20-50
Furniture and other equipment	5-20
Vehicles	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 has two items which qualify for reporting in this category. The first is the loss on advance refundings reported in the government-wide statement of net position. A loss on advance refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount 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.

Compensated Absences

Employees are compensated for unused vacation time upon termination; accordingly, a liability is recorded at fiscal year end for such unused time. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums are deferred and amortized over the life of the bonds using the effective interest method.

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

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District also reports deferred inflows of resources related to pension costs.

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 require to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can 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, when applicable, reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund. The District reported no assigned fund balance at June 30, 2016.

Committed fund balance has been earmarked for future revenue bond debt service.

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.

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.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue fund. All annual appropriations lapse at fiscal year end.

The general and special revenue fund are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the general and special revenue fund are adopted on a functional basis.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year, the District incurred expenditures in the general fund, which were in excess of amounts budgeted, as follows:

	Final Budget	Actual	Over Budget
General fund			
Supporting services -			
Central services	\$ 1,056,957	\$ 1,150,035	\$ 93,078
Athletics	550,448	581,528	31,080
Debt service -			
Interest	1,339,900	1,387,186	47,286

4. DEPOSITS AND INVESTMENTS

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

Statement of Net Position	
Cash and Investments	\$ 6,249,681
Statement of Fiduciary Assets and Liabilities	
Cash and cash equivalents	<u>190,341</u>
Total	<u><u>\$ 6,440,022</u></u>
Deposits and investments	
Bank deposits -	
Checking and savings accounts	\$ 214,929
Investments in external investment pool	<u>6,225,093</u>
Total	<u><u>\$ 6,440,022</u></u>

Statutory Authority

State statutes authorize the District to invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

- b. Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

Investments

The District chooses to disclose its investments by specific identification. As of year end, the District had the following investments.

Investment	Maturity	Fair Value	Rating
Michigan Liquid Asset Fund	n/a	<u>\$ 6,225,093</u>	S&P - AAAM

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. 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.

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 specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

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, none of the District's bank balance of \$220,090 was exposed to custodial credit risk because it was entirely insured.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. The investments listed above are not subject to custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. 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.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

5. RECEIVABLES

Receivables as of year end for the District's individual major fund and nonmajor funds in the aggregate, are as follows:

	General	Debt Service Ypsilanti Fund	Nonmajor Funds	Total
Receivables:				
Accounts receivable	\$ 1,438,646	\$ -	\$ 2,625	\$ 1,441,271
Due from other governmental units	8,531,670	2,601	222,155	8,756,426
Total	<u>\$ 9,970,316</u>	<u>\$ 2,601</u>	<u>\$ 224,780</u>	<u>\$ 10,197,697</u>

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Disposals	Restatement	Ending Balance
Capital assets not being depreciated:					
Land	\$ 911,335	\$ -	\$ -	\$ -	\$ 911,335
Capital assets being depreciated:					
Buildings and improvements	174,267,185	-	-	(911,335)	173,355,850
Furniture and equipment	1,396,784	150,005	-	-	1,546,789
Vehicles	3,382,411	-	-	-	3,382,411
	<u>179,046,380</u>	<u>150,005</u>	<u>-</u>	<u>(911,335)</u>	<u>178,285,050</u>
Less accumulated depreciation for:					
Buildings and improvements	90,963,026	5,095,086	-	-	96,058,112
Furniture and equipment	326,460	166,722	-	-	493,182
Vehicles	3,195,543	74,730	-	-	3,270,273
	<u>94,485,029</u>	<u>5,336,538</u>	<u>-</u>	<u>-</u>	<u>99,821,567</u>
Capital assets being depreciated, net	<u>84,561,351</u>	<u>(5,186,533)</u>	<u>-</u>	<u>(911,335)</u>	<u>78,463,483</u>
Governmental activities capital assets, net	<u>\$ 85,472,686</u>	<u>\$ (5,186,533)</u>	<u>\$ -</u>	<u>\$ (911,335)</u>	<u>\$ 79,374,818</u>

Depreciation expense of \$5,336,538 was charged to the function "unallocated depreciation."

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2016, interfund receivables and payables consisted of the following:

	Due From	Due To
General fund	\$ -	\$ 223,283
Ypsilanti debt service fund	579,702	884,971
Nonmajor governmental funds	1,634,916	1,106,364
	<u>\$ 2,214,618</u>	<u>\$ 2,214,618</u>

For the year ending June 30, 2016, interfund transfers consisted of the following:

	Transfers Out	Transfers In
General fund	\$ -	\$ 170,727
Nonmajor governmental funds	170,727	-
	<u>\$ 170,727</u>	<u>\$ 170,727</u>

The District often reports interfund balances between many of its funds. These interfund balances result primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. For the year ended June 30, 2016, a transfer from the food service fund to the general fund was for indirect cost recovery.

8. LONG-TERM DEBT

Long-term debt and other obligations of the District at June 30, 2016, are summarized as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 117,730,000	\$ 22,115,000	\$ (30,110,000)	\$ 109,735,000	\$ 7,965,000
School Bond Loan Fund	36,266,043	1,411,195	-	37,677,238	-
Plus -					
Unamortized bond premium	1,618,745	1,461,179	(265,945)	2,813,979	-
Capital leases	71,954	-	(40,345)	31,609	31,609
Compensated absences	68,602	6,332	(11,610)	63,324	18,997
	<u>\$ 155,755,344</u>	<u>\$ 24,993,706</u>	<u>\$ (30,427,900)</u>	<u>\$ 150,321,150</u>	<u>\$ 8,015,606</u>

Compensated absences payable are generally expected to be liquidated by the general fund when due.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

Bonds payable consist of the following issues:

General obligation bonds:

\$48,185,000 2007 YPS serial and term bonds due in annual installments of \$1,050,000 to \$3,000,000 through May 1, 2032; interest at 4.0% to 5.0%.	\$ 39,550,000
\$23,360,000 2009 YPS serial and term bonds due in annual installments of \$1,930,000 to \$2,270,000 through May 1, 2020; interest at 4.0% to 5.0%.	8,935,000
\$12,800,000 2015 YPS refunding bonds due in annual installments of \$2,080,000 to \$2,220,000 through May 1, 2026; interest at 2.25% to 5.0%.	12,800,000
\$7,885,000, 2006 WRCS Building and Site Bonds payable in annual installments of \$280,000 to \$370,000 through 2018; interest at 3.5% to 5.0%.	1,400,000
\$22,785,000, 2011 WRCS Refunding Bonds payable in annual installments of \$2,025,000 to \$2,110,000 through the year 2031; interest at 3.5% to 5.0%.	22,785,000
\$18,615,000, 2013 Revenue Bonds payable in annual installments of \$695,000 to \$2,010,000 through the year 2026; interest at 3.0% to 5.0%.	16,670,000
\$9,315,000, 2015 WRCS Refunding Bonds payable in annual installments of \$1,720,000 to \$1,930,000 through the year 2020; interest at 4.0%.	<u>7,595,000</u>
	<u><u>\$ 109,735,000</u></u>

The issues with "YPS" and "WRCS" descriptions above refer to Ypsilanti Public Schools and Willow Run Community Schools which issued the respective debt prior to consolidation as Ypsilanti Community Schools.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 7,965,000	\$ 4,751,107	\$ 12,716,107
2018	8,190,000	4,405,982	12,595,982
2019	7,580,000	4,056,307	11,636,307
2020	7,320,000	3,752,457	11,072,457
2021	7,700,000	3,425,907	11,125,907
2021-2025	41,495,000	11,934,558	53,429,558
2026-2020	26,485,000	4,000,669	30,485,669
2031-2032	3,000,000	135,000	3,135,000
Totals	<u>\$ 109,735,000</u>	<u>\$ 36,461,987</u>	<u>\$ 146,196,987</u>

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

School Bond Loan Fund

The School Bond Loan Fund represents 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 in principal and interest were as follows:

	Principal	Interest	Total
Beginning balance	\$ 22,463,597	\$ 13,802,446	\$ 36,266,043
Additions	174,290	1,236,905	1,411,195
Ending balance	<u>\$ 22,637,887</u>	<u>\$ 15,039,351</u>	<u>\$ 37,677,238</u>

Advance Refunding

The District issued \$12,800,000 in refunding bonds during the year to advance refund \$13,480,000 of 2005 Ypsilanti Public Schools bonds. The refunding resulted in a gross savings of \$2,243,537 and an economic gain of \$1,942,520.

The District also issued \$9,315,000 in refunding bonds during the year to advance refund \$9,600,000 of 2005 Willow Run Schools refunding bonds. The refunding resulted in a gross savings of \$622,170 and an economic gain of \$598,943.

In prior years, the Ypsilanti Public Schools defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the trust fund assets and related liabilities have been removed from the statement of net position. At June 30, 2016, the balance of the bonds considered to be defeased is \$22,370,000.

In prior years, the Willow Run Community Schools defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the trust fund assets and related liabilities have been removed from the statement of net position. At June 30, 2016, the balance of the bonds considered to be defeased is \$31,145,000.

Capital Leases

The District has entered into a lease agreement for financing the purchase of copiers. These lease agreement qualifies as a capital lease for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

Year Ending June 30,	Principal Amount	Interest Amount	Total
2017	<u>\$ 31,609</u>	<u>\$ 664</u>	<u>\$ 32,273</u>

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

9. NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2016, net investment in capital assets was comprised of the following:

Investment in capital assets:	
Capital assets not being depreciated	\$ 911,335
Capital assets being depreciated, net	78,463,483
Less related debt:	
Bonds and capital leases payable	(109,766,609)
Deferred loss on refunding	999,579
Bond premium	(2,813,979)
Revenue bond	<u>16,670,000</u>
Net investment in capital assets	<u>\$ (15,536,191)</u>

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for employee health and accident insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past fiscal year.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan, covering property, casualty and worker disability claims; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

11. PROPERTY TAXES

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the following year. Taxes are levied on July 1 by taxing jurisdictions whose boundaries include property within the District. Delinquent real taxes are advanced to the District by the Revolving Tax Funds of Washtenaw County.

12. SHORT TERM DEBT

During the year, the District financed certain of its operations through the issuance of State Aid Anticipation Notes. These notes were issued for terms of less than one year, and are accordingly recorded as a liability in the general fund. The District borrowed \$407,741, \$1,285,295, \$1,714,705, and \$192,259 at interest rates of 0.76%, 1.08%, 1.46% and 0.64% respectively on August 20, 2015. These notes are due on August 20, 2016. Changes in short-term state aid notes for the year ended June 30, 2016 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
State aid notes	<u>\$ 1,728,741</u>	<u>\$ 3,600,000</u>	<u>\$ 2,209,602</u>	<u>\$ 3,119,139</u>

13. SUBSEQUENT EVENTS

On August 22, 2016 the District issued state aid notes of \$239,853 and \$360,147 (Series A & B) with interest rates of 1.0% and .76% respectively, which are due on July 20, 2017.

On August 22, 2016 the District issued a state aid note of \$3,000,000 (Series C) with an interest rate of 1.2%, which is due on August 21, 2017.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

On September 27, 2016, the District issued \$39,030,000 in refunding bonds to advance refund \$37,650,000 of 2007 school building and site bonds and \$5,219,859 of school bonds loans and revolving fund loans related to the former district of Ypsilanti Public Schools.

On September 27, 2016 the District issued \$32,965,000 in refunding bonds to advance refund \$32,735,351 of school loan and revolving fund loans related to the former Willow Run Schools.

14. RETIREMENT PLAN

Plan Description

The Michigan Public School Employees' Retirement System (the "System" or MPERS) 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.

A defined benefit 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.

YPSILANTI COMMUNITY 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 \$6,298,756.

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 \$69,278,931 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 0.28364%, which was an increase of 0.01632% from its proportion measured as of September 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$6,667,678. 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	\$ -	\$ 229,472	\$ (229,472)
Changes in assumptions	1,705,794	-	1,705,794
Net difference between projected and actual earnings on pension plan investments	353,613	-	353,613
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,041,990	23,079	3,018,911
	<u>5,101,397</u>	<u>252,551</u>	<u>4,848,846</u>
District contributions subsequent to the measurement date	5,431,610	-	5,431,610
Total	<u>\$ 10,533,007</u>	<u>\$ 252,551</u>	<u>\$ 10,280,456</u>

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

\$5,431,610 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	\$ 1,006,528
2018	1,006,528
2019	914,253
2020	<u>1,921,537</u>
Total	<u>\$ 4,848,846</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.

YPSILANTI COMMUNITY 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%
	<u>100.00%</u>		5.90%
Inflation			<u>2.10%</u>
Investment rate of return			<u>8.00%</u>

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.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

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

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	\$ 89,318,301	\$ 69,278,931	\$ 52,384,921

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 \$1,021,384 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 \$2,217,676 for the year ended June 30, 2016.

YPSILANTI COMMUNITY SCHOOLS

Notes to Financial Statements

15. COMMITMENTS AND CONTINGENCIES

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving various matters. The outcome of these lawsuits is not presently determinable, and the District and its legal counsel is contesting these claims vigorously. No provision for potential claims has been recorded in the underlying financial statements in case of an adverse settlement.

16. RESTATEMENT

In prior years, the District inadvertently double-counted the cost of certain land in its capital asset records. As a result of the necessary correction, beginning net position of governmental activities was decreased by \$911,335.



REQUIRED SUPPLEMENTARY INFORMATION

YPSILANTI COMMUNITY 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 proportion of the net pension liability	\$ 58,879,966	\$ 69,278,931
District's proportionate share of the net pension liability	0.26731%	0.28364%
District's covered-employee payroll	\$ 28,132,146	\$ 25,191,176
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	209.30%	275.01%
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.

YPSILANTI COMMUNITY SCHOOLS

Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of District Contributions

	Year Ended June 30,	
	2015	2016
Contractually required contribution	\$ 5,333,181	\$ 6,298,756
Contributions in relation to the contractually required contribution	<u>(5,333,181)</u>	<u>(6,298,756)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 23,937,241	\$ 22,777,776
Contributions as a percentage of covered employee payroll	22.28%	27.65%

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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**COMBINING FUND
FINANCIAL STATEMENTS**

YPSILANTI COMMUNITY SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2016

	Special Revenue	Debt Service	
	Food Service	Willow Run Fund	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ -	\$ 392,023	\$ 392,023
Accounts receivable	2,625	-	2,625
Due from other funds	1,021,086	613,830	1,634,916
Due from other governments	211,740	10,415	222,155
Inventories	45,142	-	45,142
Total assets	\$ 1,280,593	\$ 1,016,268	\$ 2,296,861
Liabilities			
Negative equity in pooled cash and investments	\$ 50,504	\$ -	\$ 50,504
Accounts payable	136,095	-	136,095
Salaries payable	32,178	-	32,178
Due to other funds	472,575	633,789	1,106,364
Unearned revenue	-	28,097	28,097
Total liabilities	691,352	661,886	1,353,238
Fund balances			
Nonspendable	45,142	-	45,142
Restricted for:			
Debt service	-	354,382	354,382
Food service	544,099	-	544,099
Total fund balances	589,241	354,382	943,623
Total liabilities and fund balances	\$ 1,280,593	\$ 1,016,268	\$ 2,296,861

YPSILANTI COMMUNITY SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended June 30, 2016

	Special Revenue	Debt Service	
	Food Service	Willow Run Fund	Total Nonmajor Governmental Funds
Revenues			
Local sources:			
Property taxes	\$ -	\$ 3,935,376	\$ 3,935,376
Other local revenue	333	-	333
Food sales	87,539	-	87,539
Interest revenue	-	23,396	23,396
State sources	101,799	-	101,799
Federal sources	2,786,662	-	2,786,662
Total revenues	2,976,333	3,958,772	6,935,105
Expenditures			
Current -			
Food service	2,823,832	-	2,823,832
Debt service:			
Principal	-	2,440,000	2,440,000
Interest	-	1,501,643	1,501,643
Tax abated	-	4,614	4,614
Total expenditures	2,823,832	3,946,257	6,770,089
Revenues over expenditures	152,501	12,515	165,016
Other financing sources (uses)			
Proceeds from the issuance of long-term debt	-	9,315,000	9,315,000
Bond premium	-	498,973	498,973
Payment to refunding bond escrow agent	-	(9,711,709)	(9,711,709)
Transfers out	(170,727)	-	(170,727)
Total other financing sources (uses)	(170,727)	102,264	(68,463)
Net change in fund balances	(18,226)	114,779	96,553
Fund balances, beginning of year	607,467	239,603	847,070
Fund balances, end of year	\$ 589,241	\$ 354,382	\$ 943,623

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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 24, 2016

Board of Education
Ypsilanti Community Schools
Ypsilanti, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Ypsilanti Community 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 24, 2016, which contained unmodified opinions on those financial statements. Our audit was performed 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 additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



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Ypsilanti Community 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's Number	Approved Award/Grant Amount
U.S. Department of Agriculture				
Child Nutrition Cluster:				
National School Breakfast Program				
2014-2015 School Breakfast	10.553	MDE	151970	\$ 664,046
2015-2016 School Breakfast	10.553	MDE	161970	677,774
Entitlement commodities	10.555	MDE	n/a	142,915
National School Lunch Program:				
2014-2015 School Lunch - Section 4	10.555	MDE	151960	1,561,829
2015-2016 School Lunch - Section 4	10.555	MDE	161960	1,419,996
National School Snack Program:				
2014-2015 School Snack	10.555	MDE	151980	16,129
2015-2016 School Snack	10.555	MDE	161980	24,053
Summer Food Service Program:				
2015 Summer Food Service	10.559	MDE	150900	7,911
	10.559	MDE	151900	59,590
2016 Summer Food Service	10.559	MDE	160900	19,848
Child and Adult Care Food Program:				
2015-16 CACFP Meals	10.558	MDE	161920	147,140
2015-16 Cash In Lieu	10.558	MDE	162010	8,384
Fresh Fruit and Vegetable Program:	10.582	MDE	160950	23,875
Total U.S. Department of Agriculture				
U.S. Department of Education				
Adult Education				
2014-2015	84.002	WISD	151227-151130	174,788
2015-2016	84.002	WISD	161227-161130	9,485
2015-2016 Federal Adult Ed ABE Instruction	84.002	MDE	161227	26,000
Title I , Part A Cluster:				
Regular 2012-2013	84.010	MDE	131530-1213	1,904,815
Regular 2014-2015	84.010	MDE	151530-1415	2,704,863
Regular 2015-2016	84.010	MDE	161530-1516	2,852,391

Accrued (Unearned) Revenue - July 1, 2015	(Memo Only) Prior Year Expenditures	Prior Year Adjustments	Expenditures June 30, 2016	Federal Funds / In-Kind Received	Accrued (Unearned) Revenue - June 30, 2016
\$ 52,156	\$ 585,740	\$ -	\$ 78,306	\$ 130,462	\$ -
-	-	-	677,774	622,653	55,121
<u>52,156</u>	<u>585,740</u>	<u>-</u>	<u>756,080</u>	<u>753,115</u>	<u>55,121</u>
-	116,637	-	142,915	142,915	-
118,046	1,380,113	-	181,024	299,070	-
-	-	-	1,419,996	1,313,239	106,757
2,121	12,372	-	3,757	5,878	-
-	-	-	24,053	23,701	352
<u>120,167</u>	<u>1,509,122</u>	<u>-</u>	<u>1,771,745</u>	<u>1,784,803</u>	<u>107,109</u>
7,911	7,911	-	-	7,911	-
-	-	-	59,590	59,590	-
-	-	-	19,848	-	19,848
<u>7,911</u>	<u>7,911</u>	<u>-</u>	<u>79,438</u>	<u>67,501</u>	<u>19,848</u>
-	-	-	147,140	141,259	5,881
-	-	-	8,384	8,171	213
-	-	-	<u>155,524</u>	<u>149,430</u>	<u>6,094</u>
-	-	-	23,875	17,270	6,605
<u>180,234</u>	<u>2,102,773</u>	<u>-</u>	<u>2,786,662</u>	<u>2,772,119</u>	<u>194,777</u>
62,978	62,978	-	111,810	174,788	-
-	-	-	9,485	-	9,485
-	-	-	20,364	-	20,364
<u>62,978</u>	<u>62,978</u>	<u>-</u>	<u>141,659</u>	<u>174,788</u>	<u>29,849</u>
(1,971)	-	-	-	-	(1,971)
782,051	1,913,494	-	147,528	929,579	-
-	-	-	2,448,873	1,552,869	896,004
<u>780,080</u>	<u>1,913,494</u>	<u>-</u>	<u>2,596,401</u>	<u>2,482,448</u>	<u>894,033</u>

continued...

Ypsilanti Community 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's Number	Approved Award/Grant Amount
U.S. Department of Education (continued)				
Perkins Grant:				
2014-2015	84.048A	WISD	153520-151223	\$ 68,697
2015-2016	84.048A	WISD	163520-161223	78,047
Special Education Cluster:				
I.D.E.A. Flow-Through				
2014-2015	84.027A	WISD	150450-1415	1,286,721
2015-216	84.027A	WISD	160450-1516	1,154,247
Preschool Incentive				
2014-2015	84.173	WISD	150460-1415	36,331
2015-216	84.173	WISD	160460-1516	35,634
Safe and Supportive Schools:				
2014-2015	84.184	MDE	152790-SSS2015	120,355
2014-2015 NT	84.184	MDE	152790-SSS2015NT	120,400
Title III				
2014-2015 Immigrant	84.365A	LPS	150570-1415	-
2015-2016 Immigrant	84.365A	LPS	160570-1516	-
2014-2015 English	84.365A	MDE	150580-1415	57,075
2015-2016 English	84.365A	MDE	160580-1516	34,125

Accrued (Unearned) Revenue - July 1, 2015	(Memo Only) Prior Year Expenditures	Prior Year Adjustments	Expenditures June 30, 2016	Federal Funds / In-Kind Received	Accrued (Unearned) Revenue - June 30, 2016
\$ 15,170	\$ 60,236	\$ -	\$ -	\$ 15,170	\$ -
-	-	-	78,047	50,346	27,701
<u>15,170</u>	<u>60,236</u>	<u>-</u>	<u>78,047</u>	<u>65,516</u>	<u>27,701</u>
505,269	1,193,974	-	92,747	598,016	-
-	-	-	1,154,247	865,012	289,235
<u>505,269</u>	<u>1,193,974</u>	<u>-</u>	<u>1,246,994</u>	<u>1,463,028</u>	<u>289,235</u>
-	-	-	-	-	-
3,082	10,762	-	25,569	28,651	-
-	-	-	35,634	35,634	-
<u>3,082</u>	<u>10,762</u>	<u>-</u>	<u>61,203</u>	<u>64,285</u>	<u>-</u>
35,954	105,536	-	-	35,954	-
34,234	98,442	-	-	34,234	-
<u>70,188</u>	<u>203,978</u>	<u>-</u>	<u>-</u>	<u>70,188</u>	<u>-</u>
-	-	1,806	-	1,806	-
-	-	-	18,934	18,934	-
7,922	8,542	-	801	8,723	-
-	-	-	11,660	-	11,660
<u>7,922</u>	<u>8,542</u>	<u>1,806</u>	<u>31,395</u>	<u>29,463</u>	<u>11,660</u>

continued...

Ypsilanti Community 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's Number	Approved Award/Grant Amount
U.S. Department of Education (concluded)				
Title II - Part A - Regular	84.367	MDE	130520-1213	\$ 406,684
Title II - Part A - Regular	84.367	MDE	150520-1415	1,211,321
Title II - Part A - Regular	84.367	MDE	160520-1516	1,211,067
Total Department of Education				
Department of Health and Human Services				
HeadStart				
2014-2015	93.600	WISD	n/a	1,587,160
2015-2016	93.600	WISD	n/a	1,587,060
Total Department of Health and Human Services				
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue - July 1, 2015	(Memo Only) Prior Year Expenditures	Prior Year Adjustments	Expenditures June 30, 2016	Federal Funds / In-Kind Received	Accrued (Unearned) Revenue - June 30, 2016
\$ (21,796)	\$ -	\$ -	\$ -	\$ -	\$ (21,796)
207,398	534,979	3,000	48,571	258,969	-
-	-	-	644,131	391,165	252,966
<u>185,602</u>	<u>534,979</u>	<u>3,000</u>	<u>692,702</u>	<u>650,134</u>	<u>231,170</u>
<u>1,630,291</u>	<u>3,988,943</u>	<u>4,806</u>	<u>4,848,401</u>	<u>4,999,850</u>	<u>1,483,648</u>
630,352	1,587,160	-	(100)	630,252	-
-	-	-	1,587,060	522,330	1,064,730
<u>630,352</u>	<u>1,587,160</u>	<u>-</u>	<u>1,586,960</u>	<u>1,152,582</u>	<u>1,064,730</u>
<u>630,352</u>	<u>1,587,160</u>	<u>-</u>	<u>1,586,960</u>	<u>1,152,582</u>	<u>1,064,730</u>
<u>\$ 2,440,877</u>	<u>\$ 7,678,876</u>	<u>\$ 4,806</u>	<u>\$ 9,222,023</u>	<u>\$ 8,924,551</u>	<u>\$ 2,743,155</u>

concluded.

YPSILANTI COMMUNITY SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of Ypsilanti Community 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 included and all grant requirements have been met.

The schedule has been arranged to provide information on both the 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 the 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 on the Grant Auditor Reports reconcile with this schedule.

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

3. RECONCILIATION OF BASIC FINANCIAL STATEMENTS

The following schedule reconciles federal sources reported in the financial statements to the expenditures reported on the schedule of expenditures of federal awards:

Expenditures reported in the schedule of expenditures of federal awards	\$ 9,222,023
Adjustments to prior year federal expenditures	4,806
Federal sources reported in the financial statements	<u>\$ 9,226,829</u>

YPSILANTI COMMUNITY SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

4. 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
WISD	Washtenaw County Intermediate School District
LPS	Lansing Public Schools



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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 24, 2016

Board of Education
Ypsilanti Community Schools
Ypsilanti, 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 *Ypsilanti Community 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 24, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiency described in accompanying schedule of findings and questioned costs as item 2016-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2016-002 to be a significant deficiency.

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*.

Ypsilanti Community Schools' Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Lehmann Loborn LLC".

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

October 24, 2016

Board of Education
Ypsilanti Community Schools
Ypsilanti, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of *Ypsilanti Community 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 programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the requirement 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.

Unmodified Opinion on Each of its Major Federal Programs

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 programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-003. 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 a combination of deficiencies, in internal control over compliance such that there is 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 2016-003 to be a significant deficiency.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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 Lobson LLC

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YPSILANTI COMMUNITY 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? X yes no

Significant deficiency(ies) identified? X yes 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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion</u>
10.553, 10.555, & 10.559	Child Nutrition	Unmodified
84.027A & 84.173	Special Education Cluster	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes X no

YPSILANTI COMMUNITY SCHOOLS

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

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-001 - Prior Period Audit Adjustments

Finding Type. Material Weakness in Internal Control over Financial Reporting. (Repeat)

Criteria. The District is responsible for maintaining a complete and accurate capital asset schedule, including depreciation schedules.

Condition. We noted that the District recorded a \$911,000 asset as both land and buildings in prior years.

Cause. This error originated at the time the former Districts were consolidated, when certain capital asset details were duplicated in the conversion to the new District's capital asset software.

Effect. As a result of this condition, the District's accounting records were previously misstated by amounts material to the financial statements. This resulted in the need to record a prior period adjustment, rather than reissuance of previously audited financial statements.

Recommendation. The adjustment noted above has been reviewed by management, posted to the District's records, and is reported correctly in the audited financial statements. Going forward, the District should establish a formal procedure to review capital asset detail schedules to ensure that assets are properly included or removed from the schedule, as necessary.

View of Responsible Official: As all adjustments were recorded into the District's general ledger, no corrective action is necessary. Also, the Business Office will strive to ensure that capital asset schedules are updated timely.

YPSILANTI COMMUNITY SCHOOLS

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

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2016-002 - Preparation of the Schedule of Expenditures of Federal Awards (Repeat)

Finding Type. Significant deficiency in internal controls over financial reporting.

Criteria. Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), requires that the District “identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass-through entity.” In addition, the District is required to “prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with §___310.”

Condition. While management was able to provide us with a mostly complete schedule of expenditures of federal awards (SEFA) during our audit fieldwork, several corrections were ultimately required for proper presentation of the SEFA. Additionally, some minor adjustments were required to reconcile the District's SEFA to underlying grant and accounting records.

Cause. This was caused by lack of oversight by business and program personnel of the ongoing grant accounting processes and procedures.

Effect. The District's SEFA preparation process did not detect errors in the SEFA, which were not corrected in a timely fashion. Additionally, adjustments were required to federal revenue and expenditures as a result of errors made in preparation of the SEFA.

Recommendation. The District should review and improve its SEFA preparation policies and procedures in order to provide timely adjustments and reclassifications to grant revenue and expenditure accounts.

View of Responsible Official: All adjustments for the year ended June 30, 2016 have been made. In the future, the District will strive to ensure that a complete and accurate SEFA is prepared in the future.

YPSILANTI COMMUNITY SCHOOLS

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2016-003 - Suspension and Debarment (Repeat)

Finding Type. Immaterial Noncompliance; Significant Deficiency in Internal Control over Compliance.

Program. Child Nutrition Cluster; U.S. Department of Agriculture; Michigan Department of Education; CFDA Number 10.553, 10.555, and 10.559; All award numbers.

Criteria. Per Uniform Guidance, non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000.

Condition. The District did not retain documentation to indicate it performed a check to ensure that all vendors paid or expected to be paid \$25,000 or more were not suspended or debarred from receiving federal funds.

Cause. The documentation showing that the District checked to ensure that the vendors were not suspended or debarred was not able to be located.

Effect. The District was unable to prove that it was in compliance with this requirement.

Questioned Costs. No costs are required to be questioned as a result of this finding, inasmuch as no unallowable expenditures were noted and the reviews did not serve as a mechanism for reimbursement.

Recommendation. We recommend that the District retain the documentation showing that it checked for suspension and debarment on all vendors in which the District made payments of \$25,000 or more.

View of Responsible Official: District staff will retain documentation showing that before paying any vendor for grant funded purchases of \$25,000 or more, an employee will check the Sam.gov website to ensure that the vendor was not suspended or debarred.



YPSILANTI COMMUNITY SCHOOLS

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2016

2015-001 - Financial Statement Preparation/Audit Adjustments

The District did not adjust, on a timely basis, numerous balance sheet accounts, various accrued liability accounts, and capital asset details and summaries, and many accounts were not adjusted until issues were raised by the District's auditors. Additionally, grant draws were not made until several months after the expenditures were incurred, causing delays in grant reimbursements and the related reconciliations. This finding has been resolved in the current year.

2015-002 - Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Many adjustments were required to reconcile the District's SEFA to underlying grant and accounting records. In the current year only minor adjustments were necessary to properly present the SEFA. This finding has been repeated in the current year as 2016-002.

2015-003 - Reporting - Meal Claims Status Reports

The District could not provide the underlying documentation to support a significant number of the counts of reimbursable meals, after school snacks, and milk submitted to MDE for reimbursement during the year. Meal claim reports were reviewed as part of compliance testing in the current year, noting appropriate documentation to support claims submitted. Some immaterial variances were noted for the current year and reported as an Other Matter in a separate letter to those charged with governance dated October 24, 2016.

2015-004 - Procurement, Suspension, and Debarment

The District did not retain documentation to indicate it performed a check to ensure that all vendors paid or expected to be paid \$25,000 or more were not suspended or debarred from receiving federal funds. This finding has been repeated in the current year as 2016-003.

2015-005 - Allowable Costs/Cost Principles - Payroll Documentation

The District charged merit pay for one employee to the grant who should not have been charged against the grant. Merit pay was reviewed as part of the Special Education Cluster in the current year, with no amounts were improperly charged to the grant. This finding has been resolved in the current year.



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CORRECTIVE ACTION PLAN



Business Office
1885 Packard Road
Ypsilanti, MI 48197
(734) 714-1225

PLANNED CORRECTIVE ACTION

Certain matters were brought to our attention as a result of the audit process. These are described at length in the Schedule of and Questioned Costs. We evaluated each of these matters as described below. And have described our action plans as a result.

2016-001 Prior Period Audit Adjustments

Planned Corrective Action. The District will establish a formal procedure to review capital asset detail schedules to ensure that assets are properly included or removed from the schedule as necessary.

Responsible Party. CFO thru September, 2015. Director of Business Services going forward.

Date of Planned Corrective Action. Audit of 2015-16 has corrected error. No further action required at this time.

Management Assessment. An audit has been performed for two prior years before this error was found. An independent contractor, AssetWorks performed the original schedule.

2016-002 Preparation of the Schedule of Expenditures of Federal Awards

Planned Corrective Action. Review and improve our SEFA preparation policies and procedures in order to provide timely adjustments and reclassifications to grant revenue and expenditure accounts.

Responsible Party. Director of Business Services.

Date of Planned Corrective Action. Audit of 2015-16 and moving forward.

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

2016-003 Suspension and Debarment

Planned Corrective Action. The District will retain the documentation showing that it checked for suspension and debarment of vendors in which the District made payments of \$25,000 or more.

Responsible Party. Grant Coordinator.

Date of Planned Corrective Action. Future expenditures exceeding \$25,000.

Management Assessment. District personnel had reviewed for debarment but could not locate backup paperwork for one particular purchase.