

Ypsilanti  
Community  
Schools  
Ypsilanti, Michigan



For the Year  
Ended June 30,  
2015

Financial  
Statements and  
Single Audit Act  
Compliance

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# YPSILANTI COMMUNITY SCHOOLS

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	6
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation - Fund Balances of Governmental Funds to Net Position of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation - Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	20
Statement of Fiduciary Assets and Liabilities	22
Notes to Financial Statements	24
Required Supplementary Information	
MPSERS Cost-Sharing Multiple-Employer Plan:	
Schedule of the District's Proportionate Share of the Net Pension Liability	42
Schedule of District Contributions	43
Combining Fund Financial Statements:	
Combining Balance Sheet - Nonmajor Governmental Funds	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	47
Single Audit Act Compliance:	
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	51
Schedule of Expenditures of Federal Awards	54
Notes to Schedule of Expenditures of Federal Awards	60
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 <i>Government Auditing Standards</i>	63

# YPSILANTI COMMUNITY SCHOOLS

## Table of Contents

	<u>Page</u>
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Requirement by OMB Circular A-133	65
Schedule of Findings and Questioned Costs	69
Summary Schedule of Prior Audit Findings	75



**INDEPENDENT AUDITORS' REPORT**

October 27, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

*Independent Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits 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 Ypsilanti Community Schools as of June 30, 2015, 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.

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

As described in Note 16, the District implemented the provisions of GASB Statement No. 68, *Accounting and Reporting for Pensions* in the current year. Accordingly, beginning net position of governmental activities was restated. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

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

The combining and individual 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 27, 2015, 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.

*Rehmann Lobson LLC*

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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, 2015.

### Financial Highlights

- The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. In addition to expanded disclosure requirements, the District is required to report its proportionate share of the MPSERS net pension liability on the statement of net position. This change has resulted in a negative total net position of governmental activities of \$(119,358,515).
- The District's total net position decreased by \$1,600,031.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$7,515,014, a decrease of \$2,270,904 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$1,241,895 or 2.5% percent of total general fund expenditures.

### 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, 2015.

# YPSILANTI COMMUNITY SCHOOLS

## Management's Discussion and Analysis

**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.

**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. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue fund. Budgetary comparison statements or schedules 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.

# YPSILANTI COMMUNITY SCHOOLS

## Management's Discussion and Analysis

### 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 exceeded assets by \$119,358,515 at the close of the most recent fiscal year.

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 (\$15,712,968) at June 30, 2015. 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	
	2015	2014
<b>Assets</b>		
Current and other assets	\$ 16,748,896	\$ 19,448,787
Capital assets, net	85,472,686	91,257,039
<b>Total assets</b>	<b>102,221,582</b>	<b>110,705,826</b>
Deferred outflows of resources	9,871,401	988,599
<b>Liabilities</b>		
Current and other liabilities	69,181,515	10,629,644
Long-term liabilities	155,755,344	161,147,801
<b>Total liabilities</b>	<b>224,936,859</b>	<b>171,777,445</b>
Deferred inflows of resources	6,514,639	-
<b>Net position</b>		
Net investment in capital assets	(15,712,968)	(16,184,172)
Restricted	992,226	1,076,176
Unrestricted (deficit)	(104,637,773)	(44,975,024)
<b>Total net position</b>	<b>\$ (119,358,515)</b>	<b>\$ (60,083,020)</b>

The remaining balance as of June 30, 2015 consists of \$992,226 restricted for debt service and food service and unrestricted in a deficit amount of \$104,637,773.

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 2015.

# YPSILANTI COMMUNITY SCHOOLS

## Management's Discussion and Analysis

	District's Net Position	
	Governmental Activities	
	2015	2014
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 1,130,480	\$ 462,874
Operating grants and contributions	21,172,432	18,074,636
General revenues:		
Property taxes	18,537,111	17,723,549
State school aid	24,334,275	26,210,484
Other	29,249	81,936
<b>Total revenues</b>	<b>65,203,547</b>	<b>62,553,479</b>
<b>Expenses</b>		
Instruction	28,601,026	28,496,136
Support services	21,176,051	20,334,066
Athletics	568,406	2,257,813
Food service	2,365,898	607,909
Community services	392,483	23,750
Depreciation - unallocated	5,454,986	5,703,171
Interest on long-term debt	7,488,506	7,576,262
Impairment loss - unallocated	756,222	-
<b>Total expenses</b>	<b>66,803,578</b>	<b>64,999,107</b>
<b>Change in net position</b>	<b>(1,600,031)</b>	<b>(2,445,628)</b>
Net position deficit, beginning of year	(60,083,020)	(57,637,392)
Restatement for implementation of GASB 68	(57,675,464)	-
<b>Net position, end of year</b>	<b>\$ (119,358,515)</b>	<b>\$ (60,083,020)</b>

*Governmental Activities.* Governmental activities decreased the District's net position by \$59,275,495. Key elements of this decrease are as follows:

- The District implement GASB standard 68 in fiscal year 2015. This resulted in a restatement of beginning net position of (\$57,675,464).
- The general fund incurred expenditures in excess of revenues of approximately \$2.17 million for the year ended June 30, 2015. This use of fund balance was budgeted for, since a use of fund balance of \$2.5 million was budgeted for in the District' final budget amendment for the year ended June 30, 2015.

# 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 \$7,515,014. Of this total amount, \$305,328 constitutes nonspendable fund balance to indicate that is not available for new spending because the underlying assets are included in inventory and prepaids, while \$967,791 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 balance of \$1,241,895.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$1,241,895 while total fund balance was \$6,522,788. Unassigned fund balance is 2.3% of total expenditures, and total fund balance is 11.8% of total fund expenditures.

The fund balance of the District's general fund decreased by (\$2,186,954) 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 \$2,151,000.

### 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 2014-15 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. For the year ended June 30, 2015, total actual expenditures were less than the total final budget amount by approximately \$627,170, which represents a 1.1% variance.

General fund actual revenues were less than final amended budget revenue by 1.3%. Much of this difference was due primarily to the following factor:

- 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, 2015, amounted to \$85,472,686 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, buses and other vehicles, and furniture and equipment.

There were no major capital asset addition events during the current fiscal year. An impairment loss of approximately \$756,000 was recognized due to changes in uses of certain District buildings.

	District's Capital Assets (Net of Depreciation)	
	2015	2014
Land	\$ 911,335	\$ 911,335
Construction in progress	-	36,136
Buildings and building improvements	83,304,159	89,074,369
Furniture and equipment	1,070,324	271,164
Buses and other vehicles	186,868	964,035
<b>Total capital assets, net</b>	<b>\$ 85,472,686</b>	<b>\$ 91,257,039</b>

Long-Term Debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$117,730,000. Those bonds consisted of the following:

	2015	2014
General obligation bonds	\$ 117,730,000	\$ 125,090,000

During the year ended June 30, 2015, scheduled bond payments of \$6,110,000 were made. The District also made a one time mandatory redemption payment of \$1,250,000 on the District's 2013 revenue bonds. In addition, the District borrowed \$2,247,649 from the Michigan School Bond Loan Fund to supplement tax revenue in order to service certain bond payments.

### Factors Bearing on the District's Future

The following factors were also considered in preparing the District's budget for the 2015-16 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 2014-15 fiscal year was 90% of the October 2014 count and 10% of the February 2015 count. The 2015-16 budget was built on a reduction of 325 students for the blended count and a modest increase of \$122 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 2015-16 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, 2015

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 6,793,508
Accounts receivable	9,650,060
Inventories	41,030
Prepaid items	264,298
Capital assets not being depreciated	911,335
Capital assets being depreciated, net	<u>84,561,351</u>
<b>Total assets</b>	<u>102,221,582</u>
<b>Deferred outflows of resources</b>	
Deferred pension amounts	9,001,356
Loss on advance refundings	<u>870,045</u>
<b>Total deferred outflows of resources</b>	<u>9,871,401</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	7,361,657
State aid notes payable	1,728,741
Unearned revenue	1,211,151
Long-term liabilities:	
Due within one year	7,110,926
Due in more than one year	148,644,418
Net pension liability	<u>58,879,966</u>
<b>Total liabilities</b>	<u>224,936,859</u>
<b>Deferred inflows of resources</b>	
Deferred pension amounts	<u>6,514,639</u>
<b>Net position</b>	
Net investment in capital assets	(15,712,968)
Restricted for:	
Debt service	384,759
Food service	607,467
Unrestricted (deficit)	<u>(104,637,773)</u>
<b>Total net position</b>	<u><u>\$ (119,358,515)</u></u>

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

# YPSILANTI COMMUNITY SCHOOLS

## Statement of Activities

June 30, 2015

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities</b>				
Instruction	\$ 28,601,026	\$ 1,089,026	\$ 18,450,274	\$ (9,061,726)
Supporting services	21,176,051	-	-	(21,176,051)
Athletics	568,406	41,454	-	(526,952)
Food service	2,365,898	-	2,722,158	356,260
Community services	392,483	-	-	(392,483)
Depreciation - unallocated	5,454,986	-	-	(5,454,986)
Interest on long-term debt	7,488,506	-	-	(7,488,506)
Impairment loss - unallocated	756,222	-	-	(756,222)
<b>Total governmental activities</b>	<u>\$ 66,803,578</u>	<u>\$ 1,130,480</u>	<u>\$ 21,172,432</u>	<u>(44,500,666)</u>
<b>General revenues:</b>				
Property taxes				18,537,111
Unrestricted state aid				24,334,275
Unrestricted investment earnings				29,249
<b>Total general revenues</b>				<u>42,900,635</u>
<b>Change in net position</b>				<u>(1,600,031)</u>
<b>Net position, beginning of year, as restated</b>				<u>(117,758,484)</u>
<b>Net position, end of year</b>				<u>\$ (119,358,515)</u>

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

# YPSILANTI COMMUNITY SCHOOLS

## Balance Sheet

Governmental Funds

June 30, 2015

	General Fund	Debt Service Ypsilanti Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 7,207,555	\$ 689,088	\$ 98,916	\$ 7,995,559
Accounts receivable	369,464	219	4,675	374,358
Due from other governments	9,083,197	-	192,505	9,275,702
Due from other funds	9,179,116	572,394	2,454,767	12,206,277
Inventories	16,595	-	24,435	41,030
Prepays	264,298	-	-	264,298
<b>Total assets</b>	<b>\$ 26,120,225</b>	<b>\$ 1,261,701</b>	<b>\$ 2,775,298</b>	<b>\$ 30,157,224</b>
<b>Liabilities</b>				
Negative equity in pooled cash and investments	\$ -	\$ -	\$ 1,202,051	\$ 1,202,051
Accounts payable	972,990	476	85,914	1,059,380
Salaries payable	5,205,511	-	29,099	5,234,610
State aid anticipation note	1,728,741	-	-	1,728,741
Due to other funds	10,479,044	1,116,069	611,164	12,206,277
Unearned revenue	1,211,151	-	-	1,211,151
<b>Total liabilities</b>	<b>19,597,437</b>	<b>1,116,545</b>	<b>1,928,228</b>	<b>22,642,210</b>
<b>Fund balances</b>				
Nonspendable	280,893	-	24,435	305,328
Restricted for:				
Debt service	-	145,156	239,603	384,759
Food service	-	-	583,032	583,032
Committed for revenue bond debt service	5,000,000	-	-	5,000,000
Unassigned	1,241,895	-	-	1,241,895
<b>Total fund balances</b>	<b>6,522,788</b>	<b>145,156</b>	<b>847,070</b>	<b>7,515,014</b>
<b>Total liabilities and fund balances</b>	<b>\$ 26,120,225</b>	<b>\$ 1,261,701</b>	<b>\$ 2,775,298</b>	<b>\$ 30,157,224</b>

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, 2015

Fund balances - total governmental funds	\$ 7,515,014
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	179,046,380
Accumulated depreciation	(94,485,029)
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	(154,067,997)
Unamortized bond premium	(1,618,745)
Unamortized bond loss	870,045
Accrued interest on bonds payable	(1,067,667)
Compensated absences	(68,602)
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	(58,879,966)
Deferred outflows of resources related to the net pension liability	9,001,356
Deferred inflows of resources related to the net pension liability	<u>(6,514,639)</u>
Net position of governmental activities	<u><u>\$ (119,358,515)</u></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, 2015

	General Fund	Debt Service Ypsilanti Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local sources:				
Property taxes	\$ 8,967,572	\$ 5,829,727	\$ 3,908,528	\$ 18,705,827
Other local revenue	3,103,174	-	-	3,103,174
Food sales	-	-	62,864	62,864
Interest revenue	-	3,854	2,236	6,090
State sources	30,449,270	-	54,736	30,504,006
Federal sources	6,618,706	-	2,604,558	9,223,264
Interdistrict sources	3,767,038	-	-	3,767,038
<b>Total revenues</b>	<b>52,905,760</b>	<b>5,833,581</b>	<b>6,632,922</b>	<b>65,372,263</b>
<b>Expenditures</b>				
Current:				
Instructional services	29,458,811	-	-	29,458,811
Supporting services	21,934,419	-	-	21,934,419
Athletics	580,002	-	-	580,002
Food service	-	-	2,392,416	2,392,416
Community services	404,700	-	-	404,700
Debt service:				
Principal	1,352,297	3,730,000	2,380,000	7,462,297
Interest	1,483,869	3,304,698	1,630,996	6,419,563
Tax abated	-	53,646	4,935	58,581
<b>Total expenditures</b>	<b>55,214,098</b>	<b>7,088,344</b>	<b>6,408,347</b>	<b>68,710,789</b>
Revenues over (under) expenditures	(2,308,338)	(1,254,763)	224,575	(3,338,526)
<b>Other financing sources (uses)</b>				
Proceeds from the issuance of bonds	-	975,946	91,676	1,067,622
Transfers in	121,384	-	-	121,384
Transfers out	-	-	(121,384)	(121,384)
<b>Total other financing sources (uses)</b>	<b>121,384</b>	<b>975,946</b>	<b>(29,708)</b>	<b>1,067,622</b>
Net change in fund balances	(2,186,954)	(278,817)	194,867	(2,270,904)
Fund balances, beginning of year	8,709,742	423,973	652,203	9,785,918
Fund balances, end of year	\$ 6,522,788	\$ 145,156	\$ 847,070	\$ 7,515,014

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, 2015

Net change in fund balances - total governmental funds	\$ (2,270,904)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Long-term receivables are reported as revenue when earned on the statement of activities while the governmental funds report these balances as revenue when the availability criterion for revenue recognition is met.	
Net change in deferred inflows of resources for long-term receivables	(168,716)
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	426,855
Depreciation expense	(5,454,986)
Impairment Loss	(756,222)
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	7,360,000
Principal payments on capital leases	102,297
Amortization of bond premium	161,814
Amortization of bond loss	(118,554)
Note proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of activities.	
School bond loan fund proceeds	(1,067,622)
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	1,282,215
Change in accrued interest payable on bonds	(1,112,203)
Change in compensated absences	15,995
Change in net position of governmental activities	<u>\$ (1,600,031)</u>

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, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Local sources	\$ 10,120,906	\$ 12,129,706	\$ 12,070,746	\$ (58,960)
State sources	28,291,673	30,192,271	30,449,270	256,999
Federal sources	6,000,771	7,819,873	6,618,706	(1,201,167)
Interdistrict sources	4,181,650	3,482,450	3,767,038	284,588
<b>Total revenues</b>	<b>48,595,000</b>	<b>53,624,300</b>	<b>52,905,760</b>	<b>(718,540)</b>
<b>Expenditures</b>				
Current:				
Instructional services:				
Basic program	18,477,712	21,120,379	20,913,032	(207,347)
Added needs	7,355,067	7,191,077	8,405,394	1,214,317
Adult/continuing education	46,977	152,819	140,385	(12,434)
Supporting services:				
Pupil	6,023,549	6,097,811	5,777,355	(320,456)
Instructional staff	1,698,680	2,844,255	859,095	(1,985,160)
General administration	581,600	604,000	1,549,277	945,277
School administration	2,363,913	2,643,689	2,429,807	(213,882)
Business services	770,500	838,944	783,545	(55,399)
Transportation and maintenance	8,212,186	9,448,476	9,253,393	(195,083)
Central services	1,132,730	1,039,380	1,281,947	242,567
Athletics	391,505	573,555	580,002	6,447
Community services	49,081	388,833	404,700	15,867
Debt service:				
Principal	66,200	1,366,200	1,352,297	(13,903)
Interest	1,429,800	1,531,850	1,483,869	(47,981)
<b>Total expenditures</b>	<b>48,599,500</b>	<b>55,841,268</b>	<b>55,214,098</b>	<b>(627,170)</b>
<b>Revenues over (under) expenditures</b>	<b>(4,500)</b>	<b>(2,216,968)</b>	<b>(2,308,338)</b>	<b>(91,370)</b>

continued...

# YPSILANTI COMMUNITY SCHOOLS

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

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Other financing sources (uses)				
Transfers in	5,000	100,700	121,384	20,684
Transfers out	(500)	(383,732)	-	383,732
<b>Total other financing sources (uses)</b>	<b>4,500</b>	<b>(283,032)</b>	<b>121,384</b>	<b>404,416</b>
Net change in fund balance	-	(2,500,000)	(2,186,954)	313,046
Fund balance, beginning of year	8,709,742	8,709,742	8,709,742	-
<b>Fund balance, end of year</b>	<b>\$ 8,709,742</b>	<b>\$ 6,209,742</b>	<b>\$ 6,522,788</b>	<b>\$ 313,046</b>

concluded.

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

# YPSILANTI COMMUNITY SCHOOLS

## Statement of Fiduciary Assets and Liabilities

June 30, 2015

	Agency Fund
Assets	
Cash and investments	\$ <u>136,520</u>
Liabilities	
Due to student groups	\$ <u>136,520</u>

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, 2015.

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 and claims and judgments, are recorded only when payment is due.

# YPSILANTI COMMUNITY SCHOOLS

## Notes to Financial Statements

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.

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 are reported at 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 Prepaids

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. More detailed information can be found in Note 14.

### 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 governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, from long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also reports deferred inflows of resources related to pension costs. More detailed information can be found in Note 14.

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.

### 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 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, 2015.

Committed fund balance has been earmarked for future capital outlay including technology, vehicle replacement, and various site improvements, as well as revenue bond debt repayment.

### 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, debt and special revenue funds. All annual appropriations lapse at fiscal year end.

The general and special revenue funds 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 funds 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:

	Budget	Actual	Over Budget
General fund			
Instructional services -			
Added needs	\$ 7,191,077	\$ 8,405,394	\$ 1,214,317
Supporting services -			
General administration	604,000	1,549,277	945,277
Central services	1,039,380	1,281,947	242,567
Athletics	573,555	580,002	6,447
Community Service	388,833	404,700	15,867

### 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	\$ 6,793,508
Statement of Fiduciary Assets and Liabilities	
Cash and cash equivalents	<u>136,520</u>
<b>Total</b>	<b><u>\$ 6,930,028</u></b>
Deposits and investments	
Bank deposits -	
Checking and savings accounts	\$ 161,095
Investments in mutual funds and similar vehicles	<u>6,768,933</u>
<b>Total</b>	<b><u>\$ 6,930,028</u></b>

#### 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>\$ 6,768,933</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 \$180,993 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	\$ 369,464	\$ 219	\$ 4,675	\$ 374,358
Due from other governmental units	9,083,197	-	192,505	9,275,702
Total	<u>\$ 9,452,661</u>	<u>\$ 219</u>	<u>\$ 197,180</u>	<u>\$ 9,650,060</u>

### 6. CAPITAL ASSETS

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

	Beginning Balance	Additions	Impairment	Disposals	Ending Balance
Capital assets not being depreciated:					
Land	\$ 911,335	\$ -	\$ -	\$ -	\$ 911,335
Construction in progress	36,136	-	-	36,136	-
	<u>947,471</u>	<u>-</u>	<u>-</u>	<u>36,136</u>	<u>911,335</u>
Capital assets being depreciated:					
Buildings and improvements	179,569,032	230,921	5,532,768	-	174,267,185
Furniture and equipment	1,164,714	232,070	-	-	1,396,784
Vehicles	3,382,411	-	-	-	3,382,411
	<u>184,116,157</u>	<u>462,991</u>	<u>5,532,768</u>	<u>-</u>	<u>179,046,380</u>
Less accumulated depreciation for:					
Buildings and improvements	90,494,663	5,244,909	4,776,546	-	90,963,026
Furniture and equipment	200,679	125,781	-	-	326,460
Vehicles	3,111,247	84,296	-	-	3,195,543
	<u>93,806,589</u>	<u>5,454,986</u>	<u>4,776,546</u>	<u>-</u>	<u>94,485,029</u>
Capital assets being depreciated, net	<u>90,309,568</u>	<u>(4,991,995)</u>	<u>756,222</u>	<u>-</u>	<u>84,561,351</u>
Governmental activities capital assets, net	<u>\$ 91,257,039</u>	<u>\$ (4,991,995)</u>	<u>\$ 756,222</u>	<u>\$ 36,136</u>	<u>\$ 85,472,686</u>

Depreciation expense was charged to the function "unallocated depreciation."

During the year ended June 30, 2015, the District recognized an impairment loss on capital assets of \$756,222 (net of accumulated depreciation) due to the closing and change of use of several school buildings.

# YPSILANTI COMMUNITY SCHOOLS

## Notes to Financial Statements

### 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2015, interfund receivables and payables consisted of the following:

	Due From	Due To
General fund	\$ 9,179,116	\$ 10,479,044
Ypsilanti debt service fund	572,394	1,116,069
Nonmajor governmental funds	<u>2,454,767</u>	<u>611,164</u>
	<u>\$ 12,206,277</u>	<u>\$ 12,206,277</u>

For the year ending June 30, 2015, interfund transfers consisted of the following:

	Transfers Out	Transfers In
General fund	\$ -	\$ 121,384
Nonmajor governmental funds	<u>121,384</u>	<u>-</u>
	<u>\$ 121,384</u>	<u>\$ 121,384</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, 2015, a transfer from the food service fund to the general fund was for indirect cost recovery.

# YPSILANTI COMMUNITY SCHOOLS

## Notes to Financial Statements

### 8. LONG-TERM DEBT

Long-term debt and other obligations of the District at June 30, 2015, are summarized as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 125,090,000	\$ -	\$ (7,360,000)	\$ 117,730,000	\$ 7,050,000
School Bond Loan Fund	34,018,394	2,247,649	-	36,266,043	-
Plus -					
Unamortized bond premium	1,780,559	-	(161,814)	1,618,745	-
Capital leases	174,251	-	(102,297)	71,954	40,345
Compensated absences	84,597	6,860	(22,855)	68,602	20,581
	<u>161,147,801</u>	<u>2,254,509</u>	<u>(7,646,966)</u>	<u>155,755,344</u>	<u>7,110,926</u>

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

Bonds payable consist of the following issues:

#### General obligation bonds:

\$13,480,000 2005 YPS serial and term bonds due in annual installments of \$2,245,000 to \$2,250,000 through May 1, 2026; interest at 5.0%	\$ 13,480,000
\$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%	41,400,000
\$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%.	10,980,000
\$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%.	2,120,000
\$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
\$15,800,000, 2006 WRCS Refunding Bonds payable in annual installments of \$25,000 to \$2,000,000 through the year 2020; interest at 3.25% to 5.0%.	9,600,000
\$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%.	<u>17,365,000</u>
	<u>117,730,000</u>

# YPSILANTI COMMUNITY SCHOOLS

## Notes to Financial Statements

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

Year Ended June 30,	Principal	Interest	Total
2016	\$ 7,050,000	\$ 5,374,900	\$ 12,424,900
2017	7,995,000	5,033,525	13,028,525
2018	8,245,000	4,668,450	12,913,450
2019	7,660,000	4,296,725	11,956,725
2020	7,420,000	3,969,675	11,389,675
2021-2025	40,975,000	14,296,294	55,271,294
2026-2020	30,410,000	5,330,569	35,740,569
2031-2032	7,975,000	493,875	8,468,875
<b>Totals</b>	<b>\$ 117,730,000</b>	<b>\$ 43,464,013</b>	<b>\$ 161,194,013</b>

### 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	\$ 21,395,975	\$ 12,622,419	\$ 34,018,394
Additions	1,067,622	1,180,027	2,247,649
Ending balance	<u>\$ 22,463,597</u>	<u>\$ 13,802,446</u>	<u>\$ 36,266,043</u>

### Advance Refunding

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, 2015, the balance of the bonds considered to be defeased is \$11,150,000.

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, 2015, the balance of the bonds considered to be defeased is \$24,030,000.

# YPSILANTI COMMUNITY SCHOOLS

## Notes to Financial Statements

### Capital Leases

The District has entered into lease agreements for financing the purchase of buses and copiers. These lease agreements qualify as capital leases 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, 2015, are as follows:

Year Ending June 30,	Principal Amount	Interest Amount	Total
2016	\$ 40,345	\$ 2,688	\$ 43,033
2017	31,609	664	32,273
Total minimum lease payments	<u>\$ 71,954</u>	<u>\$ 3,352</u>	<u>\$ 75,306</u>

## 9. NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2015, 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	84,561,351
Less related debt:	
Bonds and capital leases payable	(117,801,954)
Deferred loss on refunding	870,045
Bond premium	(1,618,745)
Revenue bond	<u>17,365,000</u>
Net investment in capital assets	<u>\$ (15,712,968)</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.

# YPSILANTI COMMUNITY SCHOOLS

## Notes to Financial Statements

### 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 \$1,500,000, \$825,000, and \$675,000 at interest rates of .42%, 1.05%, and 1.24% respectively on August 20, 2014. These notes are due on August 20, 2015. The balance at June 30, 2015 includes accrued interest of \$17,073. Changes in short-term state aid notes for the year ended June 30, 2015 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
State aid notes	\$ -	\$ 3,000,000	\$ 1,271,259	\$ 1,728,741

### 13. SUBSEQUENT EVENTS

On August 20, 2015 the District issued state aid notes of \$407,741 and \$192,259 (Series A & B) with interest rates of .76% and .64% respectively, which are due on July 20, 2016.

On August 20, 2015 the District issued state aid notes of \$1,285,295 and \$1,714,705 (Series C & D) with interest rates of 1.08% and 1.4625% respectively, which are due on August 22, 2016.

### 14. RETIREMENT PLAN

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

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

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

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

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

# YPSILANTI COMMUNITY SCHOOLS

## Notes to Financial Statements

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

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

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

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

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

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

The District's contribution to MPSERS under all pension plans for the year ended June 30, 2015, inclusive of the MPSERS UAAL Stabilization and one-time prepayment, was \$7,330,253.

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

At June 30, 2015, the District reported a liability of \$58,879,966 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At September 30, 2014, the District's proportion (as calculated by MPSERS) was 0.26731%.

# YPSILANTI COMMUNITY SCHOOLS

## Notes to Financial Statements

For the year ended June 30, 2015, the District recognized pension expense of \$4,768,029. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in assumptions	\$ 2,172,545	\$ -	\$ 2,172,545
Net difference between projected and actual earnings on pension plan investments	-	6,509,204	(6,509,204)
Changes in proportion and differences between District contributions and proportionate share of contributions	-	5,435	(5,435)
	<u>2,172,545</u>	<u>6,514,639</u>	<u>(4,342,094)</u>
District contributions subsequent to the measurement date	6,828,811	-	6,828,811
<b>Total</b>	<u>\$ 9,001,356</u>	<u>\$ 6,514,639</u>	<u>\$ 2,486,717</u>

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

Year Ended June 30,	Amount
2016	\$ (1,063,786)
2017	(1,063,786)
2018	(1,063,786)
2019	<u>(1,150,736)</u>
<b>Total</b>	<u>\$ (4,342,094)</u>

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

Wage inflation	3.5%
Salary increases	3.5% to 12.3%, including wage inflation at 3.5%
Investment rate of return	8% (7% for the Pension Plus plan)
Cost of living adjustments	3.0% annual, non-compounded for MIP members
Healthcare cost trend rate	8.5% year 1 graded to 3.5% year 12

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

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

# YPSILANTI COMMUNITY SCHOOLS

## Notes to Financial Statements

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

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

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

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

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$ 77,628,108	\$ 58,879,966	\$ 43,084,380

# YPSILANTI COMMUNITY SCHOOLS

## Notes to Financial Statements

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

*Payable to the Pension Plan.* At June 30, 2015, the District reported a payable of \$1,238,202 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2015.

### *Other Postemployment Benefits*

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

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

The District's contributions to MPSERS for other postemployment benefits amounted to \$712,413 for the year ended June 30, 2015.

## 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

The District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result of this change, beginning net position of governmental activities was decreased by \$57,675,464.



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## 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
District's proportion of the net pension liability	0.26731%
District's proportionate share of the net pension liability	\$ 58,879,966
District's covered-employee payroll	28,132,146
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	209.30%
Plan fiduciary net position as a percentage of the total pension liability	66.20%

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

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

# YPSILANTI COMMUNITY SCHOOLS

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

### Schedule of District Contributions

	Year Ended June 30, 2015
Contractually required contribution	\$ 7,330,253
Contributions in relation to the contractually required contribution	<u>(7,330,253)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
District's covered-employee payroll	\$ 23,937,241
Contributions as a percentage of covered employee payroll	30.6%

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, 2015

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
	Food Service	Willow Run Fund	
<b>Assets</b>			
Cash and investments	\$ -	\$ 98,916	\$ 98,916
Accounts receivable	4,482	193	4,675
Due from other governments	192,505	-	192,505
Due from other funds	1,842,281	612,486	2,454,767
Inventories	24,435	-	24,435
<b>Total assets</b>	<b>\$ 2,063,703</b>	<b>\$ 711,595</b>	<b>\$ 2,775,298</b>
<b>Liabilities</b>			
Negative equity in pooled cash and investments	\$ 1,202,051	-	\$ 1,202,051
Accounts payable	85,914	-	85,914
Salaries payable	29,099	-	29,099
Due to other funds	139,172	471,992	611,164
<b>Total liabilities</b>	<b>1,456,236</b>	<b>471,992</b>	<b>1,928,228</b>
<b>Fund balances</b>			
Nonspendable	24,435	-	24,435
Restricted for:			
Debt service	-	239,603	239,603
Food service	583,032	-	583,032
<b>Total fund balances</b>	<b>607,467</b>	<b>239,603</b>	<b>847,070</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,063,703</b>	<b>\$ 711,595</b>	<b>\$ 2,775,298</b>

# YPSILANTI COMMUNITY SCHOOLS

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended June 30, 2015

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
	Food Service	Willow Run Fund	
<b>Revenues</b>			
Local sources:			
Property taxes	\$ -	\$ 3,908,528	\$ 3,908,528
Food sales	62,864	-	62,864
Interest revenue	-	2,236	2,236
State sources	54,736	-	54,736
Federal sources	2,604,558	-	2,604,558
<b>Total revenues</b>	<b>2,722,158</b>	<b>3,910,764</b>	<b>6,632,922</b>
<b>Expenditures</b>			
Current:			
Food service	2,392,416	-	2,392,416
Debt service:			
Principal	-	2,380,000	2,380,000
Interest	-	1,630,996	1,630,996
Tax abated	-	4,935	4,935
<b>Total expenditures</b>	<b>2,392,416</b>	<b>4,015,931</b>	<b>6,408,347</b>
<b>Revenues over (under) expenditures</b>	<b>329,742</b>	<b>(105,167)</b>	<b>224,575</b>
<b>Other financing sources (uses)</b>			
Proceeds from the issuance of bonds	-	91,676	91,676
Transfers out	(121,384)	-	(121,384)
<b>Total other financing sources (uses)</b>	<b>(121,384)</b>	<b>91,676</b>	<b>(29,708)</b>
<b>Net change in fund balances</b>	<b>208,358</b>	<b>(13,491)</b>	<b>194,867</b>
<b>Fund balances, beginning of year</b>	<b>399,109</b>	<b>253,094</b>	<b>652,203</b>
<b>Fund balances, end of year</b>	<b>\$ 607,467</b>	<b>\$ 239,603</b>	<b>\$ 847,070</b>

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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 OMB CIRCULAR A-133

October 27, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 27, 2015, 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 OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-Through Grantor's Number	Approved Award/Grant Amount
<b>U.S. Department of Agriculture</b>				
Child Nutrition Cluster:				
Entitlement commodities	10.555	MDE	n/a	\$ 133,732
National School Breakfast Program				
2013-2014 School Breakfast	10.553	MDE	141970	833,761
2014-2015 School Breakfast	10.553	MDE	151970	662,430
National School Lunch Program:				
2013-2014 School Lunch - Section 4	10.555	MDE	141960	1,812,890
2014-2015 School Lunch - Section 4	10.555	MDE	151960	1,561,829
National School Snack Program:				
2013-2014 School Snack	10.555	MDE	141980	14,214
2014-2015 School Snack	10.555	MDE	151980	12,372
Summer Food Service Program:				
2013 Summer Food Service	10.559	MDE	141900	5,751
2014 Summer Food Service	10.559	MDE	140900	56,079
2015 Summer Food Service	10.559	MDE	150900	7,911
Child and Adult Care Food Program:				
2014-15 CACFP Meals	10.558	MDE	151920	74,619
2014-15 Cash In Lieu	10.558	MDE	152010	3,195
Fresh Fruit and Vegetable Program:				
	10.582	MDE	150950	109,487
<b>Total U.S. Department of Agriculture</b>				
<b>U.S. Department of Education</b>				
Adult Education				
2012-2013	84.002	MDE	131227-131130	636
2013-2014	84.002	MDE	141227-141130	141,377
2014-2015	84.002	WISD	151227-151130	125,400
Title I , Part A Cluster:				
Regular 2012-2013	84.010	MDE	131530-1213	1,904,815
Regular 2013-2014	84.010	MDE	141530-1314	3,148,657
Regular 2014-2015	84.010	MDE	151530-1415	2,704,863

Accrued (Unearned) Revenue - July 1, 2014	(Memo Only) Prior Year Expenditures	Adjustments	Federal Expenditures	Federal Funds / In-Kind Received	Accrued (Unearned) Revenue - June 30, 2015
\$ -	\$ 130,393	\$ -	\$ 116,637	\$ 116,637	\$ -
55,866	757,071	-	76,690	132,556	-
-	-	-	585,740	533,584	52,156
117,985	1,636,926	-	175,964	293,949	-
-	-	-	1,380,113	1,262,067	118,046
2,954	14,214	-	-	2,954	-
-	-	-	12,372	10,251	2,121
-	5,751	5,751	-	5,751	-
-	-	-	56,079	56,079	-
-	-	-	7,911	-	7,911
<u>176,805</u>	<u>2,544,355</u>	<u>5,751</u>	<u>2,411,506</u>	<u>2,413,828</u>	<u>180,234</u>
-	-	-	74,619	74,619	-
-	-	-	3,195	3,195	-
-	-	-	<u>77,814</u>	<u>77,814</u>	-
-	-	-	109,487	109,487	-
<u>176,805</u>	<u>2,544,355</u>	<u>5,751</u>	<u>2,598,807</u>	<u>2,601,129</u>	<u>180,234</u>
-	37,541	-	636	636	-
-	-	-	141,377	141,377	-
-	-	-	62,978	-	62,978
-	<u>37,541</u>	-	<u>204,991</u>	<u>142,013</u>	<u>62,978</u>
(1,971)	1,284,542	-	-	-	(1,971)
999,879	1,832,113	-	288,518	1,288,397	-
-	-	-	1,913,494	1,131,443	782,051
<u>997,908</u>	<u>3,116,655</u>	-	<u>2,202,012</u>	<u>2,419,840</u>	<u>780,080</u>

continued...

# Ypsilanti Community Schools

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-Through Grantor's Number	Approved Award/Grant Amount
U.S. Department of Education (continued)				
Perkins Grant:				
2013-2014	84.048A	WISD	143520-141223	75,529
2014-2015	84.048A	WISD	153520-151223	68,697
Special Education Cluster:				
I.D.E.A. Flow-Through				
2012-2013	84.027A	WISD	130450-1213	1,106,287
2013-2014	84.027A	WISD	140450-1314	1,372,273
2014-2015	84.027A	WISD	150450-1415	1,286,751
Preschool Incentive				
2012-2013	84.173	WISD	130460-1213	21,884
2013-2014	84.173	WISD	140460-1314	31,020
2014-2015	84.173	WISD	150460-1415	36,331
Safe and Supportive Schools:				
2013-2014	84.184	MDE	142790-SSS2014	78,098
2014-2015	84.184	MDE	152790-SSS2015	120,355
2013-2014 NT	84.184	MDE	142790-SSS2014NT	150,000
2014-2015 NT	84.184	MDE	152790-SSS2015NT	120,400
Title III				
2013-2014 Immigrant	84.365A	MDE	140570-1314	42,900
2013-2014 English	84.365A	MDE	140580-1314	48,662
2014-2015 English	84.365A	MDE	150580-1415	57,075

Accrued (Unearned) Revenue - July 1, 2014	(Memo Only) Prior Year Expenditures	Adjustments	Federal Expenditures	Federal Funds / In-Kind Received	Accrued (Unearned) Revenue - June 30, 2015
\$ 65,040	\$ 65,040	\$ -	\$ -	\$ 65,040	\$ -
-	-	-	60,236	45,066	15,170
<u>65,040</u>	<u>65,040</u>	<u>-</u>	<u>60,236</u>	<u>110,106</u>	<u>15,170</u>
87,998	1,106,287	-	-	87,998	-
547,434	831,174	-	541,099	1,088,533	-
-	-	-	1,193,974	688,705	505,269
718	21,884	-	-	718	-
1,106	31,020	-	-	1,106	-
-	-	-	10,762	7,680	3,082
<u>637,256</u>	<u>1,990,365</u>	<u>-</u>	<u>1,745,835</u>	<u>1,874,740</u>	<u>508,351</u>
18,569	76,235	481	-	19,050	-
-	-	-	105,536	69,582	35,954
5,710	48,693	2,504	-	8,214	-
-	-	-	98,442	64,208	34,234
<u>24,279</u>	<u>124,928</u>	<u>2,985</u>	<u>203,978</u>	<u>161,054</u>	<u>70,188</u>
-	-	-	1,000	1,000	-
235	1,707	-	-	235	-
-	-	-	8,542	620	7,922
<u>235</u>	<u>1,707</u>	<u>-</u>	<u>9,542</u>	<u>1,855</u>	<u>7,922</u>

continued...

# Ypsilanti Community Schools

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-Through Grantor'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	140520-1314	944,669
Title II - Part A - Regular	84.367	MDE	150520-1415	1,211,321
Total Department of Education				
Department of Health and Human Services				
HeadStart				
2013-2014	93.600	WISD	n/a	1,355,200
2014-2015	93.600	WISD	n/a	1,587,160
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, 2014	(Memo Only) Prior Year Expenditures	Adjustments	Federal Expenditures	Federal Funds / In-Kind Received	Accrued (Unearned) Revenue - June 30, 2015
\$ (21,796)	\$ 206,462	\$ -	\$ -	\$ -	\$ (21,796)
103,673	178,577	-	66,988	170,661	-
-	-	-	534,979	327,581	207,398
<u>81,877</u>	<u>385,039</u>	<u>-</u>	<u>601,967</u>	<u>498,242</u>	<u>185,602</u>
<u>1,806,595</u>	<u>5,721,275</u>	<u>2,985</u>	<u>5,028,561</u>	<u>5,207,850</u>	<u>1,630,291</u>
643,273	-	-	-	643,273	-
-	-	-	1,587,160	956,808	630,352
<u>643,273</u>	<u>-</u>	<u>-</u>	<u>1,587,160</u>	<u>1,600,081</u>	<u>630,352</u>
<u>643,273</u>	<u>-</u>	<u>-</u>	<u>1,587,160</u>	<u>1,600,081</u>	<u>630,352</u>
<u>\$ 2,626,673</u>	<u>\$ 8,265,630</u>	<u>\$ 8,736</u>	<u>\$ 9,214,528</u>	<u>\$ 9,409,060</u>	<u>\$ 2,440,877</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, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

### 2. 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been 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.

### 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	\$ 9,214,528
Adjustments to prior year federal expenditures	8,736
Federal sources reported in the financial statements	<u>\$ 9,223,264</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



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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 27, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 27, 2015.

#### Internal Control Over Financial Reporting

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

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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 to be a material weaknesses.

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.

#### 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 black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive, flowing style.

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

October 27, 2015

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 2 CFR 200 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

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

*Independent Auditors' Responsibility*

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

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

### *Basis for Qualified Opinion on Child Nutrition Cluster program*

As described in item 2015-003 in the accompanying schedule of findings and questioned costs, the District did not comply with the reporting requirement applicable to its Child Nutrition Cluster program. Compliance with this requirement is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

### *Qualified Opinion on Child Nutrition Cluster program*

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its Child Nutrition Cluster Program for the year ended June 30, 2015.

### *Unmodified Opinion on Each of the Other 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 other 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, 2015.

### *Other Matters*

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-004 and 2015-005. Our opinion on each major federal program is not modified with respect to these matters.

The District's responses to the noncompliance 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.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-003 to be a material weakness.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-004 and 2015-005 to be significant deficiencies.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Rehmann Lohman LLC*

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# YPSILANTI COMMUNITY SCHOOLS

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

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  X  yes   no

Significant deficiency(ies) identified?   yes  X  none reported

Noncompliance material to financial statements noted?   yes  X  no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?  X  yes   no

Significant deficiency(ies) identified?  X  yes   none reported

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee?   yes  X  no

# YPSILANTI COMMUNITY SCHOOLS

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

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2015-001 - Financial Statement Preparation/Audit Adjustments

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. The District is responsible for the reconciliation of all general ledger accounts to their proper underlying balances and support for the purpose of creating a reasonably adjusted trial balance, from which the financial statements are derived.

Condition. Throughout the year, numerous balance sheet accounts including grant receivables, various accrued liability accounts, and capital asset details and summaries were not adjusted on a timely basis, and many accounts were not adjusted until issues were raised by the District's auditors. Additionally, we noted grant draws were not made until several months after the expenditures were incurred, causing delays in grant reimbursements and the related reconciliations.

Cause. While the District has made headway in strengthening in its accounting practices in now this second year of the consolidation of the financial records of the two separate originating Districts, there continues to be problems in obtaining an effective and timely closeout of the financial records. As a result, many of the year end closing and adjusting journal entries were not made, and many general ledger accounts were not reconciled at the start of the District's audit.

Effect. As a result of this condition, the District's accounting records were initially misstated by amounts material to the financial statements, and drawdowns on federal grant programs were delayed. This also had the effect of delaying the completion of the District's audit.

Recommendation. The adjustments noted above have 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 monthly closing process that identifies the tasks and reconciliations to be performed, the person responsible, and the due date for completion. This monthly closing routine matrix should be reviewed by the CFO to ensure that the tasks are being completed timely.

Corrective Action: 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 financial records are reconciled completely on a monthly basis.

Responsible Official: Chief Financial Officer

Estimated Completion Date: June 30, 2016

# YPSILANTI COMMUNITY SCHOOLS

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

### SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

#### 2015-002 - Preparation of the Schedule of Expenditures of Federal Awards

Finding Type. Material weakness in internal controls over financial reporting.

Criteria. OMB Circular A-133, §\_\_\_.300, 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 significant accounting adjustments were ultimately required. Additionally, many 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 significant 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 grants administration policies and procedures in order to provide timely adjustments and reclassifications to grant revenue and expenditure accounts. Also, these process changes should expedite the request for drawdowns on grant funds.

Corrective Action: All adjustments for the year ended June 30, 2015 have been made. In the future, the District will strive to ensure that a complete and accurate SEFA is prepared in the future.

Responsible Official: Chief Financial Officer

Estimated Completion Date: June 30, 2016

# YPSILANTI COMMUNITY SCHOOLS

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

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

#### 2015-003 - Reporting - Meal Claims Status Reports

**Finding Type.** Material Noncompliance; Material Weakness 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.** The Michigan Department of Education (MDE) requires that Districts must submit reimbursement claims showing the total counts for reimbursable meals, after school snacks, and milk served. Districts are reimbursed for school meals based on these reports.

**Condition.** Even though the claims for reimbursable meals and snacks appear reasonable based on individual school building enrollments, and prior year claim reports for those same schools, 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.

**Cause.** This condition appears to be the result of turnover in the food service department and failure to accurately input data for claims reports.

**Effect.** As a result of this condition, the District could not provide adequate supporting documentation for its claims reports submitted to MDE.

**Questioned Costs.** Known questioned costs identified during our testing were as follows:

- Child Nutrition Cluster - \$2,294,869

**Recommendation.** The District should review and improve its grants administration policies and procedures, and include an approval process for submitted claims that is documented by signatures and date, as well as establish record retention safeguards to support the underlying claim counts. Furthermore, the District should continue to find the underlying records to support the claim details for the year ended June 30, 2015.

**Corrective Action:** The District will strive to ensure that accurate count data is submitted and retained going forward. It will continue to try to find the records supporting claims made for the fiscal year ending June 30, 2015.

**Responsible Official:** Food Service Director

**Estimated Completion Date:** June 30, 2016

# YPSILANTI COMMUNITY SCHOOLS

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

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

2015-004 - Procurement, Suspension, and Debarment

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

**Program.** Title I, Part A; U.S. Department of Education; Michigan Department of Education; CFDA Number 84.010; Award Numbers 141530-1314 and 151530-1415.

**Criteria.** Per the 2CFR 200 Compliance Supplement, 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.** This condition appears to be from a lack of supervision in the grant administration program.

**Effect.** As a result of this condition, the District did not have appropriate support for two vendors.

**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.

**Corrective Action:** 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.

**Responsible Official:** Director of Academic Programs

**Estimated Completion Date:** June 30, 2016

# YPSILANTI COMMUNITY SCHOOLS

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

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

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

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

Program. Special Education Cluster; U.S. Department of Education; Washtenaw County Intermediate School District; CFDA Numbers 84.027A & 84.173A; Award Numbers 140460-1314 and 150460-1415.

Criteria. OMB Circular A-87, the District is required to support payroll charges to federal cost objectives with adequate documentation including semi-annual payroll certifications for employees charged 100% to a single federal cost objective and with Personnel Activity Reports for those who split their time between multiple cost objectives.

Condition. The District charged merit pay for one employee to the grant who should not have been charged against the grant.

Cause. This condition appears to be the result of inadvertent error by the District.

Effect. As a result of this condition, we noted one payroll charge which was not supported by adequate documentation as required by OMB Circular A-87.

Questioned Costs. None, as this charge was below the reporting threshold.

Recommendation. We recommend the District prepare and retain payroll documentation in accordance with OMB Circular A-87 for all federal awards.

Corrective Action: In the future, the District will be more careful in the posting of merit and other non-routine pays to the proper cost centers.

Responsible Official: Chief Financial Officer

Estimated Completion Date: June 30, 2016



# YPSILANTI COMMUNITY SCHOOLS

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

### Finding 2014-SA-01 - Self Monitoring Reviews

The District did not conduct any formal self monitoring reviews. This finding has been resolved in the current year.

### Finding 2014-SA-02 - Staff/Parental Involvement

During the year the District did not expend the required amount of Title I funding on parental involvement activities by the amount of \$14,150. This finding has been resolved in the current year.

### Finding 2014-SA-03 - 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 2015-004.



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