



REPORT ON FINANCIAL STATEMENTS  
(with required and additional information)

JUNE 30, 2016



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## **INDEPENDENT AUDITORS' REPORT**

Board of Education  
East Jordan Public Schools  
East Jordan, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Jordan Public Schools, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 East Jordan Public Schools, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of proportionate share of the net pension liability and schedule of pension contributions on pages 3–9 and 36-38 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 East Jordan Public School's basic financial statements. The combining and individual non-major 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 non-major 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 combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Traverse City, MI  
September 29, 2016

# EAST JORDAN PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

This section of the East Jordan Public School's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

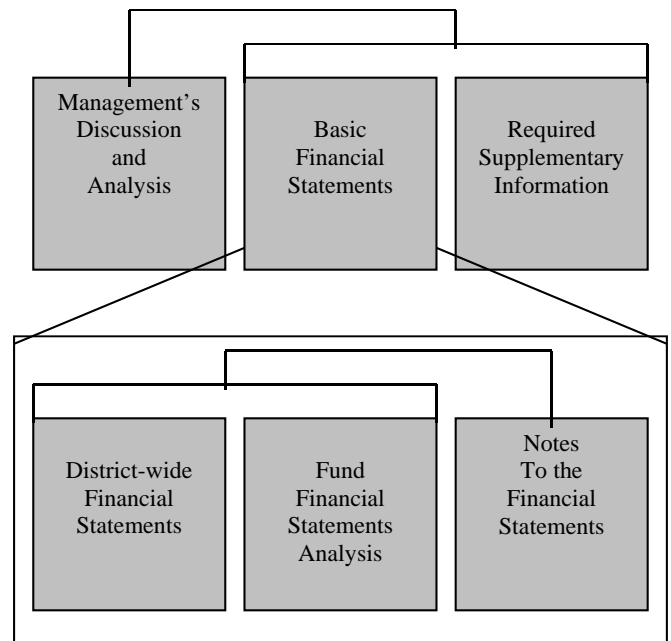
## Financial Highlights

- Looking at the District as a whole (including General, Food Service, Debt Retirement, and Sinking Funds), total net position increased by 22.7% to approximately (\$2.28) million compared to approximately (\$2.95) million last year. This is mainly due to a 11.1% increase in current assets (mainly cash), a 4.3% decrease in Capital assets (due to depreciation), a 22.1% decrease in deferred outflows, and a \$1.16 million decrease in deferred inflows.
- The current year Statement of Net position includes the District's share of the MPSERS unfunded liability in accordance with GASB 68. Recognizing this liability results in a negative total net position of \$2,283,475 at June 30, 2016.
- In the current fiscal year, the fund balance in the General Fund increased by \$270,018. At the end of the current fiscal year, the fund balance was \$498,328 or 5.6% of total General Fund expenditures.
- The taxable value of all properties in the District increased by 1.5%.
- Student enrollment based on a blended count, decreased 3.1% to approximately 897 students.

## Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district.

**Figure A1  
Required Components of  
The District's Annual Financial Report**



- The first two statements are districtwide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.

Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

Detail
↔
Summary

**EAST JORDAN PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the district's budget for the year. Figure A1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A2 summarizes the major features of the District's financial statements, including the portion of the district's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

<b>Figure A2</b> <b>Major Features of the District-Wide and Fund Financial Statements</b>			
	District-Wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Funds
<b>Scope</b>	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district is the trustee or agent for someone else's resources such as student activities monies
<b>Required Financial Information</b>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<b>Type of Asset Liability Information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
<b>Type of Inflow/Outflow Information</b>	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year regardless of when cash is received or paid.

**EAST JORDAN PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Districtwide Statements**

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

The two districtwide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

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

The government-wide financial statements of the District are:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

**Fund Financial Statements**

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which focus on (1) how much cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at yearend that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, this report includes reconciliation schedules that explain the relationship (or differences) between the Districtwide Statements and the Fund financial Statements.
- Fiduciary funds – The District is trustee, or fiduciary, for assets that belong to others, such as student activities and scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**EAST JORDAN PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Financial Analysis of the District as a Whole**

Net position. The District's combined net position was higher on June 30, 2016 than they were the year before. Figure A3 illustrates the valuation of net position on June 30, 2016 and 2015.

**Figure A3**

*Condensed Statement of Net position*

	2016	2015
<b>Assets</b>		
Current	\$ 2,789,678	\$ 2,510,427
Noncurrent	10,861,286	11,356,807
Total assets	13,650,964	13,867,234
<b>Deferred Outflows of Resources</b>	1,347,548	1,729,182
Total assets and deferred outflows	<u>\$ 14,998,512</u>	<u>\$ 15,596,416</u>
<b>Liabilities</b>		
Current	\$ 3,092,429	\$ 3,159,955
Non-Current	13,956,425	13,990,093
Total liabilities	17,048,854	17,150,048
<b>Deferred Inflows of Resources</b>	233,133	1,401,949
<b>Net position</b>		
Invested in capital assets, net of related debt	9,698,742	9,058,209
Nonspendable	29,854	19,204
Restricted	338,178	189,347
Unassigned	(12,350,249)	(12,222,341)
Total net position	(2,283,475)	(2,955,581)
Total liabilities and net position	<u>\$ 14,998,512</u>	<u>\$ 15,596,416</u>

**EAST JORDAN PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Figure A4**

***Results of Operations:***

	2016	2015
<b>Revenues:</b>		
Property taxes	\$ 4,562,682	\$ 4,487,998
Unrestricted state aid	4,014,730	4,148,293
Other general revenues	97,348	78,707
Charges for services	342,660	333,064
Operating grants and contributions	1,847,037	1,879,807
	<hr/>	<hr/>
Total revenues	10,864,457	10,927,869
	<hr/>	<hr/>
<b>Expenditures:</b>		
Instruction	5,912,934	5,577,576
Pupil and instructional services	390,893	391,101
Administration and business	1,131,414	1,133,863
Operation and maintenance	698,487	786,682
Pupil transportation	477,460	489,698
Community services	269,602	235,989
Food service activities	469,914	481,909
Athletic activities	230,907	242,479
Interest on long-term debt	49,330	67,086
Depreciation (unallocated)	561,410	548,831
	<hr/>	<hr/>
Total expenditures	10,192,351	9,955,214
	<hr/>	<hr/>
CHANGE IN NET POSITION	\$ 672,106	\$ 972,655
	<hr/>	<hr/>

The District's financial position is the product of many factors:

- Property tax revenues in 2015-2016 increased \$74,684 mainly due to Principal Residence Exemption adjustments and an increase in taxable value of properties.
- The 2015-2016 per pupil Foundation Grant (made up of non-homestead property tax revenue and state aid) was increased by \$265 per pupil.
- Enrollment in the District decreased by 29 (blended count) compared to a decrease of 39 students in the prior year.
- Instruction expenditures increased \$335,358 mainly due to \$328,921 of GASB 68 pension related charges (only for district-wide presentation only).

**Financial Analysis of the District's Funds**

As the District completed the year its governmental funds reported combined fund balances of \$850,470, which is higher than the previous year's ending fund balance of \$473,635.

**EAST JORDAN PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget two times. The budget amendments were for changes made at the end of the second quarter to account for final enrollment counts and changes made in assumptions since the original budget was adopted. Significant items causing budget adjustments are:

- The budget for Local sources of revenue was increased \$54,351 mainly due to local grants and donations to the District.
- The budget for State sources of revenue was increased \$465,769. Part of this increase was to account for \$101,439 in additional MPSERS pension plan stabilization funding funneled through the District and paid directly to the Michigan Office of Retirement Services (reflected as an increase in revenue and expense). A higher than anticipated blended student count of 897 (which was an increase of 36 students compared to the proposed budget) resulted in increased per pupil state aid revenue.
- Basic instruction budgeted expenditures were increased \$94,586. Of this amount, \$58,294 is due to MPSERS pension plan stabilization pass-through expenditures. The remaining difference is due to staffing changes, contracted long-term substitute teachers in both the elementary school and high school and the purchase of textbooks for the high school.
- Added needs budgeted expenditures were increased \$37,500, mainly due to MPSERS pension plan stabilization pass-through expenditures of \$15,847. There also was increased special education contracted staffing (substitute teachers) of \$3,250 and increased contracted staffing in the Title I program due to an increase in the grant.
- The budget for General Administration was increased \$59,868 mainly due to a reclassification of the superintendent's expense from the Instructional Staff category.
- The budget for Business expenditures was increased \$53,904 mainly due to a \$54,204 increase in homestead property tax adjustments. These payments are reimbursed by the State of Michigan through state aid payments.
- The budget for Operations and maintenance expenditures was increased \$27,432 due to MPSERS pension plan stabilization pass-through expenditures of \$3,758 and \$21,000 for the purchase of two used work trucks to replace aging work vehicles.

At the end, actual expenditures were \$8,761,152 compared to \$8,816,492 budgeted, which represents a favorable budget variance of \$55,340.

Actual revenues were \$9,024,170 compared to \$9,010,285 budgeted, which represents an favorable budget variance of \$13,885.

**Capital Asset and Debt Administration**

As of June 30, 2016, the District had invested \$21,475,942 in a broad range of capital assets, including school buildings, athletic facility improvements, software, buses, technology and electronic surveillance equipment.

	Beginning of year	Additions	Disposals	End of year
Land	\$ 70,868	\$ -	\$ -	\$ 70,868
Buildings and improvements	18,678,629	46,274	-	18,724,903
Land Improvements	377,155	-	-	377,155
Furniture and Equipment	1,598,283	-	-	1,598,283
Vehicles	812,701	19,615	56,715	775,601
 Total historical cost	 21,537,636	 65,889	 56,715	 21,546,810
 Less accumulated depreciation:	 10,180,829	 561,410	 (56,715)	 10,685,524
 Net capital assets	 <u>\$ 11,356,807</u>	 <u>\$ (495,521)</u>	 <u>\$ -</u>	 <u>\$ 10,861,286</u>

Current year additions include new classroom carpeting, pool lighting, high school computer lab improvements and two used work trucks.

**EAST JORDAN PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Long Term Debt:**

Total long-term debt at June 30, 2016 was \$1,265,344. Below is the debt activity for the year:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Decreases</u>	<u>End of year</u>
Bonds and installment agreements	\$ 2,260,154	\$ -	\$ 1,116,827	\$ 1,143,327
Other liabilities				
Compensated absences	<u>124,961</u>	<u>                    </u>	<u>2,944</u>	<u>122,017</u>
Total long-term liabilities	<u>\$ 2,385,115</u>	<u>\$ -</u>	<u>\$ 1,119,771</u>	<u>\$ 1,265,344</u>

**Factors Bearing on the District's Future**

The following factors have been considered in preparing the budget for the 2015/2016 fiscal year:

- For 2016-2017, the District's enrollment was expected to decline slightly, though exceed the budgeted student count, while the Student Foundation Grant will increase to \$7,511.
- The District ratified a three year contract (2016-2019) with its custodial staff.
- The 2011 and 2012 bond issues will be paid off in May 2017.
- In August 2017, voters approved an increased sinking fund levy of 1.0443 mills beginning with the 2017 tax levy.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact East Jordan Public Schools Business Office.

**EAST JORDAN PUBLIC SCHOOLS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

**ASSETS**

Current Assets:	
Cash and cash equivalents	\$ 1,731,391
Other Receivables	21,356
Due from other governmental units	1,007,077
Inventory and prepaid items	<u>29,854</u>
Total current assets	<u>2,789,678</u>
Noncurrent assets:	
Capital assets	21,546,810
Less: accumulated depreciation	<u>10,685,524</u>
Total noncurrent assets	<u>10,861,286</u>
Total assets	<u>13,650,964</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Refunding deferral	19,217
Deferred outflows related to pensions	<u>1,328,331</u>
Total deferred outflows of resources	<u>1,347,548</u>

**LIABILITIES**

Current liabilities:	
Accounts payable and other current liabilities	416,231
Due to other governmental units	194,436
Unearned revenue	68,640
Salaries payable	368,122
Note Payable	900,000
Current portion of long term debt	<u>1,145,000</u>
Total current liabilities	3,092,429
Noncurrent liabilities:	
Noncurrent portion of long-term debt and liabilities	139,561
Net pension liability	<u>13,816,864</u>
Total liabilities	<u>17,048,854</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to pensions	<u>233,133</u>
Net position:	
Invested in capital assets, net of related debt	9,698,742
Nonspendable	29,854
Restricted	338,178
Unassigned	<u>(12,350,249)</u>
Total Net Position	<u>\$ (2,283,475)</u>

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (expenses) And changes in Net position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental activities:					
Instruction	\$ 5,912,934	\$ 28,413	\$ 1,164,837	\$ 27,753	\$ (4,691,931)
Supporting services:					
Pupil	290,617	-	131,338	-	(159,279)
Instructional staff	100,276	-	32,779	-	(67,497)
General administration	448,460	-	23,668	150	(424,642)
School administration	510,934	-	-	-	(510,934)
Business	172,020	-	-	-	(172,020)
Operation and maintenance	698,487	-	17,839	861	(736,502)
Pupil transportation services	477,460	5,458	12,116	145	(459,741)
Community services	269,602	64,671	12,808	52,572	(139,551)
Food service	469,914	168,583	350,732	-	49,401
Athletic activities	230,907	75,535	-	19,439	(135,933)
Interest on long term debt	49,330	-	-	-	(49,330)
Depreciation (unallocated)	561,410	-	-	-	(561,410)
Total governmental activities	<u>\$ 10,192,351</u>	<u>\$ 342,660</u>	<u>\$ 1,746,117</u>	<u>\$ 100,920</u>	<u>(8,002,654)</u>
<b>General revenues:</b>					
Property taxes, levied for general purposes					3,244,665
Property taxes, levied for debt services					1,177,379
Property taxes, levied for capital expenditures					140,638
Unrestricted state aid and federal grants					4,014,730
Interest and investment earnings					6,167
Other revenues					<u>91,181</u>
Total General revenues					<u>8,674,760</u>
CHANGES IN NET POSITION					672,106
Net position – beginning of year, as reported					<u>(2,955,581)</u>
Net position – end of year					<u>\$ (2,283,475)</u>

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS  
BALANCE SHEETS  
GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,428,590	\$ 302,801	\$ 1,731,391
Receivables:			
Accounts	16,211	5,145	21,356
Due from other funds	45,035	26,070	71,105
Due from other governmental units	955,211	51,866	1,007,077
Inventory	-	2,164	2,164
Prepaid Expenses	15,890	11,800	27,690
	<u>\$ 2,460,937</u>	<u>\$ 399,846</u>	<u>\$ 2,860,783</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 86,013	\$ 1,850	\$ 87,863
Due to other funds	26,070	45,035	71,105
Due to other governmental units	194,409	27	194,436
Accrued expenditures	319,948	199	320,147
Unearned revenue	68,640	-	68,640
Salaries payable	367,529	593	368,122
Notes Payable	900,000	-	900,000
Total liabilities	<u>1,962,609</u>	<u>47,704</u>	<u>2,010,313</u>
Fund balances:			
Nonspendable	15,890	13,964	29,854
Restricted	-	338,178	338,178
Unassigned	482,438	-	482,438
Total fund balances	<u>498,328</u>	<u>352,142</u>	<u>850,470</u>
	<u>\$ 2,460,937</u>	<u>\$ 399,846</u>	<u>\$ 2,860,783</u>

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**WITH THE STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

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

<b>Total Fund Balance Governmental Funds</b>		<b>\$ 850,470</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
	The cost of capital assets is	21,546,810
	Accumulated depreciation is	<u>(10,685,524)</u>
		10,861,286
Long-term liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
	Bonds payable	(1,145,000)
	Bond premium	(17,544)
	Compensated absences	<u>(122,017)</u>
		(1,284,561)
	Deferred charges on bond refunding	19,217
Accrued interest payable is not included as a liability in governmental funds		(8,221)
Net pension obligations are not reported as fund liabilities		(13,816,864)
Deferred outflows related to pensions are not reported in governmental funds		1,328,331
Deferred inflows related to pensions are not reported in the governmental funds		<u>(233,133)</u>
<b>Total net position governmental activities</b>		<b><u>\$ (2,283,475)</u></b>

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Property taxes	\$ 3,244,665	\$ 1,318,017	\$ 4,562,682
Other local sources	374,962	174,751	549,713
State sources	4,660,361	16,159	4,676,520
Federal sources	269,611	331,360	600,971
Interdistrict and other sources	474,571		474,571
Total revenues	9,024,170	1,840,287	10,864,457
<b>EXPENDITURES:</b>			
Instruction:			
Basic instruction	4,275,552	-	4,275,552
Added needs	1,311,404	-	1,311,404
Total Instruction	5,586,956	-	5,586,956
Support Services:			
Pupil services	290,617	-	290,617
Instructional staff	100,276	-	100,276
General Administration	448,460	-	448,460
School Administration	510,934	-	510,934
Business	172,020	-	172,020
Operations and Maintenance	673,920	-	673,920
Transportation	477,460	-	477,460
Support services	269,602	-	269,602
Food service	-	469,914	469,914
Athletic activities	230,907	-	230,907
Capital outlay	-	90,456	90,456
Debt principal payments	-	1,115,000	1,115,000
Debt interest and other charges	-	51,100	51,100
Total support services	3,174,196	1,726,470	4,900,666
Total expenditures	8,761,152	1,726,470	10,487,622
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	263,018	113,817	376,835
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in	7,000	-	7,000
Operating transfers out	-	(7,000)	(7,000)
Total other financing sources (uses)	7,000	(7,000)	-
<b>NET CHANGES IN FUND BALANCES</b>	270,018	106,817	376,835
<b>FUND BALANCE beginning of year</b>	228,310	245,325	473,635
<b>FUND BALANCE End of year</b>	\$ 498,328	\$ 352,142	\$ 850,470

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

**Total net change in fund balances governmental funds** **\$ 376,835**

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Depreciation expense	(561,410)	
Capital Outlay	<u>65,889</u>	(495,521)

Interest on long-term debt in the statement of activities differs from the amount recorded when it is due, and thus requires the use of current financial resources. (58)

In the statement of activities, certain compensated absences and special termination benefits are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by essentially the amounts actually paid. The amounts included in the statement of activities are:

Compensated absences	2,944
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Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

Repayment of principal	1,115,000
------------------------	-----------

The issuance of long-term debt provides current financial resources to governmental funds, but does not have any effect on net position. Also, governmental funds report the effect of issuance costs, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The adjustment to the statement of activities is as follows:

Bond premium	21,054	
Deferred charge on refunding	<u>(19,227)</u>	1,827

The Governmental funds report pension expense based on the monthly payroll expense, whereas the net Pension Liability is not a use of current resources of governmental funds. The net adjustment of the Pension liability in the statement of activities is as follows:

Change in Net Pension Liability and related deferred inflows and outflows	<u>(328,921)</u>
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**Change in net position of governmental activities.** **\$ 672,106**

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS  
STATEMENT OF FIDUCIARY NET POSITION  
TRUST AND AGENCY FUNDS  
JUNE 30, 2016 AND 2015**

	<u>2015</u>	<u>2016</u>
<b>ASSETS</b>		
Cash	<u>\$ 48,722</u>	<u>\$ 58,545</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	<u>\$ 48,722</u>	<u>\$ 58,545</u>

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of East Jordan Public Schools (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based on the application of these criteria, the general purpose financial statements of East Jordan Public Schools contain all the funds and account groups controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District nor is the District a component unit of another entity.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the District. For the most part, the effect of the inter-fund 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 has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. 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.

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting and Basis of 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. 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 in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The district reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

Additionally, the district reports the following fund types:

The *agency fund* is custodial in nature and does not present the results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

The *Sinking Fund* capital projects fund records capital project activities funded with a Sinking Fund millage. For this fund, the expenditures in the Sinking Fund are in compliance with the applicable provisions of MCL 380.1212 of the revised school code and the State of Michigan Department of Treasury Letter No. 01-95 relating to sinking funds.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements.

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.

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation (continued)**

Property taxes, state foundation revenue, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the District and are recognized as revenue at that time. State and federal revenues are recognized as follows:

**State Foundation Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the District Aid Act and the District Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2016 the foundation allowance was based on the pupil membership counts taken in October and February 2015.

The State portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2015 to August 2016. Thus, the unpaid portion at June 30<sup>th</sup> is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 D3– Accounting for Property Taxes.

**Categorical**

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

**Federal Revenue**

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Liabilities and Equity**

**1. Cash and investments**

The District reports its investments in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**2. Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

**3. Accounting for Property Taxes**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected

For the year ended June 30, 2016, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund	
Non-Principle Residence Exemption (PRE)	18.0000
Commercial personal property	6.0000
Debt service funds (homestead & non-homestead)	
PRE, Non-PRE, Commercial Personal Property	3.3000
Sinking Fund	
PRE, Non-PRE, Commercial Personal Property	0.3943

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Liabilities and Equity (continued)**

**4. Inventories and Prepaid Items**

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized and are not included as a reservation of fund balance.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**5. Capital Assets**

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

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

Property, plant and equipment of the district is depreciated using the straight line method over the following estimated useful lives:

Buildings	50 yrs
Building and site improvements	20 yrs
General equipment	10-15 yrs
Vehicles	8 yrs
Office furniture and fixtures	7 yrs
Computer equipment	5 yrs

**6. Compensated Absences**

Accumulated vacation and sick pay amounts which are expected to be liquidated with expendable available resources (generally sixty days) are recorded in the general fund while the remainder of the liability is recorded in the general long-term debt group of accounts.

Employees of East Jordan Public Schools earn sick leave days to be used for personal illness and/or disability. Teachers employed less than five years earn ten days per year. Teachers employed for five years or more earn twelve days per year. Secretaries, custodians, and administrators earn one sick leave day per month worked. Employees can accumulate a maximum amount of sick leave days to be available in future years as follows: each teacher can accumulate 150 sick days; secretaries and custodians can accumulate 120 sick days; bus drivers can accumulate 100 sick days. Teacher assistants and food service staff, earn one sick leave day per month worked and can accumulate a maximum of 90 days to be available in future years. The superintendent, executive secretary, director of business, business office assistant, and director of transportation earn 2 to 4 weeks of paid vacation annually. Custodians earn 2 to 4 weeks of paid vacation annually depending on years of service.

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Liabilities and Equity (continued)**

**7. Unemployment Insurance**

The District reimburses the State of Michigan for the actual amount of unemployment benefits disbursed by the State on behalf of the District. Billings received for amounts paid by the State through June 30 are accrued.

**8. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**9. Fund Balance**

Fund balances are reported in the following classifications: *Nonspendable*, includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted*, includes amounts that are restricted to specific purposes, or imposed by law through constitutional provisions or enabling legislation. *Committed*, are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education. *Assigned*, amounts that are constrained by the Superintendent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund. It represents amounts that have not been restricted, committed or assigned to a specific purpose. The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

**10. Use of Estimates**

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

The District maintains a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the District Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditure and changes in fund balances – budget and actual – GAAP basis – general and special revenue funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the District Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the Budgeting Act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balance – budget and actual – GAAP basis – general, special revenue and debt service funds.

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the District Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30<sup>th</sup>.

**B. Expenditures that exceeded appropriations are as follows:**

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Added Needs	\$ 1,297,032	\$ 1,311,404	\$ 14,372
General Administration	447,480	448,460	980
School Administration	509,775	510,934	1,159
Business Administration	125,265	172,020	46,755

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – DEPOSITS, INVESTMENTS AND CREDIT RISK**

Cash and cash equivalents are held separately in the name of the District by each of the District's funds.

**Deposits**

At year-end, the carrying amount of the District's deposits were \$1,789,936 and the bank balance was \$1,888,297 of which \$500,000 was covered by federal depository insurance and \$1,388,297 was uninsured and uncollateralized. The District has \$130 in petty cash on hand.

*Interest Rate Risk* – The district will monitor interest rate risk by using and analyzing, segmented time distribution, specific identification and time duration of investments.

*Credit Risk* State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The district has no investment policy that would further limit its investment choices. As of June 30, 2016, the district's investment in the MILAF pool was rated AAAM by Standard and Poor's.

*Concentration of Credit Risk* – The district may invest 100% of available reserves with U.S. Treasury securities completely guaranteed by the Treasury.

A reconciliation of cash as shown on the combined balance sheet follows:

Cash on hand	\$ 130
Carrying amount of deposits	1,789,191
Investments	<u>615</u>
 Total	 <u><u>\$ 1,789,936</u></u>
 Cash and cash equivalents:	
Governmental activities	\$ 1,731,391
Fiduciary funds	<u>58,545</u>
 Total	 <u><u>\$ 1,789,936</u></u>

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2016 consist of the following:

Governmental units	\$ 1,007,077
Other	<u>21,356</u>
	<u><u>\$ 1,028,433</u></u>

Amounts due from governmental units include amounts due from federal, state and local sources for various projects and programs. Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

**NOTE 5 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. It relates to the District's net pension plan liability and is composed from the changes in assumptions, changes in proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises from the District's net pension plan liability. It is composed of the District's share of the net difference between projected and actual earnings on pension plan investments.

**NOTE 6 – LONG-TERM DEBT**

At June 30, 2016, General obligation debts and other long-term obligations currently outstanding are as follows:

\$805,000 2011 serial bonds payable in annual installments of \$270,000 to \$265,000 through May 1, 2017; interest at 2.70%	\$ 270,000
\$2,545,000 2012 refunded serial bonds payable in annual installments of \$875,000 to \$825,000 through May 1, 2017; interest at 1.00% to 2.00%	<u>875,000</u>
Total bonded debt	1,145,000
Compensated absences	<u>122,017</u>
	<u><u>\$ 1,291,807</u></u>

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – LONG-TERM DEBT (continued)**

The annual requirements to amortize long-term obligations outstanding as of June 30, 2016 including interest of \$24,790 are as follows:

Year ending June 30,	Principal	Interest	Total
2016	\$ 1,145,000	\$ 24,790	\$ 1,169,790
	1,145,000	24,790	1,169,790
Compensated absences	122,017	-	122,017
	<u>\$ 1,267,017</u>	<u>\$ 24,790</u>	<u>\$ 1,291,807</u>

At June 30, 2016, net position of \$172,261 was available in the debt service funds to service the general obligation debt.

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending balance	Due within one year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 2,260,000	\$ -	\$ (1,115,000)	\$ 1,145,000	\$ 1,145,000
Bond Premium	38,598	-	(21,054)	17,544	-
Refunding deferral	(38,444)	-	19,227	(19,217)	-
Total bonds payable	2,260,154	-	(1,116,827)	1,143,327	1,145,000
Other liabilities:					
Compensated absences	124,961	-	(2,944)	122,017	-
Total long-term liabilities	<u>\$ 2,385,115</u>	<u>\$ -</u>	<u>\$ (1,119,771)</u>	<u>\$ 1,265,344</u>	<u>\$ 1,145,000</u>

**NOTE 7 – NOTE PAYABLE**

At June 30, 2016 the District has outstanding a \$900,000 revenue note (state aid note). The note, which has an interest rate of 1.05%, matures August 22, 2016. The note is secured by the full faith and credit of the District, the investment contract, as well as pledged state aid. The short term note is used to facilitate cash flow needs.

The following is a summary of the changes in short-term liabilities for the year ended June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance
Note payable	<u>\$ 1,000,000</u>	<u>\$ 900,000</u>	<u>\$ 1,000,000</u>	<u>\$ 900,000</u>

**EAST JORDAN PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 – DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>End of year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 70,868	\$ -	\$ -	\$ 70,868
Capital assets, being depreciated				
Buildings and improvements	\$ 18,678,629	\$ 46,274	\$ -	\$ 18,724,903
Land Improvements	377,155	-	-	377,155
Furniture and Equipment	1,598,283	-	-	1,598,283
Vehicles	812,701	19,615	(56,715)	775,601
Total historical cost	<u>\$ 21,466,768</u>	<u>\$ 65,889</u>	<u>\$ (56,715)</u>	<u>\$ 21,475,942</u>
Less accumulated depreciation:				
Buildings and improvements	\$ 8,291,400	\$ 412,517	\$ -	\$ 8,703,917
Land Improvements	226,721	13,956	-	240,677
Equipment and technology	1,085,223	78,394	-	1,163,617
Vehicles	577,485	56,543	(56,715)	577,313
Total accumulated depreciation	<u>\$ 10,180,829</u>	<u>\$ 561,410</u>	<u>\$ (56,715)</u>	<u>\$ 10,685,524</u>
Governmental activities capital assets, net	<u>\$ 11,356,807</u>			<u>\$ 10,861,286</u>

Depreciation for the fiscal year ended June 30, 2016 amounted to \$561,410. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – GOVERNMENTAL FUND TYPE INTERFUND TRANSACTIONS**

Amounts due to and from other funds for the District's governmental fund types at June 30, 2016 are as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Food Service fund	\$ 45,035
Food Service fund	General fund	<u>26,070</u>
		<u><u>\$ 71,105</u></u>

The outstanding balances between funds result mainly from a timing difference of accounting transactions between the funds.

Amounts transferred between the District's governmental fund types at June 30, 2016 are as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Food Service Fund	General Fund	<u><u>\$ 7,000</u></u>

**NOTE 10 – MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

**Plan Description**

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System. The System's financial statements are available at [www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr).

**Benefits Provided**

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

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

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (continued)**

**Contributions and Funded Status**

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

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

<b>Benefit Structure</b>	<b>Member</b>	<b>Employer</b>
Basic	0.0 - 4.0 %	22.52 - 23.07 %
Member Investment Plan	3.0 - 7.0	22.52 - 23.07
Pension Plus	3.0 - 6.4	21.99
Defined Contribution	0.0	17.72 - 18.76

The District’s required and actual contributions to the plan for the year ended June 30, 2016 were \$1,261,630, including contributions of \$393,041 of revenue received from the State of Michigan to fund the MPSERS UAAL.

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (continued)**

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

At June 30, 2016, the District reported a liability of \$13,816,864 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2014. The District’s proportion of the net pension liability was determined by dividing each employer’s statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the District’s proportion was 0.0565 percent, which was an increase of 0.0076 percent from its proportion measured as of September 30, 2014.

For the year ended June 30, 2016, the Reporting Unit recognized total pension expense of \$1,117,851. At June 30, 2016, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 45,766
Changes of assumptions	340,200	-
Net difference between projected and actual earnings on pension plan investments	70,524	-
Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions	1,687	187,367
Reporting Unit contributions subsequent to the measurement date	915,920	-
Total	\$ 1,328,331	\$ 233,133

\$915,920 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)**

Plan Year Ended September 30	Amount:
2016	(11,198)
2017	(11,198)
2018	(29,644)
2019	231,318

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM - continued**

**Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date:	September 30, 2014
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
- MIP and Basic Plans (Non-Hybrid):	8.0%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members

Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2015 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of September 30, 2015, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Real Rate of Return*</b>
Domestic Equity Pools	28.0 %	5.9 %
% Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
<b>TOTAL</b>	<b>100.0 %</b>	

\*Long term rate of return does not include 2.5% inflation

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (continued)**

**Discount Rate**

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

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

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

<b>1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%</b>	<b>Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%</b>	<b>1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%</b>
<b>\$17,813,480</b>	<b>\$13,816,864</b>	<b>\$10,447,553</b>

**Payable to the Pension Plan**

At June 30, 2016, the School District reported payables of \$289,939 for the outstanding amount of contributions to the pension plan.

**Postemployment Benefits Other Than Pensions**

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent or 20 percent for those not Medicare eligible of the monthly premium amount for the health, dental and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 2.20 to 2.71 percent of covered payroll for the period from July 1, 2015 through September 30, 2015, and 6.40 to 6.83 percent of covered payroll for the period October 1, 2015 through June 30, 2016, dependent upon the employee’s date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare fund will automatically be enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee’s 401 (k) account.

The District District’s required and actual contributions to the plan for retiree healthcare benefits for the year ended June 30, 2016, 2015, and 2014 were \$263,555, \$179,568, and \$352,965, respectively. In addition, a portion of the MPSERS UAAL stabilization rate is considered a contribution to the retiree healthcare plan.

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 – RISK MANAGEMENT**

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered Public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for one policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

**NOTE 12 – SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2016, the most recent statement of financial position presented herein, through September 29, 2016, the issuance date of the accompanying financial statements. No significant such events or transactions were identified.

**NOTE 13 – UPCOMING ACCOUNTING PRONOUNCEMENTS**

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. The Statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions are effective for the School District's financial statements for the year ending June 30, 2018.

**EAST JORDAN PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NONMAJOR GOVERNMENTAL FUNDS**

Special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes.

Food Service fund – This fund accounts for the District’s school lunch program.

Debt service funds account for the receipt of tax revenues to repay the principal and interest of outstanding debt issues.

The *2011 and 2012 debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital project funds are used to purchase equipment and other long term fixed assets within the district.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EAST JORDAN PUBLIC SCHOOLS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL – GAAP BASIS  
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts			Variance with Final Budget Favorable (unfavorable)
	Original	Final	Actual	
Local sources	\$ 3,554,153	\$ 3,608,504	\$ 3,619,627	\$ 11,123
State sources	4,148,717	4,614,486	4,660,361	45,875
Federal sources	245,171	270,362	269,611	(751)
Interdistrict and other sources	486,819	516,933	474,571	(42,362)
Total revenues	8,434,860	9,010,285	9,024,170	13,885
<b>EXPENDITURES:</b>				
Instruction:				
Basic instruction	4,197,259	4,291,845	4,275,552	16,293
Added needs	1,259,532	1,297,032	1,311,404	(14,372)
Total Instruction	5,456,791	5,588,877	5,586,956	1,921
Support Services:				
Pupil services	300,716	301,157	290,617	10,540
Instructional staff	128,098	140,743	100,276	40,467
General Administration	387,612	447,480	448,460	(980)
School Administration	500,215	509,775	510,934	(1,159)
Business	71,361	125,265	172,020	(46,755)
Operations and Maintenance	656,484	690,149	673,920	16,229
Transportation	471,005	498,437	477,460	20,977
Central support services	75,015	91,889	90,108	1,781
Athletic activities	223,203	231,231	230,907	324
Community services	166,205	191,489	179,494	11,995
Total support services	2,979,914	3,227,615	3,174,196	53,419
Total expenditures	8,436,705	8,816,492	8,761,152	55,340
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,845)	193,793	263,018	69,225
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	7,000	7,000	7,000	-
Total other financing sources (uses)	7,000	7,000	7,000	-
NET CHANGES IN FUND BALANCES	\$ 5,155	\$ 200,793	270,018	\$ 69,225
FUND BALANCE Beginning of year			228,310	
FUND BALANCE End of year			\$ 498,328	

**EAST JORDAN PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability**

Michigan Public School Employees Retirement Plan

Last 10 Fiscal Years (Amounts were determined 9/30 of each fiscal year)

	<u>2014</u>	<u>2015</u>
A. Reporting unit's proportion of net pension liability (%)	0.5757%	0.05656%
B. Reporting unit's proportionate share of net pension liability	\$ 12,681,534	\$ 13,816,864
C. Reporting unit's covered-employee payroll	\$ 5,211,367	\$ 4,913,191
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	243.34%	281.21%
E. Plan fiduciary net position as a percentage of total pension liability	66.20%	62.92%

**Schedule of the Reporting Unit's Contributions**

Michigan Public School Employees Retirement Plan

Last 10 Reporting Unit Fiscal Years (July 1- June 30)

	<u>2015</u>	<u>2016</u>
A. Statutorily required contributions	\$ 956,574	\$ 929,345
B. Contributions in relation to statutorily required contributions	\$ 956,574	\$ 929,345
C. Contribution deficiency (excess)	-	-
D. Reporting unit's covered-employee payroll	\$ 4,951,148	\$ 4,651,378
E. Contributions as a percentage of covered-employee payroll	23.07%	19.98%

**EAST JORDAN PUBLIC SCHOOLS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**Changes in benefits terms:**      There were no changes to benefit terms.

**Changes of assumptions:**      There were no changes of benefit assumptions in 2015.

## **ADDITIONAL INFORMATION**

**EAST JORDAN PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	Special Revenue Fund	Capital Projects Fund	Debt Service Funds			Nonmajor Governmental Funds
	Cafeteria	Sinking Fund	2012 Debt Service	2011 Debt Service	Total	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 37,412	\$ 93,128	\$ 119,617	\$ 52,644	\$ 172,261	\$ 302,801
Receivables:						
Accounts	5,145	-	-	-	-	5,145
Due from other funds	26,070	-	-	-	-	26,070
Due from other governmental units	51,866	-	-	-	-	51,866
Inventory	2,164	-	-	-	-	2,164
Prepaid expenses	1,300	10,500	-	-	-	11,800
Total assets	<u>\$ 123,957</u>	<u>\$ 103,628</u>	<u>\$ 119,617</u>	<u>\$ 52,644</u>	<u>\$ 172,261</u>	<u>\$ 399,846</u>
Liabilities:						
Accounts payable	\$ 1,850	\$ -	\$ -	\$ -	\$ -	\$ 1,850
Accrued expenses	199	-	-	-	-	199
Due to other funds	45,035	-	-	-	-	45,035
Due to other governmental units	27	-	-	-	-	27
Salaries payable	593	-	-	-	-	593
Total liabilities	<u>47,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,704</u>
Fund balances:						
Nonspendable	3,464	10,500	-	-	-	13,964
Restricted	72,789	93,128	119,617	52,644	172,261	338,178
Unassigned	-	-	-	-	-	-
Total fund balances	<u>76,253</u>	<u>103,628</u>	<u>119,617</u>	<u>52,644</u>	<u>172,261</u>	<u>352,142</u>
	<u>\$ 123,957</u>	<u>\$ 103,628</u>	<u>\$ 119,617</u>	<u>\$ 52,644</u>	<u>\$ 172,261</u>	<u>\$ 399,846</u>

**EAST JORDAN PUBLIC SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Special Revenue Fund	Capital Projects Fund	Debt Service Funds			Nonmajor Governmental Funds
	Cafeteria	Sinking Fund	2012 Debt Service	2011 Debt Service	Total	
REVENUES:						
Local sources:						
Property taxes	\$ -	\$ 140,638	\$ 892,264	\$ 285,115	\$ 1,177,379	\$ 1,318,017
Lunch and milk sales	171,797	-	-	-	-	171,797
Interest	12	258	2,009	675	2,684	2,954
State sources	16,159	-	-	-	-	16,159
Federal sources	331,360	-	-	-	-	331,360
Total revenues	519,328	140,896	894,273	285,790	1,180,063	1,840,287
EXPENDITURES:						
Food service	469,914	-	-	-	-	469,914
Capital outlay	-	90,456	-	-	-	90,456
Debt service:	-	-	-	-	-	-
Principle	-	-	845,000	270,000	1,115,000	1,115,000
Interest and other	-	-	35,904	15,196	51,100	51,100
Total expenditures	469,914	90,456	880,904	285,196	1,166,100	1,726,470
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	49,414	50,440	13,369	594	13,963	113,817
OTHER FINANCING SOURCES (USES):						
Operating transfers out	(7,000)	-	-	-	-	(7,000)
Total other financing sources (uses)	(7,000)	-	-	-	-	(7,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	42,414	50,440	13,369	594	13,963	106,817
FUND BALANCES, beginning of year	33,839	53,188	106,248	52,050	158,298	245,325
FUND BALANCES, end of year	\$ 76,253	\$ 103,628	\$ 119,617	\$ 52,644	\$ 172,261	\$ 352,142

**EAST JORDAN PUBLIC SCHOOLS  
TRUST & AGENCY  
STATEMENT OF CHANGES IN ASSETS & LIABILITIES  
YEAR ENDED JUNE 30, 2016**

	Balances, beginning of year	Receipts	Disbursements	Balances, end of year
<b>ASSETS</b>				
Cash and equivalents	<u>\$ 48,722</u>	<u>\$ 391,842</u>	<u>\$ 382,019</u>	<u>\$ 58,545</u>
<b>LIABILITIES</b>				
Due to organizations and class funds	<u>\$ 48,722</u>	<u>\$ 391,842</u>	<u>\$ 382,019</u>	<u>\$ 58,545</u>

**EAST JORDAN PUBLIC SCHOOLS**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 2012 REFUNDED DEBT**  
**JUNE 30, 2016**

	<u>Interest rate</u>	<u>Principal amount</u>	<u>Interest Amount</u>	<u>Total</u>
Year ending June 30: 2017	2.00%	<u>875,000</u>	<u>17,500</u>	<u>892,500</u>
		<u><u>\$ 875,000</u></u>	<u><u>\$ 17,500</u></u>	<u><u>\$ 892,500</u></u>

Principal payments due on first day of	May
Interest payments due on the first day of	May & November
Original issue – March 6, 2012	\$4,150,000

**EAST JORDAN PUBLIC SCHOOLS**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 2011 DEBT**  
**JUNE 30, 2016**

	<u>Interest rate</u>	<u>Principal amount</u>	<u>Interest Amount</u>	<u>Total</u>
Year ending June 30: 2017	2.70%	<u>270,000</u>	<u>7,290</u>	<u>277,290</u>
		<u>\$ 270,000</u>	<u>\$ 7,290</u>	<u>\$ 277,290</u>
Principal payments due on first day of	May			
Interest payments due on the first day of	May & November			
Original issue – June 29, 2011		\$1,580,000		



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

To the Board of Education  
East Jordan Public School  
East Jordan, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Jordan Public Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the East Jordan Public School's basic financial statements and have issued our report thereon dated September 29, 2016.

Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

Traverse City, MI  
September 29, 2016



September 29, 2016

To the Board of Education  
East Jordan Public Schools  
East Jordan, MI

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Jordan Public Schools for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 18, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by East Jordan Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by East Jordan Public Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting East Jordan Public School's financial statements were:

- Depreciation is based on the estimated useful life of the assets. We evaluated the key factors and assumptions used to develop the amount of depreciation charged in determining that it is reasonable in relation to the financial statements taken as a whole.
- Estimates have been used to calculate net pension liability.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has agreed to correct all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 29, 2016.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issue*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as East Jordan Public School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the required supplementary information (RSI), which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and non-major fund financial statements, which accompany the financial statements but are not RSI. With respect to this additional information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the additional information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of East Jordan Public Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Certified Public Accountants