

Livonia Public Schools

**2013 School Building and Site Bonds
Financial Statements**

June 30, 2016

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Independent Auditors' Report

Management and the Board of Education
Livonia Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the 2013 School Building and Site Bonds of Livonia Public Schools, which comprise the balance sheet as of June 30, 2016, and the related statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Livonia Public Schools' 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 2013 School Building and Site Bonds of Livonia Public Schools, as of June 30, 2016, and the change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

We draw attention to Note 1 to the financial statements, which explains that the accompanying financial statements are not intended to be a presentation of the District's total assets, liabilities, equity, revenues and expenditures.

Other Matters:

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial as a whole. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of the District's management and, other than the prior years' information, was derived from and relates 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, other than the prior years' information, the supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the 2013 School Building and Site Bonds of Livonia Public Schools' financial statements as of and for the year ended June 30, 2015, 2014 and 2013, which are not presented with the accompanying financial statements. In our reports dated October 21, 2015 and January 14, 2015, we expressed unmodified opinions on the respective financial statements of the governmental activities. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 2013 School Building and Site Bonds of Livonia Public Schools' financial statements as a whole. The 2015, 2014 and 2013 information in the comparative other supplementary schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015, 2014 and 2013 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2015, 2014 and 2013 information in the comparative supplementary schedules is fairly stated in all material respects in relation to the financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2016 on our consideration of Livonia Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other agreements and other matters in relation to its 2013 School Building and Site Bonds. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Livonia Public Schools' internal control over financial reporting and compliance in relation to its 2013 School Building and Site Bonds.

Yeo & Yeo, P.C.

Saginaw, MI
October 20, 2016

Livonia Public Schools
2013 School Building and Site Bonds
Balance Sheet
June 30, 2016

Assets

Restricted assets	\$ 112,285,392
Prepaid expenses	261,444
Due from other governmental units	227,800
Due from other funds	<u>26,470</u>
 Total assets	 <u><u>\$ 112,801,106</u></u>

Liabilities and fund balance

Accounts payable	\$ 10,667,474
Due to other funds	<u>41,000</u>
 Total liabilities	 10,708,474
 Fund balance	
Restricted for capital projects	<u>102,092,632</u>
 Total liabilities and fund balance	 <u><u>\$ 112,801,106</u></u>

Livonia Public Schools
2013 School Building and Site Bonds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2016

Revenues

Investment income	\$ 179,613
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Expenditures

Professional fees	2,528,816
Permits / Print / Test / Administration	424,775
Hard construction	36,148,522
Buses / Equipment / Furniture	2,092,562
Information / Technology	6,555,092
Furniture	9,135
Environment / Abatement	835,666
Bond issuance cost	<u>627,642</u>

Total expenditures	<u>49,222,210</u>
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Deficiency of revenues under expenditures	<u>(49,042,597)</u>
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Other financing sources

Proceeds from issuance of 2013 School Building and Site Bonds, Series II	76,180,000
Premium on debt issued	<u>11,359,115</u>

Total other financing sources	<u>87,539,115</u>
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Excess of revenues and other financing sources over expenditures	38,496,518
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Fund balance at beginning of period	<u>63,596,114</u>
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Fund balance at end of period	<u>\$ 102,092,632</u>
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Livonia Public Schools
2013 School Building and Site Bonds
Notes to the Financial Statements

Note 1 - Reporting Entity

Livonia Public Schools has oversight responsibility and control over all activities related to public school education in the Livonia Public Schools.

The District's Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. This report includes only the balance sheet and the statement of revenues, expenditures and changes in fund balance of the 2013 School Building and Site Bonds of the District and its activities are considered to be part of the District and controlled by the Board of Education. The financial statements are not intended to be a presentation of the District's total assets, liabilities, equity, revenues and expenditures.

Note 2 - Bond Description

2013 School Building and Site Bonds, Series I

The District issued the 2013 School Building and Site Bonds, Series I on June 25, 2013 in the amount of \$103,330,000. The principal and interest on this bond issue will be financed primarily from local property taxes. The bonds, dated June 25, 2013, which bear interest at 2.00% to 5.00%, are due serially through 2043. The bond proceeds and interest income earned on those proceeds were used to erect, furnish and equip additions to and remodel, furnish and refurnish, equip and re-equip school facilities, in part, for facility infrastructure, building security and entryways, energy conservation improvements, and performing arts centers and associated classrooms; acquire, install and equip educational technology for the school facilities; construct, equip, develop and improve play fields, playgrounds, and athletic facilities for press boxes; purchase school buses; and develop and improve sites.

2013 School Building and Site Bonds, Series II

The District issued the 2013 School Building and Site Bonds, Series II on February 24, 2016 in the amount of \$76,180,000. The principal and interest on this bond issue will be financed primarily from local property taxes. The bonds, dated February 24, 2016, which bear interest at 3.00% to 5.00%, are due serially through 2046. The bond proceeds and interest income earned on those proceeds will be used to erect, furnish and equip additions to and remodel, furnish and refurnish, equip and re-equip school facilities, in part, for facility infrastructure, building security and entryways, energy conservation improvements, and performing arts centers and associated classrooms; acquire, install and equip educational technology for the school facilities; construct, equip, develop and improve play fields and playgrounds; purchase school buses; and develop and improve sites.

Basis of Presentation

The accompanying balance sheet and statement of revenues, expenditures and changes in fund balance have been prepared based on the modified accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

The District anticipates the activities of the 2013 School Building and Site Bonds to be substantially completed in 2019.

Livonia Public Schools
2013 School Building and Site Bonds
Supplementary Information
Expenditure Detail by Fiscal Year
For the Years Ended June 30, 2016, 2015, 2014 and 2013

	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2015	Year Ended June 30, 2016	Total
Professional fees	\$ 226,392	\$ 2,621,284	\$ 3,214,258	\$ 2,528,816	\$ 8,590,750
Permits / Print / Test / Administration	-	34,925	318,008	424,775	777,708
Hard construction	-	4,599,403	21,232,472	36,148,522	61,980,397
Buses / Equipment / Furniture	1,000	1,953,627	164,058	2,092,562	4,211,247
Information / Technology	-	2,955,157	5,511,058	6,555,092	15,021,307
Furniture	-	-	57,020	9,135	66,155
Environment / Abatement	-	834,101	880,639	835,666	2,550,406
Bond issuance cost	880,502	(25,000)	-	627,642	1,483,144
Total Bond Expenditures	<u>\$ 1,107,894</u>	<u>\$ 12,973,497</u>	<u>\$ 31,377,513</u>	<u>\$ 49,222,210</u>	<u>\$ 94,681,114</u>

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

Independent Auditors' Report

Management and the Board of Education
Livonia Public Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the bond financial statements of the 2013 School Building and Site Bonds of Livonia Public Schools which comprise the balance sheet as of June 30, 2016 and, the related statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Livonia Public Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the bond financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Livonia Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Livonia Public Schools' 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 bond financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Livonia Public Schools' bond financial statements for the 2013 School Building and Site Bonds are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and other agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Yeo & Yeo, P.C.

Saginaw, MI
October 20, 2016