

Glen Lake Community Schools

FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2016

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GLEN LAKE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

As management of Glen Lake Community Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016.

Financial Highlights

- * The assets of the District's Governmental Activities exceeded its liabilities and deferred outflows of resources at the close of the most recent fiscal year by approximately \$8,489,191 (net position).
- * As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$16,103,545, a decrease of \$1,725,272 from the prior year.

Overview of the Financial Statements

This Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the District's assets, deferred outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, food service, athletics and community service. The District has no business-type activities as of and for the year ended June 30, 2016.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds

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

GLEN LAKE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

Governmental funds (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

Fiduciary funds

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the fund financial statement section of this report.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities and deferred outflows of resources by approximately \$8,489,191, at the close of the most recent fiscal year.

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities unless sold.

GLEN LAKE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

Net Pension Liability

During 2015, the District adopted two new accounting standards GASB's 68 and 71 related to the accounting and reporting of pensions. These new standards significantly impacted the District's Statement of Net Position and Statement of Activities as the District was required to report its proportionate share of unfunded pension liability of the Michigan retirement system for public schools. The District reported a liability of \$16,250,898 on the June 30, 2016 Statement of Net Position.

	2016	2015
<u>NET POSITION SUMMARY</u>		
<u>ASSETS</u>		
Other Assets	\$17,621,172	\$19,114,989
Capital Assets	10,018,220	7,682,528
<u>TOTAL ASSETS</u>	\$27,639,392	\$26,797,517
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Charge on Refunding	1,847,783	2,217,339
Related to Pensions	1,615,386	1,506,201
Total Deferred Outflows of Resources	3,463,169	3,723,540
<u>LIABILITIES</u>		
Other Liabilities	18,616,184	16,635,511
Long-Term Liabilities	3,939,748	4,793,748
Total Liabilities	22,555,932	21,429,259
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Related to Pensions	57,438	1,572,570
<u>NET POSITION</u>		
Net Investment in Capital Assets	7,394,083	4,569,962
Restricted	961,169	1,015,530
Unrestricted	133,939	1,933,736
<u>TOTAL NET POSITION</u>	\$8,489,191	\$7,519,228

The District as Trustee - Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GLEN LAKE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2016 and 2015, the District wide results of operations were:

	<u>2016</u>	<u>2015</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes	\$8,249,274	\$8,143,740
Federal - Unrestricted Grants	3,286,387	3,289,198
Intermediate Sources	192,894	219,030
Other General Revenues	115,634	104,232
Total General Revenues	<u>11,844,189</u>	<u>11,756,200</u>
<u>Program Revenues</u>		
Operating Grants	366,736	337,947
Capital Grants	15,250	-
Charges for Services	1,336,706	1,330,660
Total Program Revenues	<u>1,718,692</u>	<u>1,668,607</u>
Total Revenues	<u>13,562,881</u>	<u>13,424,807</u>
 <u>EXPENSES</u>		
Instruction & Instructional Support	6,450,154	6,337,379
Support Services	4,632,777	4,480,043
Community Services	43,533	75,760
Outgoing Transfers and Other Uses	100,557	152,090
Food Service	516,139	468,533
Interest on Long-Term Debt	554,659	583,931
Depreciation	295,099	306,693
Total Expenses	<u>12,592,918</u>	<u>12,404,429</u>
 <u>INCREASE IN NET POSITION</u>	 969,963	 1,020,378
 <u>NET POSITION - BEGINNING OF YEAR</u>	 <u>7,519,228</u>	 <u>6,498,850</u>
 <u>NET POSITION - END OF YEAR</u>	 <u>\$8,489,191</u>	 <u>\$7,519,228</u>

GLEN LAKE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At year end, the District's governmental funds reported combined ending fund balances of \$16,103,545, a decrease of \$1,725,272 from the prior year. \$937,382 of this total amount constitutes restricted fund balance. \$6,397 is nonspendable to indicate that it is not available for new spending because the underlying assets are included in inventory and prepaid expenditures and are not available for current expenditures. \$55,062 is committed for timber management and \$4,983,366 is committed for subsequent year expenditures. \$10,120,594 is assigned fund balance. The remainder of the fund balance, \$744 is unassigned.

General Fund. The general fund is the chief operating fund of the District, and represents the bulk of the District's unreserved fund balance. At the end of the current fiscal year, unassigned fund balance of the general fund was a \$744.

The major sources of general fund revenues are Impact Aid grant dollars, categorical state/special education foundation and taxes. An analysis of them is as follows:

1. Impact Aid Grant:
Impact Aid Grant dollars reimburses Glen Lake for tax revenue lost by the removal from the tax rolls of land acquired by the Federal government since 1938.
2. Per Student, Foundation Allowance:
Annually, the State of Michigan establishes the per student foundation allowance. Glen Lake Community Schools foundation allowance was \$7,391 per student for the 2015-2016 school year. The foundation allowance is solely for categorical revenue and special education foundation as Glen Lake is an out-of-formula district.
3. Student Enrollment:
The District's blended student enrollment for the fall count of 2015-2016 was 750 students, a decrease of 15 students from the prior year.
4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)
The District levies 15.0696 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

During the current fiscal year, the fund balance in the District's general fund decreased by \$1,442,141, as compared with an increase during the 2014-2015 school year of \$620,877.

GLEN LAKE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

GENERAL FUND BUDGET VS. ACTUAL

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final <u>Budget %</u>
Revenue	\$8,725,738	\$12,184,080	\$12,185,166	39.63%	(0.01)
Expenditures	<u>14,229,555</u>	<u>13,247,302</u>	<u>13,250,487</u>	6.90%	(0.02)
<u>TOTAL</u>	<u>(\$5,503,817)</u>	<u>(\$1,063,222)</u>	<u>(\$1,065,321)</u>		

Original vs. Final Budgets

Revenues

Significant variations between the original and final budget were due to the receipt of approximately 3.3 million dollars in Impact Aid revenue. Due to the uncertain distribution of Impact Aid from the Federal Government, the District recognizes Impact Aid once received. In addition to Impact Aid revenue, additional State Categorical revenue was received as well as the recognition of Investment Interest gain.

Expenditures

Significant variations between the original and final budget were due to ACA budgeted but not expensed. A portion of the textbook, technology, tax abatement and diesel fuel also went unspent. Also, the Media Center renovation project was completed under budget.

Actual Results vs. Final Budgets

Revenues

There were no significant variations between the final budget and actual.

Expenditures

There were no significant variations between the final budget and actual.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2016 amounted to \$10,018,220 (net of accumulated depreciation). This investment in capital assets included land, land improvements, construction, machinery and equipment, and licensed vehicles. Capital assets at fiscal year-end included the following:

	<u>Capital Assets</u> <u>(Net of Depreciation)</u>	
	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 8,063,584	\$ 6,565,494
Land improvements	256,952	103,464
Equipment and furniture	1,178,341	581,335
Vehicles	<u>519,343</u>	<u>432,235</u>
Total capital assets, net	<u>\$ 10,018,220</u>	<u>\$ 7,682,528</u>

Additional information on the District's capital assets can be found in Note E.

GLEN LAKE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

B. Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of \$4,756,132. Long-term debt at fiscal year-end included the following:

	<u>Long-Term Debt</u>	
	<u>2016</u>	<u>2015</u>
General Obligation Bonds	\$4,290,000	\$5,340,000
Unamortized Premium	181,920	218,304
Unpaid Sick Days Payable	<u>284,212</u>	<u>321,828</u>
 Total Long-Term Debt	 <u><u>\$4,756,132</u></u>	 <u><u>\$5,880,132</u></u>

The District's total bonded debt decreased by \$1,050,000 during the current fiscal year due to the District making scheduled debt payments. Additional information on the District's long-term debt can be found in Note 8.

Economic Factors And Next Year's Budget

The following factors will affect the District in the future and were considered in preparing the District's budget for the 2016-17 fiscal year:

* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7391 per pupil for the 2016-2017 categorical State revenue and the special education foundation fiscal year, a \$120 per pupil increase from 2015-16, based on information received from various educational organizations such as Michigan School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions with local State representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan and the gubernatorial election will all affect this estimate before the final foundation allowance is known.

* Retirement Rate

In 2016-2017, the retirement rate is anticipated to decrease .84% to 24.94%. Additionally, the District will be required to pay 11.70%, for all wages earned October 1, 2016 and later, for the Unfunded Actuarial Accrued Liability (UAAL). This is an increase of 1.17% from 10.53% UAAL charged in the 2015-2016 fiscal year.

* The Glen Lake Community Schools' 2016/2017 adopted budget is as follows:

<u>REVENUE</u>	\$8,933,641
 <u>EXPENDITURES</u>	 <u>13,917,007</u>
 <u>NET (UNDER) BUDGET</u>	 <u><u>(\$4,983,366)</u></u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Glen Lake Community Schools.



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Education
Glen Lake Community Schools

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 the *Glen Lake Community Schools* (the "School District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 School 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 School 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Glen Lake Community Schools as of June 30, 2016, and the respective changes in financial position thereof 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 on pages *i* through *vii*, and Budgetary Comparison Information on page 35, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining non-major fund financial statements and the Schedule of Expenditures of Federal Awards 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 non-major fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 04, 2016, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the School District's internal control over financial reporting and compliance.

Dennis, Gartland & Niergarth

October 04, 2016

Glen Lake Community Schools

STATEMENT OF NET POSITION

June 30, 2016

Governmental
Activities

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

ASSETS

Current assets

Cash and cash equivalents	\$ 8,328,976
Investments	9,061,118
Due from other governments	211,613
Accounts receivable	13,068
Inventory	<u>6,397</u>

Total current assets 17,621,172

Capital assets, net of accumulated depreciation 10,018,220

Total assets 27,639,392

DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on debt refunding	1,847,783
Pension obligation	<u>1,615,386</u>

Total assets and deferred outflows of resources \$ 31,102,561

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

LIABILITIES

Current liabilities

Accounts payable and accrued expenses	\$ 486,660
Salaries payable and related expenses	848,928
Unearned revenue	97,027
Current portion of long-term liabilities	816,384
Due to other governmental units	<u>116,287</u>

Total current liabilities 2,365,286

Non-current portion of long-term liabilities 3,939,748

Net pension obligation 16,250,898

Total liabilities 22,555,932

DEFERRED INFLOWS OF RESOURCES - pension obligation 57,438

NET POSITION

Invested in capital assets, net of related debt 7,394,083

Restricted for

Capital Projects	762,513
Debt Service	143,594
Timber Management	55,062
Unrestricted	<u>133,939</u>

Total net position 8,489,191

Total liabilities, deferred inflows of resources and net position \$ 31,102,561

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

Glen Lake Community Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Functions/Program	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction	\$ 6,450,154	\$ -	\$ 1,169,890	\$ -	\$ (5,280,264)
Supporting Services	4,070,211	-	-	-	(4,070,211)
Community Services	43,533	59,197	-	15,250	30,914
Food Service	516,139	253,028	166,816	-	(96,295)
Athletics	562,566	54,511	-	-	(508,055)
Other	100,557	-	-	-	(100,557)
Interest on long-term debt	554,659	-	-	-	(554,659)
Depreciation-unallocated	295,099	-	-	-	(295,099)
Total governmental activities	\$ 12,592,918	\$ 366,736	\$ 1,336,706	\$ 15,250	(10,874,226)
General purpose revenues					
Property taxes					
Levied for general purposes					7,308,682
Levied for Debt Service					940,573
Levied for Capital Projects					19
Other					81,317
Interdistrict Sources					192,894
Unrestricted Federal sources					3,286,387
Investment earnings					34,317
Total general purpose revenues					11,844,189
Change in net position					969,963
Net position, beginning of year					7,519,228
Net position, end of year					\$ 8,489,191

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

Glen Lake Community Schools

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 7,324,943	\$ 1,004,033	\$ 8,328,976
Investments	9,061,118	-	9,061,118
Accounts receivable	5,456	7,612	13,068
Due from other funds	13,935	-	13,935
Due from other governments	211,613	-	211,613
Inventory	-	6,397	6,397
	<u>\$ 16,617,065</u>	<u>\$ 1,018,042</u>	<u>\$ 17,635,107</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 450,119	\$ 5,266	\$ 455,385
Accrued salaries and related expenditures	848,928	-	848,928
Unearned revenue	97,027	-	97,027
Due to other funds	-	13,935	13,935
Due to other governmental units	116,287	-	116,287
	<u>1,512,361</u>	<u>19,201</u>	<u>1,531,562</u>
FUND BALANCES			
Nonspendable - food service inventory	-	6,397	6,397
Restricted			
Debt retirement	-	174,869	174,869
Capital projects	-	762,513	762,513
Committed			
Timber management	-	55,062	55,062
Subsequent Year Expenditures	4,983,366	-	4,983,366
Assigned	10,120,594	-	10,120,594
Unassigned	744	-	744
	<u>15,104,704</u>	<u>998,841</u>	<u>16,103,545</u>
Total liabilities and fund balances	<u>\$ 16,617,065</u>	<u>\$ 1,018,042</u>	

Reconciliation of Governmental Fund Balances to District-Wide Government Activities Net Position

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$19,749,879 and the accumulated depreciation is \$(9,731,659). 10,018,220

Deferred outflows of resources net of deferred inflows of resources for pension obligations is not a financial resource and, therefore, is not reported in governmental funds. 1,557,948

Long-term liabilities and related deferred outflows of resources 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	\$ 4,290,000		
Accrued interest on bonds	31,275		
Unamortized bond refunding loss	(1,847,783)		
Unamortized bond premium	181,920		
Accumulated leave liability	284,212		
Net pension obligation	<u>16,250,898</u>		<u>(19,190,522)</u>

Total net position - governmental activities \$ 8,489,191

Glen Lake Community Schools

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2016

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 7,308,682	\$ 940,592	\$ 8,249,274
Interest	32,288	1,187	33,475
State revenues	1,081,489	41,508	1,122,997
Federal revenues	3,374,789	126,150	3,500,939
Intermediate sources	192,894	-	192,894
Other	195,024	268,278	463,302
Total revenues	12,185,166	1,377,715	13,562,881
Expenditures			
Current			
Instruction	6,237,896	-	6,237,896
Supporting Services	3,809,246	-	3,809,246
Community Services	43,533	-	43,533
Food Service	-	514,638	514,638
Athletics	535,780	-	535,780
Other	-	15,250	15,250
Debt Service			
Principal	-	1,050,000	1,050,000
Interest	-	228,255	228,255
Other	-	1,068	1,068
Capital outlay	2,624,032	228,455	2,852,487
Total expenditures	13,250,487	2,037,666	15,288,153
REVENUES UNDER EXPENDITURES	(1,065,321)	(659,951)	(1,725,272)
Other financing sources (uses)			
Operating transfers in	-	376,820	376,820
Operating transfers out	(376,820)	-	(376,820)
Total other financing sources (uses)	(376,820)	376,820	-
REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(1,442,141)	(283,131)	(1,725,272)
Fund balance, beginning of year	16,546,845	1,281,972	17,828,817
Fund balance, end of year	\$ 15,104,704	\$ 998,841	\$ 16,103,545

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

Glen Lake Community Schools

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Total Net Change in Fund Balances - Governmental Funds \$ (1,725,272)

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

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, costs that meet the capitalization policy are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.

	Capital outlays	\$ 2,852,487	
	Depreciation expense	<u>(516,795)</u>	2,335,692

Change in deferred outflows of resources for pension obligation, net of the change in deferred inflows of resources for pension obligations.	1,624,317
--	-----------

In the statement of activities, certain operating expenses - compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, sick time used was more than the amounts earned by \$37,616.	37,616
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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.	1,050,000
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Net amortization of bond premium and deferred loss on refunding	(333,172)
---	-----------

Increase in net pension obligation	(2,025,986)
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the statement of activities is the net result of the decrease in accrued interest on bonds payable.	<u>6,768</u>
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Changes in Net Position of Governmental Activities	<u><u>\$ 969,963</u></u>
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Glen Lake Community Schools

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2016

	<u>Private Purpose Trust Funds</u>	<u>Trust and Agency Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 95,888	\$ 160,354	\$ 256,242
Investments	<u>736,457</u>	<u>-</u>	<u>736,457</u>
Total assets	<u>\$ 832,345</u>	<u>\$ 160,354</u>	<u>\$ 992,699</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Due to student groups	\$ -	\$ 160,354	\$ 160,354
NET POSITION			
Restricted for Trust Activities	<u>832,345</u>	<u>-</u>	<u>832,345</u>
Total liabilities and net position	<u>\$ 832,345</u>	<u>\$ 160,354</u>	<u>\$ 992,699</u>

Glen Lake Community Schools

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2016

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Contributions	\$ 3,145
Interest and other earnings	<u>37,620</u>
Total additions	40,765
DEDUCTIONS	
Scholarships awarded and other expenses	<u>36,966</u>
Change in net position	3,799
Net position, beginning of year	<u>828,546</u>
Net position, end of year	<u><u>\$ 832,345</u></u>

Glen Lake Community Schools

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

Glen Lake Community Schools (the "School District") is a Michigan public school district consisting of one K-12 building. The School District primarily serves the Glen Lake community. As of June 30, 2016, the School District employs 54 professional staff and 75 non-professional staff, and has 750 students enrolled within its School District.

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments. The School District is a local government unit.

The accounting and reporting framework and the more significant accounting principles and practices of the School District are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the School District's financial activities for the fiscal year ended June 30, 2016.

Financial Reporting Entity

Glen Lake Community Schools District's Board is a special purpose government and considered to be a primary government because it has a separately elected governing body, is legally separate and is fiscally independent of other state and local governments. The financial reporting entity of Glen Lake Community Schools District includes the School District as the primary government and its component units; i.e., legally separate organizations for which the primary government is financially accountable and any other organizations which management has determined, based on the nature of significance of their relationship with the School District, must be included to prevent the School District's financial statements from being misleading. Based on criteria established in Governmental Accounting Standards Board ("GASB") Statement No. 14, as amended, management has not identified any component units. Student, parent and teacher organizations are not included, except to the extent that the School District holds assets in the capacity of an agent.

District-Wide and Fund Financial Statements

District-Wide Financial Statements

The statement of net position and statement of activities display information about the School District as a whole, except for its fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and School District general revenues.

NOTES TO FINANCIAL STATEMENTS - Continued

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the School District's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

The balance sheet and statement of revenues, expenditures and changes in fund balances (i.e., fund financial statements) for the School District's governmental funds are presented after the government-wide statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. Major funds are generally those that represent 10% or more of governmental fund assets, liabilities, revenues or expenditures.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the School District are prepared in accordance with Generally Accepted Accounting Principles ("GAAP"). The School District's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements.

The district-wide statements report using the economic resource measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting, although internal activity is not eliminated in these 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 while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include property taxes, intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

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

NOTES TO FINANCIAL STATEMENTS - Continued

Fund Types and Major Funds

Activities in Major Funds

The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those accounted for in another fund.

Other Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes. The Food Service and Timber Management Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds.

The Debt Retirement Funds are used to account for the accumulation of resources for, and the payment of bond principal, interest and related costs.

The Technology and Bus Capital Projects Fund is used to account for financial resources (bond proceeds) to be used for the acquisition and installation of educational technology for school facilities; remodeling, equipping and re-equipping school facilities for technology; and acquiring school buses.

The Capital Projects Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the school district has complied with the applicable provision of §1212 of the Revised School Code costs.

The Port Oneida Capital Projects Fund was used to account for the donation of funds to be spent on repairs to a building owned by the School District.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net position and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Private purpose trust funds are used to administer scholarships for the benefit of private individuals and organizations.

Cash and Equivalents

The School District's reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Income from repurchase agreements is shown as interest income. Investments are stated at market value.

NOTES TO FINANCIAL STATEMENTS - Continued

Inventories

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost, which is recorded as an expenditure at the time individual inventory items are used.

Capital Assets

Capital assets are recorded at cost or, if donated, the fair value at the time of donation. Capital assets are depreciated over their estimated useful lives ranging from 5 to 50 years. The School District generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur. No depreciation is recorded on land or construction-in-process. Expenditures for major renewals and betterments that extend the useful lives of the capital assets are capitalized. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 10 years
Vehicles and buses	5 - 10 years

Unearned Revenue

The School District reports unearned revenue on its governmental funds balance sheet. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the School District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Long-Term Debt and Bond Discounts/Premiums

In the district-wide financial statements, outstanding debt is reported as a liability. Bond discounts or premiums are amortized over the terms of the respective bonds using a method that approximates the interest method. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the period in which the bonds were issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated vacation, sick leave, and severance benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts are included both for employees who are currently eligible to receive termination payments and for other employees who are expected to become eligible on the future to receive such payments upon termination.

Deferred Inflows and Outflows

In addition to assets and liabilities, the statement of financial position includes elements for deferred outflows of resources and deferred inflows of resources. The separate financial statement elements, deferred outflows and inflows of resources, represent a consumption/addition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or inflows of resources (revenue) until then. The School District items that qualify for reporting in this category are the deferred loss on debt refunding reported in the government-wide statement of net position and items related to the pension obligation. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. See note I for details of deferred outflows and inflows related to the pension obligation.

Fund Balance

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors or contributors, or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the School Board through approval of resolutions. Assigned fund balance is a limitation imposed by the Superintendent and/or Business Manager as a designee of the School Board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed or assigned to those purposes.

When both restricted and unrestricted fund balances are available for use, it is the School District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

NOTES TO FINANCIAL STATEMENTS - Continued

Program Revenues

Program revenues derive directly from the program itself or from outside parties for the restricted use in a particular program. On the statement of activities, program revenues reduce the net cost of the various functions to reflect the amount which is financed from the School District's general revenues.

The School District's most significant program revenues are Title I, Title II, Title VIII and School Lunch Program, which are reported as operating grants and contributions.

Allocation of Expenses

The School District reports each function's direct expenses, those that are specifically associated with a service, program or department and, thus, are clearly identifiable to a particular function.

The School District has elected to not allocate indirect expenses.

Pension Plan

For purposes of measuring the net position, liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public Employees Retirement System ("MPERS") and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE B - BUDGETARY POLICY AND PRACTICE

The School District has adopted these procedures in establishing the budgets as reflected in the financial statements.

1. As early as possible in the preceding fiscal year (generally in the spring), the Superintendent formulates preliminary budgets for the coming year, which he submits to the Board of Education for their review.
2. A public hearing is held prior to June 30 on the proposed budgets to obtain taxpayer comments.
3. The Board of Education reviews the proposed budget and then in June adopts a formal resolution approving the needed appropriations for the coming operating year.
4. All transfers of budget amounts and any amendments to the formal Appropriation Act are approved by the Board of Education.
5. It is the Superintendent's responsibility to supervise and monitor the budget process. He does this by reviewing the monthly financial data and reporting and recommending any needed amendments to the Board of Education.
6. The budget is adopted on a basis consistent with generally accepted accounting principles.
7. The budgets presented in these financial statements are as originally adopted and as formally amended by the Board of Education.
8. All annual appropriations lapse at fiscal year-end.

Excess of Expenditures over Appropriations in Budgeted Funds

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2016, the School District was not in compliance with the Act as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Supporting services	\$ 3,691,338	\$ 3,809,246	\$ 117,908

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE C - CASH AND INVESTMENTS

At June 30, 2016, the School District's cash and investments include the following:

Bank deposits and cash on hand	\$ 8,585,218
Investments	<u>9,797,575</u>
	<u>\$18,382,793</u>

Custodial Credit Risk - Deposits

As of June 30, 2016, \$534,590 of the School District's bank deposits were insured. The remaining balance of \$8,992,236 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The School District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the School District will do business.

Interest Rate Risk

In accordance with the School District's investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in short-term securities, liquid asset funds, money market funds, or similar investment pools, and limiting the average maturity in accordance with the School District's cash requirements. MILAF investments are carried at amortized cost and are not subject to any withdrawal restrictions.

The School District's investments have the following maturities:

Investment Type	Fair Value	Investment Maturities (in years)			
		Current	1-5	6-10	More than 10
MILAF	\$ 9,061,118	\$ 9,061,118	\$ -	\$ -	\$ -
Certificates of Deposit	50,000	50,000	-	-	-
Mutual funds - Equities	431,554	431,554	-	-	-
Mutual funds - Bonds	<u>254,903</u>	<u>56,390</u>	<u>75,586</u>	<u>75,979</u>	<u>46,948</u>
	<u>\$ 9,797,575</u>	<u>\$ 9,599,062</u>	<u>\$ 75,586</u>	<u>\$ 75,979</u>	<u>\$ 46,948</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Investments

The School District's investment policy permits investments in the following vehicles:

1. Bonds and other obligations of the United States Government.
2. Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively.
3. Certain commercial paper rated prime 1 or prime 2 at the time of purchase and maturing not more than 270 days after the date of purchase.
4. United States Government repurchase agreements.
5. Banker's acceptance of United States banks.
6. Certain mutual funds.
7. Securities issued or guaranteed by agencies of the United States government.
8. Michigan Investment Liquid Asset Fund Plus ("MILAF")

Credit Risk

The School District's investment in the MILAF investment pool was rated AAAM by Standard and Poor's. Mutual fund investments in equities were not rated and mutual fund investments in bonds had an average rating between AAA to BBB.

NOTE D - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND UNEARNED REVENUE

Property Taxes Receivable, Unearned Revenue and Property Tax Calendar

Property taxes are levied, billed and attached as enforceable liens in December of the School District's fiscal year. Townships within the School District collect and remit taxes until February 15, at which time the uncollected real property taxes are turned over to the county as delinquent. Delinquent real property taxes are funded by the county and remitted to the School District. Delinquent personal property tax remains a receivable until collected from the taxpayer by the townships and remitted to the School District. In the governmental fund financial statements, if delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred inflows. In the district-wide financial statements, property taxes receivable and related revenue include all amounts due the School District regardless of when cash is received. Over time, substantially all property taxes are collected.

During the fiscal year, \$15.0696 per \$1,000 of equalized non-principle residence property value of \$484 million was levied for general operating purposes. For debt service purposes, \$1.150 per \$1,000 of equalized homestead and non-homestead property value of \$817 million was levied for bonded debt repayments by the Debt Service Fund.

NOTES TO FINANCIAL STATEMENTS - Continued

Intergovernmental Receivables and Unearned Revenue

Intergovernmental receivables are primarily comprised of amounts due from the State and Federal governments. Revenue is recorded as earned when eligibility requirements are met. Grant revenues deferred in the governmental fund financial statements include unearned revenue and deferred inflows if revenue is received more than 60 days following year-end (unavailable to pay liabilities of the current period). Revenue received after 60 days is fully recognized as revenue in the district-wide statements if grantor eligibility requirements are met.

Amounts due from other governments at June 30, 2016 are as follows:

Due from the State of Michigan - State Aid	\$ 192,199
Due from TBA ISD	17,087
Other	<u>2,327</u>
	<u>\$ 211,613</u>

NOTE E - INVESTMENTS IN CAPITAL ASSETS

Investments in capital assets consist of the following:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2016</u>
Buildings and improvements	\$13,765,811	\$ 1,782,932	\$ -	\$15,548,743
Land improvements	398,417	163,720	-	562,137
Furniture and equipment	1,567,012	742,019	-	2,309,031
Buses and vehicles	<u>1,166,152</u>	<u>163,816</u>	<u>-</u>	<u>1,329,968</u>
Total depreciable assets	16,897,392	2,852,487	-	19,749,879
Less accumulated depreciation	<u>(9,214,864)</u>	<u>(516,795)</u>	<u>-</u>	<u>(9,731,659)</u>
Total capital assets, net	<u>\$ 7,682,528</u>	<u>\$ 2,335,692</u>	<u>\$ -</u>	<u>\$10,018,220</u>

Depreciation expense was charged to the function in the statement of activities, as follows:

Instruction	\$ 143
Support services	221,553
Unallocated	<u>295,099</u>
	<u>\$ 516,795</u>

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE F - LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ended June 30, 2016 were as follows:

	<u>Beginning Balance</u>	<u>New Debt</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Current Portion</u>
2008 Refunded General Obligation Bond	\$ 5,035,000	\$ -	\$ (745,000)	\$ 4,290,000	\$ 780,000
2012 Technology and Bus Bond	305,000	-	(305,000)	-	-
Unamortized bond premium	218,304	-	(36,384)	181,920	36,384
Accumulated leave liability	<u>321,828</u>	<u>9,936</u>	<u>(47,552)</u>	<u>284,212</u>	<u>-</u>
Long-term liabilities	<u>\$ 5,880,132</u>	<u>\$ 9,936</u>	<u>\$ (1,133,936)</u>	<u>\$ 4,756,132</u>	<u>\$ 816,384</u>

Payments on the 2008 Refunded General Obligation Bond are made by the 2008 Debt Retirement Fund. The 2012 Technology and Bus Bond was paid by the Technology and Bus Debt Retirement Fund. The accumulated leave liability will be liquidated primarily by the General Fund.

At June 30, 2016, the School District's long-term liabilities consisted of the following:

\$8,625,000; 2008 Refunding General Obligation Bonds; remaining installments due annually of \$780,000 to \$930,000 through May 1, 2021; remaining interest rates of 4.00% to 5.00%.	\$ 4,290,000
Unamortized bond premium	181,920
Accumulated leave liability	<u>284,212</u>
Total long-term liabilities	<u>\$ 4,756,132</u>

Total annual requirements to amortize bonds outstanding as of June 30, 2016 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 780,000	\$ 187,650
2018	825,000	148,650
2019	860,000	107,400
2020	895,000	73,000
2021	<u>930,000</u>	<u>37,200</u>
	<u>\$ 4,290,000</u>	<u>\$ 553,900</u>

Interest expense for the year ended June 30, 2016 was \$554,659, and interest paid for the year ended June 30, 2016 was \$228,255.

NOTES TO FINANCIAL STATEMENTS - Continued

Accumulated Leave Liability

As of June 30, 2016, a potential liability for sick pay of up to \$284,212 had accumulated to employees; calculated as follows: Upon death or retirement the School District will pay accumulated sick leave to teachers at a surrender value of 33% per day, up to 122 days, at a maximum of 40 1/4 days pay. Bus drivers and Teamsters union workers are paid at a surrender value of 33 1/3% with a maximum of 100 and 120 days, respectively. Non-union Food Service staff and Teachers Assistants are paid at a surrender value of 25% or a maximum of 30 days. Administration staff is paid at a surrender value of 100% or a maximum of 40 days.

Prior Year Defeasance of Debt

On March 4, 2008, Glen Lake Community Schools issued \$8,625,000 in General Obligation - Unlimited Tax Bonds with an average interest rate ranging from 3% to 5%. The School District issued the bonds to advance refund \$3,820,768 of the outstanding 1993 School Capital Project and Refunding Bonds with an interest rate of 5.65% to 5.95%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities are defeased and the School District has removed the liability from its accounts. The balance of the 2008 Refunding General Obligation Bonds at June 30, 2016 is \$4,290,000. Payments for this debt are recorded in the School District's 2008 Debt Retirement Fund.

Deferred Loss on Refunding

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Amortization</u>	<u>Ending Balance</u>
Total deferred outflows	<u>\$ 2,217,339</u>	<u>\$ -</u>	<u>\$ (369,556)</u>	<u>\$ 1,847,783</u>

NOTE G - ASSIGNED FUND BALANCE

The School District's assigned fund balance consisted of the following at June 30, 2016:

Subsequent years expenditures	\$ 6,752,654
Technology and bus purchases	1,683,970
Construction projects	<u>1,683,970</u>
	<u>\$ 10,120,594</u>

NOTE H - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; unemployment benefits; and natural disasters. The School District manages its risk exposures and provides certain employee benefits through a combination of self-insurance and risk management pools.

NOTES TO FINANCIAL STATEMENTS - Continued

The School District pays unemployment claims on a reimbursement basis. No significant claims are known to exist.

The School District participates in SET-SEG's risk management pools for worker's compensation claims, liability insurance and errors and omissions coverages. SET-SEG was established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of SET-SEG is to provide cooperative and comprehensive risk financing and risk control services. SET-SEG provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The School District makes annual contributions to SET-SEG based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund. Such contributions as received by SET-SEG are allocated between its General and Member Retention Funds. Economic resources in SET-SEG's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the Member Retention Fund are used for loss payments and defense costs up to the member's self-insurance retention limits along with certain other member-specific costs. Any refunds from SET-SEG are deposited in the School District's General Fund.

NOTE I - BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

Receivables and Payables

Outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end and other miscellaneous receivables/payables between funds.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Governmental Funds		
General Fund	\$ 13,935	\$ -
Other Governmental Funds		
Food Service Fund	<u>-</u>	<u>13,935</u>
	<u>\$ 13,935</u>	<u>\$ 13,935</u>

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining Debt Service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

NOTES TO FINANCIAL STATEMENTS - Continued

The government-wide statement of activities eliminates transfers as reported within the segregated governmental activities columns.

The following schedule reports transfers and payments within the reporting entity:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds		
General Fund	\$ -	\$ 376,820
Other Governmental Funds		
Food Service Fund	93,043	-
2012 Technology & Bus Debt Fund	<u>283,777</u>	<u>-</u>
	<u>\$ 376,820</u>	<u>\$ 376,820</u>

NOTE J - PENSION PLAN AND POST-EMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System ("MPERS") 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, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. The System's financial statements are available at www.michigan.gov/mpers-cafr.

Benefits Provided

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

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former members' 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.

NOTES TO FINANCIAL STATEMENTS - Continued

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of MPERS who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution ("DC") tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus plan described above and a DC plan that provides a 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus plan. If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Regular Retirement

The retirement benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation ("FAC"). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period.

There is no mandatory retirement age.

Funding Policy

Defined Contribution Plan

Employer contributions to the Plan are dependent on the plan elected by the participant.

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.

NOTES TO FINANCIAL STATEMENTS - Continued

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

The schedule below summarizes pension contribution rates in effect for the Plan's fiscal year September 30, 2015:

Pension Contribution Rates		
Benefit Structure	Member	Employer
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%

Required contributions to the pension plan from the School District were \$1,283,523 for the year ended September 30, 2015.

The School District's contributions to the MPSERS Defined Contribution Plan were \$15,697, for the year ended June 30, 2016, which is equal to the pension expense recognized by the School District for the year.

Post-Employment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverages. Required contributions for post-employment health care benefits are included as part of the School District's total contribution to the MPSERS Plan discussed above.

NOTES TO FINANCIAL STATEMENTS - Continued

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

Pension Liabilities

At June 30, 2016, the School District reported a liability of \$16,250,898 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 30, 2014. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the systems employers during the measurement period by the percent of pension contributions required from all applicable employees during the measurement period. At September 30, 2015, the School District's proportion was .06653% percent, which was an increase of 0.00195% from its proportion measured as of September 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of \$1,470,513. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 53,828
Changes of assumptions	400,132	-
Net difference between projected and actual earnings on pension plan investments	82,948	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	363,905	3,610
School District contributions subsequent to the measurement date	<u>768,401</u>	<u>-</u>
Total	<u>\$ 1,615,386</u>	<u>\$ 57,438</u>

From the above table, \$768,401 reported as deferred outflows of resources related to pensions resulting from School District 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 reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expenses as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2016	\$ 142,565
2017	142,565
2018	120,869
2019	383,548

Actuarial Assumptions

Projection 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 actual 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, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.7158 for non-university employers
- Recognition period for assets is 5 years
- Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/mpsers-cafr).

Long-Term Expected Rate of Return on Investments

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:

Investment Category	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.9 %
Private Equity Pools	18.0	9.2
International Equity Pools	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
	100.0 %	

*Long-term rate of return does not include 2.1% inflation.

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.

NOTES TO FINANCIAL STATEMENTS - Continued

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

The following presents the School 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 School 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 point higher than the current rate:

1% Decrease (Non-Hybrid/Hybrid) (7.0% / 6.0%)	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) (8.0% / 7.0%)	1% Increase (Non-Hybrid-Hybrid) (9.0% / 8.0%)
\$ 20,951,574	\$ 16,250,898	\$ 12,288,037

Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS Comprehensive Annual Financial Report ("CAFR"). The 2015 MPERS CAFR is available at www.michigan.gov/mpers-cafr.

Payables to the Michigan Public School Employees' Retirement System (MPERS)

The School District reported \$206,805 payable to the plan at June 30, 2016 for legally required defined benefit and defined contribution plan contributions.

Required Supplemental Information - 10-Year Trend Information

Schedule of School District's Proportionate Share of Net Pension Liability	9/30/2015	9/30/2014
School District's proportion of collective net pension liability	0.06653 %	0.06458 %
School District's proportionate share of net pension liability	\$ 16,250,898	\$ 14,224,912
School District's covered-employee payroll	5,578,625	5,489,169
School District's proportionate share of net pension liability as a percentage of covered-employee payroll	291.307 %	259.145 %
Plan fiduciary net position as a percentage of total pension liability	63.17 %	66.20 %

NOTES TO FINANCIAL STATEMENTS - Continued

Schedule of School District's Contributions		
	<u>6/30/2016</u>	<u>6/30/2015</u>
Statutorily required employer contributions	\$ 1,283,523	\$ 1,002,980
School District contributions made to the Plan	<u>1,283,523</u>	<u>1,002,980</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 5,413,189	\$ 5,489,169
Contributions as a percentage of covered-employee payroll	23.71 %	18.27 %

Change of benefit terms: There were no changes of benefit terms in 2015.

Change of assumptions: There were no changes of benefit assumptions in 2015.

NOTE K - COMMITMENTS AND CONTINGENCIES

Capital Projects

The Infrastructure Fund records capital project activities funded with a Sinking Fund millage. For these funds, the School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

The Technology and Bus Capital Projects Fund accounts for activity related to acquiring and installing educational technology and other equipment. The project for which the bonds were issued was considered complete as of June 30, 2016, and the cumulative expenditures recognized for the construction period was \$1,211,781.

Federal and State Grants

In the normal course of operations, the School District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Collectively Bargained Employment Agreements

The teachers of the School District are organized under the Glen Lake Federation of Teachers. The Board of Education and the Glen Lake Federation of Teachers have a contract through August 31, 2018. The bus drivers and support staff are organized under the Glen Lake Bus Drivers and Educational Support Professionals Association and have a contract through August 31, 2019. The custodians are organized under Teamsters Local 214 and have a contract through June 30, 2019.

NOTES TO FINANCIAL STATEMENTS - Continued

Lawsuit

The School District has been named in a legal proceeding with a former employee. The matter is in the discovery stage of the legal process and the outcome is unknown at this time. The total potential exposure to the School District is estimated to be approximately \$280,000. Given the uncertainty of the outcome at this time no accrual has been made.

REQUIRED SUPPLEMENTARY INFORMATION

Glen Lake Community Schools

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local and intermediate sources	\$ 7,464,599	\$ 7,478,876	\$ 7,533,864	\$ 14,277	\$ 54,988
State revenues	1,063,260	1,151,188	1,081,489	87,928	(69,699)
Federal revenues	84,779	3,373,689	3,374,789	3,288,910	1,100
Other	<u>113,100</u>	<u>180,327</u>	<u>195,024</u>	<u>67,227</u>	<u>14,697</u>
Total revenues	<u>8,725,738</u>	<u>12,184,080</u>	<u>12,185,166</u>	<u>3,458,342</u>	<u>1,086</u>
Expenditures					
Instruction	6,751,441	6,344,320	6,237,896	407,121	106,424
Supporting services	4,048,647	3,691,338	3,809,246	357,309	(117,908)
Community services	45,634	44,244	43,533	1,390	711
Athletics	542,833	535,780	535,780	7,053	-
Capital outlay	<u>2,841,000</u>	<u>2,631,620</u>	<u>2,624,032</u>	<u>209,380</u>	<u>7,588</u>
Total expenditures	<u>14,229,555</u>	<u>13,247,302</u>	<u>13,250,487</u>	<u>982,253</u>	<u>(3,185)</u>
REVENUES OVER (UNDER) EXPENDITURES	(5,503,817)	(1,063,222)	(1,065,321)	4,440,595	(2,099)
Other financing uses					
Operating transfers out	<u>(411,804)</u>	<u>(379,663)</u>	<u>(376,820)</u>	<u>32,141</u>	<u>2,843</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(5,915,621)	(1,442,885)	(1,442,141)	4,472,736	744
Fund balance, beginning of year	<u>16,551,009</u>	<u>16,546,845</u>	<u>16,546,845</u>	<u>(4,164)</u>	<u>-</u>
Fund balance, end of year	<u>\$ 10,635,388</u>	<u>\$ 15,103,960</u>	<u>\$ 15,104,704</u>	<u>\$ 4,468,572</u>	<u>\$ 744</u>

**COMBINING FINANCIAL STATEMENTS OF
NON-MAJOR GOVERNMENTAL FUNDS**

Glen Lake Community Schools

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2016

	Special Revenue Funds		Debt Service Fund	Capital Project Fund	Total
	Food Service	Timber Management	2008 Debt Retirement	Sinking Fund Capital Project	Non-Major Governmental
ASSETS					
Cash and cash equivalents	\$ 11,589	\$ 55,062	\$ 174,869	\$ 762,513	\$ 1,004,033
Accounts receivable	7,612	-	-	-	7,612
Inventory	6,397	-	-	-	6,397
Total assets	\$ 25,598	\$ 55,062	\$ 174,869	\$ 762,513	\$ 1,018,042
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenditures	\$ 5,266	\$ -	\$ -	\$ -	\$ 5,266
Due to other funds	13,935	-	-	-	13,935
Total liabilities	19,201	-	-	-	19,201
FUND BALANCES					
Nonspendable	6,397	-	-	-	6,397
Restricted					
Debt retirement	-	-	174,869	-	174,869
Capital projects	-	-	-	762,513	762,513
Committed	-	55,062	-	-	55,062
Total fund balances	6,397	55,062	174,869	762,513	998,841
Total liabilities and fund balances	\$ 25,598	\$ 55,062	\$ 174,869	\$ 762,513	\$ 1,018,042

Glen Lake Community Schools

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2016

	Special Revenue Funds		Debt Service Funds		Capital Project Funds			Total Non-Major Governmental Funds
	Food Service	Timber Management	2008 Debt Retirement	2012 Technology & Bus Debt	Port Oneida Capital Projects Fund	Technology & Bus Capital Projects Fund	Sinking Fund Capital Project Fund	
Revenues								
Property taxes	\$ -	\$ -	\$ 940,573	\$ -	\$ -	\$ -	\$ 19	\$ 940,592
Interest	-	28	367	-	-	56	736	1,187
State revenues	41,508	-	-	-	-	-	-	41,508
Federal revenues	125,308	-	842	-	-	-	-	126,150
Other	253,028	-	-	-	15,250	-	-	268,278
Total revenues	419,844	28	941,782	-	15,250	56	755	1,377,715
Expenditures								
Food Service	514,638	-	-	-	-	-	-	514,638
Other	-	-	-	-	15,250	-	-	15,250
Debt Service								
Principal	-	-	745,000	305,000	-	-	-	1,050,000
Interest	-	-	224,900	3,355	-	-	-	228,255
Other	-	-	818	250	-	-	-	1,068
Capital outlay	-	-	-	-	-	228,455	-	228,455
Total expenditures	514,638	-	970,718	308,605	15,250	228,455	-	2,037,666
REVENUES OVER (UNDER) EXPENDITURES	(94,794)	28	(28,936)	(308,605)	-	(228,399)	755	(659,951)
Other financing sources								
Operating transfers in	93,043	-	-	283,777	-	-	-	376,820
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	(1,751)	28	(28,936)	(24,828)	-	(228,399)	755	(283,131)
Fund balance, beginning of year	8,148	55,034	203,805	24,828	-	228,399	761,758	1,281,972
Fund balance, end of year	\$ 6,397	\$ 55,062	\$ 174,869	\$ -	\$ -	\$ -	\$ 762,513	\$ 998,841

FEDERAL PROGRAMS

Glen Lake Community Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Original Approved Award/Grant Amount	Accrued Revenue June 30, 2015	Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued Revenue June 30, 2016
United States Department of Education							
Direct grants							
Title VIII - Impact Aid	84.041	\$ 3,286,387	\$ -	\$ -	\$ 3,286,387	\$ 3,286,387	\$ -
Passed through Michigan Department of Education							
Title I, Part A Cluster 161530-1516	84.010	55,169	-	-	53,669	53,669	-
Title IIA - Improving Teacher Quality 160520-1516	84.367	31,571	-	-	24,989	24,989	-
Total passed through Michigan Department of Education		<u>86,740</u>	<u>-</u>	<u>-</u>	<u>78,658</u>	<u>78,658</u>	<u>-</u>
Total U.S. Department of Education		<u>3,373,127</u>	<u>-</u>	<u>-</u>	<u>3,365,045</u>	<u>3,365,045</u>	<u>-</u>
United States Department of Agriculture							
Passed Through Michigan Department of Education							
Child Nutrition Cluster							
National School Lunch Program							
Free and Reduced 161960-1516	10.555	86,555	-	-	86,555	86,555	-
USDA Entitlement Commodities	10.555	-	-	-	20,602	20,602	-
		<u>86,555</u>	<u>-</u>	<u>-</u>	<u>107,157</u>	<u>107,157</u>	<u>-</u>
School Breakfast Program 161970-1516	10.553	18,151	-	-	18,151	18,151	-
Total Child Nutrition Cluster / United States Department of Agriculture		<u>104,706</u>	<u>-</u>	<u>-</u>	<u>125,308</u>	<u>125,308</u>	<u>-</u>

Glen Lake Community Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued

Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Original Approved Award/Grant Amount	Accrued Revenue June 30, 2015	Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued Revenue June 30, 2016
United States Department of Interior Passed Through County of Leelanau Payments in Lieu of Taxes	15.226	\$ 8,810	\$ -	\$ -	\$ 8,810	\$ 8,810	\$ -
United States Department of Health and Human Services Passed Through Traverse Bay Area ISD Medicaid - School Based Services	93.778	1,776	-	-	1,776	1,776	-
Total Federal Awards		<u>\$ 3,488,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,500,939</u>	<u>\$ 3,500,939</u>	<u>\$ -</u>

Glen Lake Community Schools

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2016

- Note 1** The Schedule of Expenditures of Federal Awards is prepared using the modified accrual basis of accounting.
- Note 2** Management has reported that expenditures in this Schedule of Expenditures of Federal Awards are equal to those amounts reported in the annual or final cost reports. Unallowed differences, if any, have been disclosed to the auditor.
- Note 3** The financial reports, including claims for advances and reimbursements and amounts claimed or used for matching are timely, complete, accurate and contain information that is supported by the books and records from which the basic financial statements have been prepared. Grant receipts reported on the Schedule of Expenditures of Federal Awards, as passed through the Michigan Department of Education, reconcile to the Grant Auditor's Report (R7120). Unreconciled differences have been disclosed to the auditor.
- Note 4** The School District did not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 5** Expenditures on the Schedule of Expenditures of Federal Awards agrees with Federal Revenue sources reported in the financial statements.



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Shelly K. Bedford, CPA
Heidi M. Wendel, CPA
Shelly A. Ashmore, CPA
James M. Taylor, CPA

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

Board of Education
Glen Lake Community 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 financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the ***Glen Lake Community Schools*** (the "School District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 04, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance 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 School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dennis, Gartland & Niergarth

October 04, 2016



Thomas E. Gartland, CPA
Brad P. Niergarth, CPA
James G. Shumate, CPA
Robert C. Thompson, CPA
Michael D. Shaw, CPA
Mary F. Krantz, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA
Shelly A. Ashmore, CPA
James M. Taylor, CPA

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

Board of Education
Glen Lake Community Schools

Report on Compliance for Each Major Federal Program

We have audited the *Glen Lake Community Schools* (the "School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on the School District's major Federal program for the year ended June 30, 2016. The School District's major Federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Glen Lake Community Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Compliance Supplement. Accordingly, this report is not suitable for any other purpose.

Dennis, Gartland & Niergarth

Glen Lake Community Schools

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

PRIOR YEAR

There were no findings in the previous fiscal year.

CURRENT YEAR

Section 1 - Summary of Auditors' Results

1. The auditor's report represents an unmodified opinion on the financial statements of the Glen Lake Community Schools.
2. There were no material weaknesses in internal control reported as a result of the audit of the financial statements.
3. There were no compliance findings disclosed that were material to the Glen Lake Community School's financial statements.
4. The auditor's report does not disclose any reportable conditions in internal control over major programs.
5. The report over compliance for major programs was unmodified.
6. There were no audit findings relative to major programs that are required to be reported.
7. The Glen Lake Community School's major program was Title VIII - Impact Aid (CFDA No. 84.041).
8. The dollar threshold for distinguishing between Type A and Type B programs was \$750,000.
9. Glen Lake Community Schools qualified as a low risk auditee.

Section 2 - Findings in Accordance with Governmental Auditing Standards

No findings or questioned costs.

Section 3 - Findings and Questioned Costs in Accordance with Uniform Guidance

No findings or questioned costs.