

**Glen Lake Community Schools**

FINANCIAL STATEMENTS  
AND REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2018

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GLEN LAKE COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS

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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, 2018.

### **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 \$4,146,826 (net position).
- \* As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$14,514,964, a decrease of \$1,246,123 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, 2018.

### **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

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**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 five 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 four 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 \$4,146,826, 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 and Post-Employment Benefits Other Than Pensions Liability**

During 2015, the District adopted two new accounting standards GASB's 68 and 71 relating to the accounting and reporting of pensions. During 2018, the District adopted one new accounting standard GASB 75 related to the accounting and reporting of post-employment benefits other than pensions (OPEB). These 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 and OPEB liabilities of the Michigan retirement system for public schools. The District reported a pension liability of \$17,006,059 and OPEB liability of \$5,812,026 on the June 30, 2018 Statement of Net Position.

**NET POSITION SUMMARY**

	2018	2017
<b><u>ASSETS</u></b>		
Other Assets	\$15,681,616	\$16,883,269
Capital Assets	12,272,870	11,151,339
<b><u>TOTAL ASSETS</u></b>	<b>27,954,486</b>	<b>28,034,608</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred Charge on Refunding	1,108,671	1,478,227
Related to Pensions	3,316,683	1,817,780
Related to OPEB	356,028	-
Total Deferred Outflows of Resources	4,781,382	3,296,007
<b><u>LIABILITIES</u></b>		
Other Liabilities	24,899,021	17,975,111
Long-Term Liabilities	2,238,996	3,088,974
Total Liabilities	27,138,017	21,064,085
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Related to Pensions	1,253,507	521,166
Related to OPEB	197,518	-
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	10,587,389	8,974,030
Restricted	942,793	941,332
Unrestricted	(7,383,356)	(169,998)
<b><u>TOTAL NET POSITION</u></b>	<b>\$4,146,826</b>	<b>\$9,745,364</b>

**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, 2018 and 2017, the District wide results of operations were:

	2018	2017
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes	\$8,793,364	\$8,328,250
Federal - Unrestricted Grants	221,513	3,299,761
Intermediate Sources	3,270,564	180,745
Other General Revenues	304,183	144,803
Total General Revenues	12,589,624	11,953,559
 <u>Program Revenues</u>		
Charges for Services	361,818	395,260
Capital Grants and Contributions	-	-
Operating Grants and Contributions	1,619,319	1,449,380
Total Program Revenues	1,981,137	1,844,640
Total Revenues	14,570,761	13,798,199
 <u>EXPENSES</u>		
Instruction & Instructional Support	6,701,981	6,154,376
Support Services	6,112,553	4,875,955
Community Services	56,180	87,315
Outgoing Transfers and Other Uses	500	740
Food Service	541,515	565,721
Interest on Long-Term Debt	474,947	514,322
Depreciation	376,338	343,597
Total Expenses	14,264,014	12,542,026
 Special item - loss on disposal of assets	\$37,400	-
 <u>INCREASE IN NET POSITION</u>	269,347	1,256,173
 <u>NET POSITION - BEGINNING OF YEAR, <i>as restated</i></u>	3,877,479	8,489,191
 <u>NET POSITION - END OF YEAR</u>	\$4,146,826	\$9,745,364

GLEN LAKE COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS

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**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 \$14,514,964, a decrease of \$1,246,123 from the prior year. \$905,577 of this total amount constitutes restricted fund balance. \$7,265 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. \$55,116 is committed for timber management and \$5,139,578 is committed for subsequent year expenditures. The remaining \$8,407,428 of fund balance 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 at \$8,407,428.

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 \$7,631 per student for the 2017-2018 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 2017-2018 was 694 students, a decrease of 21 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 \$1,240,149, as compared with a decrease during the 2016-2017 school year of \$317,549.

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	\$9,238,050	\$13,158,969	\$13,216,170	42.44%	-0.43%
Expenditures	15,155,015	14,266,291	14,301,505	5.86%	-0.25%
<b><u>TOTAL</u></b>	<b><u>(\$5,916,965)</u></b>	<b><u>(\$1,107,322)</u></b>	<b><u>(\$1,085,335)</u></b>		

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 staffing changes that decreased Instruction salary expense as well as a decrease in the amount of capital outlay anticipated for the new wireless network installation.

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, 2018 amounted to \$12,272,870 (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:

	Capital Assets (Net of Depreciation)	
	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 8,320,489	\$ 7,908,130
Land improvements	2,588,377	1,792,924
Equipment and furniture	831,118	1,017,264
Vehicles	532,886	433,021
<b>Total capital assets, net</b>	<b><u>\$ 12,272,870</u></b>	<b><u>\$ 11,151,339</u></b>

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 \$3,135,380. Long-term debt at fiscal year-end included the following:

	<u>Long-Term Debt</u>	
	<u>2018</u>	<u>2017</u>
General Obligation Bonds	\$2,685,000	\$3,510,000
Unamortized Premium	109,152	145,536
Unpaid Sick Days Payable	<u>341,228</u>	<u>294,822</u>
 Total Long-Term Debt	 <u><u>\$3,135,380</u></u>	 <u><u>\$3,950,358</u></u>

The District's total bonded debt decreased by \$825,000 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 G.

**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 2018-19 fiscal year:

\* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,631 per pupil for the 2018-2019 categorical State revenue and the special education foundation fiscal year, a \$120 per pupil increase from 2017-18, 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 2018-2019, the retirement rate is anticipated to increase .62% to 26.18%. Additionally, the District will be required to pay 12.21%, for all wages earned October 1, 2018 and later, for the Unfunded Actuarial Accrued Liability (UAAL). This is an increase of .89% from 11.32% UAAL charged in the 2017-2018 fiscal year.

\* The Glen Lake Community Schools' 2018/2019 adopted budget is as follows:

<u>REVENUE</u>	\$9,225,849
 <u>EXPENDITURES</u>	 <u>14,365,427</u>
 <u>NET (UNDER) BUDGET</u>	 <u><u>(\$5,139,578)</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.



DENNIS, GARTLAND & NIERGARTH

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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, 2018, 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, 2018, 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.

### ***Emphasis of Matter***

#### *Accounting Change*

As described in Note B to the financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, during the year ended June 30, 2018.

### ***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 40, Pension contribution schedules on page 41 and OPEB contribution schedules on page 42, 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 non-major 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 30, 2018, 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 30, 2018

# Glen Lake Community Schools

## STATEMENT OF NET POSITION

June 30, 2018

Governmental  
Activities

### ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

#### ASSETS

Current assets	
Cash and cash equivalents	\$ 7,100,178
Investments	8,320,949
Due from other governments	229,106
Accounts receivable	24,118
Inventory	<u>7,265</u>
Total current assets	15,681,616
Capital assets, net of accumulated depreciation	<u>12,272,870</u>
Total assets	27,954,486

#### DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on debt refunding	1,108,671
Pension obligation	3,316,683
OPEB obligation	<u>356,028</u>
Total assets and deferred outflows of resources	<u><u>\$ 32,735,868</u></u>

### LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

#### LIABILITIES

Current liabilities	
Accounts payable and accrued expenses	\$ 131,887
Salaries payable and related expenses	923,027
Unearned revenue	4,036
Current portion of long-term liabilities	896,384
Due to other governmental units	<u>125,602</u>
Total current liabilities	2,080,936
Non-current portion of long-term liabilities	2,238,996
Net pension obligation	17,006,059
Net OPEB obligation	<u>5,812,026</u>
Total liabilities	<u>27,138,017</u>

#### DEFERRED INFLOWS OF RESOURCES

Pension Obligation	1,253,507
OPEB Obligation	<u>197,518</u>

#### NET POSITION

Invested in capital assets, net of related debt	10,587,389
Restricted for	
Capital projects	764,099
Debt service	114,094
Food Service	9,484
Timber management	55,116
Unrestricted	<u>(7,383,356)</u>
Total net position	<u>4,146,826</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 32,735,868</u></u>

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

# Glen Lake Community Schools

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Functions/Program	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 6,701,981	\$ -	\$ 1,458,037	\$ (5,243,944)
Supporting services	5,408,144	-	-	(5,408,144)
Community services	56,180	74,838	-	18,658
Food service	541,515	234,057	161,282	(146,176)
Athletics	704,409	52,923	-	(651,486)
Other	500	-	-	(500)
Interest on long-term debt	474,947	-	-	(474,947)
Depreciation-unallocated	376,338	-	-	(376,338)
Total governmental activities	\$ 14,264,014	\$ 361,818	\$ 1,619,319	(12,282,877)
General purpose revenues				
Property taxes				
Levied for general purposes				7,835,508
Levied for debt service				957,856
Other				193,155
Interdistrict sources				3,270,564
Unrestricted Federal sources				221,513
Investment earnings				111,028
Total general purpose revenues				12,589,624
Special item - loss on disposal of assets				(37,400)
Change in net position				269,347
Net position, beginning of year, as restated				3,877,479
Net position, end of year				\$ 4,146,826

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

# Glen Lake Community Schools

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,125,178	\$ 985,025	\$ 7,110,203
Investments	8,320,949	-	8,320,949
Accounts receivable	20,628	3,490	24,118
Due from other funds	20,999	-	20,999
Due from other governments	229,106	-	229,106
Inventory	-	7,265	7,265
	<u>\$ 14,716,860</u>	<u>\$ 995,780</u>	<u>\$ 15,712,640</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 107,164	\$ 6,823	\$ 113,987
Accrued salaries and related expenditures	923,027	-	923,027
Unearned revenue	4,036	-	4,036
Due to other funds	-	20,999	20,999
Due to Private Purpose Trust Fund	10,025	-	10,025
Due to other governmental units	125,602	-	125,602
	<u>1,169,854</u>	<u>27,822</u>	<u>1,197,676</u>
<b>FUND BALANCES</b>			
Nonspendable - food service inventory	-	7,265	7,265
Restricted			
Food Service	-	9,484	9,484
Debt retirement	-	131,994	131,994
Capital projects	-	764,099	764,099
Committed			
Timber management	-	55,116	55,116
Subsequent Year Expenditures	5,139,578	-	5,139,578
Unassigned	8,407,428	-	8,407,428
	<u>13,547,006</u>	<u>967,958</u>	<u>14,514,964</u>
Total liabilities and fund balances	<u>\$ 14,716,860</u>	<u>\$ 995,780</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 \$22,568,103 and the accumulated depreciation is \$(10,295,233). 12,272,870

Deferred outflows of resources are not a financial resource and, therefore, are not reported in governmental funds. 3,672,711

Long-term liabilities including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	\$ 2,685,000	
Accrued interest on bonds	17,900	
Unamortized bond refunding loss	(1,108,671)	
Unamortized bond premium	109,152	
Accumulated leave liability	341,228	
Net pension obligation	17,006,059	
Net OPEB obligation	5,812,026	(24,862,694)

Deferred inflows of resources are not a financial resource and, therefore, are not reported as a liability in government funds. (1,451,025)

Total net position - governmental activities \$ 4,146,826

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

## Glen Lake Community Schools

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

Year Ended June 30, 2018

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 7,835,508	\$ 957,856	\$ 8,793,364
Interest	109,632	1,396	111,028
State revenues	1,367,253	33,326	1,400,579
Federal revenues	3,361,348	127,956	3,489,304
Intermediate sources	221,513	-	221,513
Other	320,916	234,057	554,973
Total revenues	13,216,170	1,354,591	14,570,761
Expenditures			
Current			
Instruction	6,620,792	-	6,620,792
Supporting services	4,368,855	-	4,368,855
Community services	56,180	-	56,180
Food service	-	539,411	539,411
Athletics	634,115	-	634,115
Debt service			
Principal	-	825,000	825,000
Interest	-	148,650	148,650
Other	-	500	500
Capital outlay	2,621,563	1,818	2,623,381
Total expenditures	14,301,505	1,515,379	15,816,884
<b>REVENUES UNDER EXPENDITURES</b>	(1,085,335)	(160,788)	(1,246,123)
Other financing sources (uses)			
Operating transfers in	-	154,814	154,814
Operating transfers out	(154,814)	-	(154,814)
Total other financing sources (uses)	(154,814)	154,814	-
<b>REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	(1,240,149)	(5,974)	(1,246,123)
Fund balance, beginning of year	14,787,155	973,932	15,761,087
Fund balance, end of year	\$ 13,547,006	\$ 967,958	\$ 14,514,964

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, 2018

**Total Net Change in Fund Balances - Governmental Funds** \$ (1,246,123)

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	\$ 1,886,577	
Depreciation expense	<u>(727,646)</u>	1,158,931

Change in deferred outflows of resources for pension obligation of \$1,498,903 and OPEB obligation of \$93,513.	1,592,416
-----------------------------------------------------------------------------------------------------------------	-----------

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 less than the amounts earned by \$46,406.	(46,406)
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------

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.	825,000
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------

Loss on disposal of capital assets	(37,400)
------------------------------------	----------

Net amortization of bond premium and deferred loss on refunding	(333,172)
-----------------------------------------------------------------	-----------

Increase in net pension obligation	(1,039,289)
------------------------------------	-------------

Decrease in OPEB obligation	318,374
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Change in deferred inflows of resources for pension obligation of \$(732,341) and OPEB obligation of \$(197,518).	(929,859)
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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>6,875</u>
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<b>Changes in Net Position of Governmental Activities</b>	<u><u>\$ 269,347</u></u>
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# Glen Lake Community Schools

## STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018

	<u>Private Purpose Trust Funds</u>	<u>Trust and Agency Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 80,829	\$ 192,053	\$ 272,882
Investments	819,747	-	819,747
Due from General Fund	<u>10,025</u>	<u>-</u>	<u>10,025</u>
Total assets	<u><u>\$ 910,601</u></u>	<u><u>\$ 192,053</u></u>	<u><u>\$ 1,102,654</u></u>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Due to student groups	\$ -	\$ 192,053	\$ 192,053
<b>NET POSITION</b>			
Restricted for trust activities	<u>910,601</u>	<u>-</u>	<u>910,601</u>
Total liabilities and net position	<u><u>\$ 910,601</u></u>	<u><u>\$ 192,053</u></u>	<u><u>\$ 1,102,654</u></u>

# Glen Lake Community Schools

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2018

	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>	
Contributions	\$ 47,245
Interest and other earnings	<u>34,606</u>
Total additions	81,851
<b>DEDUCTIONS</b>	
Scholarships awarded and other expenses	<u>37,023</u>
<b>Change in net position</b>	44,828
Net position, beginning of year	<u>865,773</u>
Net position, end of year	<u><u>\$ 910,601</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, 2018, the School District employs 64 professional staff and 50 non-professional staff, and has 715 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, 2018.

#### ***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. 61, *The Financial Reporting Entity*, 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 Service Fund is used to account for the accumulation of resources for, and the payment of bond principal, interest and related costs.

The Capital Project 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.

#### *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.

### ***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.

## NOTES TO FINANCIAL STATEMENTS - Continued

### ***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 J 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.

### ***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 VII 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 pension, liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

***Post-Employment Benefits Other than Pensions***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School 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 - ACCOUNTING CHANGES**

In June 2015, the Governmental Accounting Standards Board issued Statement No. 75 (“GASB 75”), *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, an amendment of GASB Statement No. 45. GASB 75 improves accounting and financial reporting by state and local governments for post-employment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity and creating additional transparency.

GASB 75 requires employers to report net OPEB benefits as a liability in the statement of net position. GASB 75 requires immediate recognition of the OPEB expense, including annual service cost and interest, and the effect of changes in benefit terms on the net OPEB liability. Cost-sharing employers are required to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. GASB 75 also requires expanded note disclosures and required supplementary information covering the past 10 years for the net OPEB liability.

The School District implemented GASB 75 during the year by retroactive restatement of June 30, 2017 net position, as follows:

Net position at June 30, 2017, <i>as originally stated</i>	\$ 9,745,364
Record net OPEB liability at June 30, 2017	<u>(5,867,885)</u>
Net position at June 30, 2017, <i>as restated</i>	<u>\$ 3,877,479</u>

**NOTE C - 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, 2018, the School District was not in compliance with the Act as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Instruction	\$ 6,527,863	\$ 6,620,792	\$ 92,929
Supporting services	4,267,699	4,368,855	101,156
Community services	56,134	56,180	46
Operating transfer out	145,968	154,814	8,846

**NOTE D - CASH AND INVESTMENTS**

At June 30, 2018, the School District's cash and investments include the following:

Bank deposits and cash on hand	\$ 7,373,060
Investments	<u>9,140,696</u>
	<u><u>\$16,513,756</u></u>

*Custodial Credit Risk - Deposits*

As of June 30, 2018, \$538,647 of the School District's bank deposits were insured. The remaining balance of \$15,193,968 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
MILAF	\$ 8,320,949	\$ 8,320,949	\$ -	\$ -
Certificates of deposit	80,091	80,091	-	-
Mutual funds - equities	444,139	444,139	-	-
Mutual funds - bonds	<u>295,517</u>	<u>22,409</u>	<u>88,795</u>	<u>184,313</u>
	<u><u>\$ 9,140,696</u></u>	<u><u>\$ 8,867,588</u></u>	<u><u>\$ 88,795</u></u>	<u><u>\$ 184,313</u></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 B.

## **NOTE E - 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, \$15.070 per \$1,000 of equalized non-principal residence property value of \$507.2 million and \$3.070 per \$1,000 of equalized commercial personal property value of \$4.2 million was levied for general operating purposes. For debt service purposes, \$1.130 per \$1,000 of equalized principal, non-principal residence property and commercial personal property value of \$848.8 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, 2018 are as follows:

Due from the State of Michigan - State Aid \$ 229,106

**NOTE F - INVESTMENTS IN CAPITAL ASSETS**

Investments in capital assets consist of the following:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2018</u>
Buildings and improvements	\$ 15,713,791	\$ 764,295	\$ -	\$ 16,478,086
Land improvements	2,117,373	897,197	(23,600)	2,990,970
Furniture and equipment	2,350,533	46,266	(567,449)	1,829,350
Buses and vehicles	<u>1,148,767</u>	<u>178,819</u>	<u>(57,889)</u>	<u>1,269,697</u>
Total depreciable assets	21,330,464	1,886,577	(648,938)	22,568,103
Less accumulated depreciation	<u>(10,179,125)</u>	<u>(727,646)</u>	<u>611,538</u>	<u>(10,295,233)</u>
Total capital assets, net	<u>\$ 11,151,339</u>	<u>\$ 1,158,931</u>	<u>\$ (37,400)</u>	<u>\$ 12,272,870</u>

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

Support services	\$ 278,910
Athletics	70,294
Food service	2,104
Unallocated	<u>376,338</u>
	<u>\$ 727,646</u>

NOTES TO FINANCIAL STATEMENTS - Continued

**NOTE G - LONG-TERM LIABILITIES**

Changes in long-term liabilities during the year ended June 30, 2018 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	\$ 3,510,000	\$ -	\$ (825,000)	\$ 2,685,000	\$ 860,000
Unamortized bond premium	145,536	-	(36,384)	109,152	36,384
Accumulated leave liability	<u>294,822</u>	<u>46,406</u>	<u>-</u>	<u>341,228</u>	<u>-</u>
Long-term liabilities	<u>\$ 3,950,358</u>	<u>\$ 46,406</u>	<u>\$ (861,384)</u>	<u>\$ 3,135,380</u>	<u>\$ 896,384</u>

Payments on the 2008 Refunded General Obligation Bond are made by the 2008 Debt Retirement Fund. The accumulated leave liability will be liquidated primarily by the General Fund.

At June 30, 2018, the School District's long-term liabilities consisted of the following:

\$8,625,000; 2008 Refunding General Obligation Bonds; remaining installments due annually of \$860,000 to \$930,000 through May 1, 2021; remaining interest rate of 4.00%.	\$ 2,685,000
Unamortized bond premium	109,152
Accumulated leave liability	<u>341,228</u>
Total long-term liabilities	<u>\$ 3,135,380</u>

Total annual requirements to amortize bonds outstanding as of June 30, 2018 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 860,000	\$ 107,400
2020	895,000	73,000
2021	<u>930,000</u>	<u>37,200</u>
	<u>\$ 2,685,000</u>	<u>\$ 217,600</u>

Interest expense for the year ended June 30, 2018 was \$474,947, and interest paid for the year ended June 30, 2018 was \$148,650.

***Accumulated Leave Liability***

As of June 30, 2018, a potential liability for sick pay of up to \$341,228 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, 2018 is \$2,685,000. 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>\$ 1,478,227</u>	<u>\$ -</u>	<u>\$ (369,556)</u>	<u>\$ 1,108,671</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.

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.

NOTES TO FINANCIAL STATEMENTS - Continued

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	\$ 20,999	\$ 10,025
Other Governmental Funds		
Food Service Fund	-	20,999
Fiduciary Funds		
Private Purpose Trust Fund	<u>10,025</u>	<u>-</u>
	<u>\$ 31,024</u>	<u>\$ 31,024</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.

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

NOTES TO FINANCIAL STATEMENTS - Continued

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

Fund	Transfer In	Transfer Out
Major Governmental Funds		
General Fund	\$ -	\$ 154,814
Other Governmental Funds		
Food Service Fund	<u>154,814</u>	<u>-</u>
	<u>\$ 154,814</u>	<u>\$ 154,814</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 Board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The system is administered by the Office of Retirement Services ("ORS") within the Michigan Department of Technology, Management and Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

***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.

NOTES TO FINANCIAL STATEMENTS - Continued

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.

*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***

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of September 30, 2017 will be amortized over a 20 year period for the 2017 fiscal year.

The schedule below summarizes pension contribution rates in effect for the Plan's fiscal year September 30, 2017:

<u>Pension Contribution Rates</u>		
<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0-4.0%	19.03%
Member Investment Plan	3.0-7.0%	19.03%
Pension Plus	3.0-6.4%	18.40%
Defined Contribution	0.0%	15.27%

NOTES TO FINANCIAL STATEMENTS - Continued

Required contributions to the pension plan from the School District were \$1,539,239 for the year ended September 30, 2017.

The School District's contributions to the MPSERS Defined Contribution Plan were \$39,847, for the year ended June 30, 2018, which is equal to the pension expense recognized by the School District for the year.

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

*Pension Liabilities*

At June 30, 2018, the School District reported a liability of \$17,006,059 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2015. 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, 2017, the School District's proportion was 0.06562435% percent, which was an increase of 0.00162718% from its proportion measured as of September 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of \$1,804,070. At June 30, 2018, 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	\$ 147,794	\$ 83,445
Changes of assumptions	1,863,149	-
Net difference between projected and actual earnings on pension plan investments	-	813,001
Changes in proportion and differences between School District contributions and proportionate share of contributions	470,777	357,061
School District contributions subsequent to the measurement date	<u>834,963</u>	<u>-</u>
Total	<u>\$ 3,316,683</u>	<u>\$ 1,253,507</u>

From the above table, \$834,963 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as follows:

NOTES TO FINANCIAL STATEMENTS - Continued

<u>Years Ended September 30,</u>	<u>Amount</u>
2018	\$ 351,179
2019	609,890
2020	259,061
2021	8,083
Total	<u>\$ 1,228,213</u>

*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, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
MIP and Basic Plans (Non-Hybrid):	7.5%
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 TO FINANCIAL STATEMENTS - Continued

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, 2017, is based on the results of an actuarial valuation date of September 30, 2016, 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: 4.5188 for non-university employers.
- Recognition period for assets is 5 years.
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report ([www.michigan.gov/orsschools](http://www.michigan.gov/orsschools)).

***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, 2017, are summarized in the following table:

Investment Category	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
Alternative Investment Pools	18.0	8.7
International Equity Pools	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short-Term Investment Pools	2.0	(0.9)
	100.0 %	

*\*Long-term rate of return does not include 2.3% inflation.*

***Rate of Return***

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Discount Rate***

A discount rate of 7.5% 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 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the 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 7.5% (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:

1% Decrease (Non-Hybrid/Hybrid) (6.5% / 6.0%)	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) (7.5% / 7.0%)	1% Increase (Non-Hybrid/Hybrid) (8.5% / 8.0%)
\$ 22,153,238	\$ 17,006,059	\$ 12,672,462

***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") available at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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

The School District reported \$198,722 payable to the plan at June 30, 2018 for legally required defined benefit and defined contribution plan contributions.

**NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

***Plan Description***

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

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

***Benefits Provided***

Benefit provisions of the post-employment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Post-Employment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, 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 retirement healthcare. Any changes to a member's healthcare benefit 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.

NOTES TO FINANCIAL STATEMENTS - Continued

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

**Contributions**

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	5.91%
Personal Healthcare Fund (PHF)	0.00%	5.69%

Required contributions to the OPEB plan from the School District were \$510,973 for the year ended September 30, 2017.

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

At June 30, 2018, the School District reported a liability of \$5,812,026 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2016. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the systems during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportion was 0.00065632%, which equaled its proportion measured as of October 1, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$388,522. At June

NOTES TO FINANCIAL STATEMENTS - Continued

30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 61,881
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	134,608
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	1,029
School District contributions subsequent to the measurement date	<u>356,028</u>	<u>-</u>
Total	<u>\$ 356,028</u>	<u>\$ 197,518</u>

From the above table, \$356,028 contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2018	\$ (47,712)
2019	(47,712)
2020	(47,712)
2021	(47,712)
2022	<u>(6,670)</u>
Total	<u>\$ (197,518)</u>

***Actuarial Assumptions***

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

## NOTES TO FINANCIAL STATEMENTS - Continued

Additional information as of the latest actuarial valuation follows:

### Summary of Actuarial Assumptions

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	7.5%
Projected Salary Increases:	3.5-12.3%, including wage inflation at 3.5%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
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.

### Other Assumptions

Opt Out Assumptions:	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage:	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement:	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

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 OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, 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: 5.4744 for non-university employees.
- Recognition period for assets in years is 5.0.
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report ([www.michigan.gov/orsschools](http://www.michigan.gov/orsschools)).

### ***Long-Term Expected Rate of Return on Investments***

The long-term expected rate of return on OPEB 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 OPEB 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

NOTES TO FINANCIAL STATEMENTS - Continued

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 OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Investment Category	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short-Term Investment Pools	2.0	(0.9)
	100.0 %	

\*Long-term rate of return does not include 2.3% inflation.

***Rate of Return***

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Discount Rate***

A discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. 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 OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

NOTES TO FINANCIAL STATEMENTS - Continued

1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
\$ 6,807,563	\$ 5,812,026	\$ 4,967,128

***Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate***

The following presents School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what School District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
\$ 4,922,005	\$ 5,812,026	\$ 6,822,583

***OPEB Plan Fiduciary Net Position***

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

***Payables to the OPEB Plan***

The School District reported \$134,466 payable to the Plan at June 30, 2018 for the OPEB liability.

**NOTE L - 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.

***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.

**REQUIRED SUPPLEMENTARY INFORMATION**

## Glen Lake Community Schools

### BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local and intermediate sources	\$ 7,793,997	\$ 8,140,440	\$ 8,166,653	\$ 346,443	\$ 26,213
State revenues	1,191,464	1,361,692	1,367,253	170,228	5,561
Federal revenues	66,891	3,361,493	3,361,348	3,294,602	(145)
Other	185,698	295,344	320,916	109,646	25,572
Total revenues	<u>9,238,050</u>	<u>13,158,969</u>	<u>13,216,170</u>	<u>3,920,919</u>	<u>57,201</u>
Expenditures					
Instruction	6,913,992	6,527,863	6,620,792	386,129	(92,929)
Supporting services	4,518,121	4,267,699	4,368,855	250,422	(101,156)
Community services	89,669	56,134	56,180	33,535	(46)
Athletics	744,112	681,184	634,115	62,928	47,069
Capital outlay	2,889,121	2,733,411	2,621,563	155,710	111,848
Total expenditures	<u>15,155,015</u>	<u>14,266,291</u>	<u>14,301,505</u>	<u>888,724</u>	<u>(35,214)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(5,916,965)	(1,107,322)	(1,085,335)	4,809,643	21,987
Other financing uses					
Operating transfers out	118,000	145,968	154,814	(27,968)	(8,846)
<b>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	(6,034,965)	(1,253,290)	(1,240,149)	4,781,675	13,141
Fund balance, beginning of year	14,787,155	14,787,155	14,787,155	-	-
Fund balance, end of year	<u>\$ 8,752,190</u>	<u>\$ 13,533,865</u>	<u>\$ 13,547,006</u>	<u>\$ 4,781,675</u>	<u>\$ 13,141</u>

## Glen Lake Community Schools

### SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

#### Michigan Public School Employees Retirement Plan

	9/30/2017	9/30/2016	9/30/2015	9/30/2014
School District's proportion of collective net pension liability	0.06562435 %	0.06399717 %	0.06653380 %	0.06458000 %
School District's proportionate share of net pension liability	\$ 17,006,059	\$ 15,966,770	\$ 16,250,898	\$ 14,224,912
School District's covered-employee payroll	5,617,472	5,344,596	5,578,625	5,489,169
School District's proportionate share of net pension liability as a percentage of covered-employee payroll	302.74 %	298.75 %	291.31 %	259.15 %
Plan fiduciary net position as a percentage of total pension liability	64.21 %	63.27 %	63.17 %	66.20 %

### SCHEDULE OF SCHOOL DISTRICT'S DEFINED BENEFIT PENSION CONTRIBUTIONS

#### Michigan Public School Employees Retirement Plan

	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Statutorily required employer contributions	\$ 1,034,096	\$ 1,071,403	\$ 1,058,920	\$ 1,002,980
School District contributions made to the Plan	1,034,096	1,071,403	1,058,920	1,002,980
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School District's covered-employee payroll	\$ 5,867,600	\$ 5,684,810	\$ 5,413,189	\$ 5,489,169
Contributions as a percentage of covered-employee payroll	17.62 %	18.85 %	19.56 %	18.27 %

Change of benefit terms: There were no changes of benefit terms in 2017.

Change of assumptions: There were no changes of benefit assumptions in 2017.

## Glen Lake Community Schools

### SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

#### Michigan Public School Employees Retirement Plan

School District's proportion of collective net OPEB liability	0.00065632 %
School District's proportionate share of net OPEB liability	\$ 5,812,026
School District's covered-employee payroll (OPEB)	5,617,472
School District's proportionate share of net OPEB liability as a percentage of covered-employee payroll	103.46 %
Plan fiduciary net position as a percentage of total OPEB liability	36.39 %

### SCHEDULE OF SCHOOL DISTRICT'S OPEB CONTRIBUTIONS

#### Michigan Public School Employees Retirement Plan

	<u>6/30/2018</u>
Statutorily required OPEB contributions	\$ 440,398
OPEB contributions in relation to statutorily required contributions	<u>440,398</u>
Contributions deficiency (excess)	<u><u>\$ -</u></u>
School District's covered-employee payroll (OPEB)	\$ 5,867,600
OPEB contributions as a percentage of covered-employee payroll	7.51 %

Change of benefit terms: There were no changes of benefit terms in 2017.

Change of assumptions: There were no changes of benefit assumptions in 2017.

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

## Glen Lake Community Schools

### COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2018

	Special Revenue Funds		Debt Service Fund	Capital Project Fund	Total Non-Major Governmental Funds
	Food Service	Timber Management	2008 Debt Retirement	Sinking Fund	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 33,876	\$ 55,116	\$ 131,994	\$ 764,039	\$ 985,025
Accounts receivable	3,430	-	-	60	3,490
Inventory	7,265	-	-	-	7,265
Total assets	\$ 44,571	\$ 55,116	\$ 131,994	\$ 764,099	\$ 995,780
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenditures	\$ 6,823	\$ -	\$ -	\$ -	\$ 6,823
Due to other funds	20,999	-	-	-	20,999
Total liabilities	27,822	-	-	-	27,822
<b>FUND BALANCES</b>					
Nonspendable	7,265	-	-	-	7,265
Restricted					
Food Service	9,484	-	-	-	9,484
Debt retirement	-	-	131,994	-	131,994
Capital projects	-	-	-	764,099	764,099
Committed	-	55,116	-	-	55,116
Total fund balances	16,749	55,116	131,994	764,099	967,958
Total liabilities and fund balances	\$ 44,571	\$ 55,116	\$ 131,994	\$ 764,099	\$ 995,780

## Glen Lake Community Schools

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

Year Ended June 30, 2018

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	Total Non-Major Governmental Funds
	<u>Food Service</u>	<u>Timber Management</u>	<u>2008 Debt Retirement</u>	<u>Sinking Fund</u>	
Revenues					
Property taxes	\$ -	\$ -	\$ 957,856	\$ -	\$ 957,856
Interest	-	27	605	764	1,396
State revenues	33,326	-	-	-	33,326
Federal revenues	127,956	-	-	-	127,956
Other	234,057	-	-	-	234,057
Total revenues	<u>395,339</u>	<u>27</u>	<u>958,461</u>	<u>764</u>	<u>1,354,591</u>
Expenditures					
Food service	539,411	-	-	-	539,411
Debt service					
Principal	-	-	825,000	-	825,000
Interest	-	-	148,650	-	148,650
Other	-	-	500	-	500
Capital outlay	1,818	-	-	-	1,818
Total expenditures	<u>541,229</u>	<u>-</u>	<u>974,150</u>	<u>-</u>	<u>1,515,379</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(145,890)	27	(15,689)	764	(160,788)
Other financing sources					
Operating transfers in	154,814	-	-	-	154,814
<b>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES</b>	8,924	27	(15,689)	764	(5,974)
Fund balance, beginning of year	7,825	55,089	147,683	763,335	973,932
Fund balance, end of year	<u>\$ 16,749</u>	<u>\$ 55,116</u>	<u>\$ 131,994</u>	<u>\$ 764,099</u>	<u>\$ 967,958</u>

## **FEDERAL PROGRAMS**

## Glen Lake Community Schools

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2018

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Original Approved Award/Grant Amount	Accrued Revenue June 30, 2017	Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued Revenue June 30, 2018
United States Department of Education							
Direct grants							
Title VII - Impact Aid	84.041	\$ 3,270,564	\$ -	\$ -	\$ 3,270,564	\$ 3,270,564	\$ -
Passed through Michigan Department of Education							
ESEA Title I (17-18)							
181530-1718	84.010	52,184	-	-	52,184	52,184	-
Title IIA - Improving Teacher Quality							
180520-1718	84.367	14,358	-	-	14,358	14,358	-
Title IV Part A							
180750-1718	84.424A	10,000	-	-	10,000	10,000	-
Total passed through Michigan Department of Education		<u>76,542</u>	<u>-</u>	<u>-</u>	<u>76,542</u>	<u>76,542</u>	<u>-</u>
Total U.S. Department of Education		<u>3,347,106</u>	<u>-</u>	<u>-</u>	<u>3,347,106</u>	<u>3,347,106</u>	<u>-</u>
United States Department of Agriculture							
Passed Through Michigan Department of Education							
Child Nutrition Cluster							
National School Lunch Program							
National School Lunch Program 181960-1718	10.555	82,422	-	-	82,422	82,422	-
National School Lunch Program - Entitlement Commodities	10.555	30,268	-	-	30,268	30,268	-
		112,690	-	-	112,690	112,690	-
School Breakfast Program 181970-1718	10.553	15,266	-	-	15,266	15,266	-
Total Child Nutrition Cluster / United States Department of Agriculture		<u>127,956</u>	<u>-</u>	<u>-</u>	<u>127,956</u>	<u>127,956</u>	<u>-</u>
United States Department of Interior							
Passed Through County of Leelanau							
Payments in Lieu of Taxes	15.226	12,875	-	-	12,875	12,875	-
United States Department of Health and Human Services							
Passed Through Traverse Bay Area ISD							
Medicaid - School Based Services	93.778	1,367	-	-	1,367	1,367	-
Total Federal Awards		<u>\$ 3,489,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,489,304</u>	<u>\$ 3,489,304</u>	<u>\$ -</u>

# Glen Lake Community Schools

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2018

- Note 1** The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the School District, and is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with 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"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the basic financial statements.
- 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.



DENNIS, GARTLAND & NIERGARTH

Certified Public Accountants  
Business Advisors

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Brad P. Niergarth, CPA  
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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, 2018, 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 30, 2018.

**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 30, 2018



DENNIS, GARTLAND & NIERGARTH

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## 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, 2018. 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, regulations and the 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, 2018.

**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*

October 30, 2018

# Glen Lake Community Schools

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2018

### **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. There were no reported significant deficiencies 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 VII - 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.