GRAND LEDGE PUBLIC SCHOOLS

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional supplementary information)

YEAR ENDED JUNE 30, 2018

Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Grand Ledge Public 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 Grand Ledge Public Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Grand Ledge Public Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Grand Ledge Public Schools as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 13 to the financial statements, Grand Ledge Public Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grand Ledge Public Schools' basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards 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,* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The additional supplementary information has been subjected to the auditing procedures applied in the audits 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 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 additional supplementary information is fairly stated, in all material respects, in relation to the 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 September 6, 2018 on our consideration of Grand Ledge Public Schools' 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 solely 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 the effectiveness of Grand Ledge Public Schools' 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 Grand Ledge Public Schools' internal control over financial reporting and compliance.

Maner Costerisan PC

September 6, 2018

Grand Ledge Public Schools
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2018

Grand Ledge Public Schools, a K-12 School District is located in Eaton, Clinton and Ionia Counties, Michigan. The Management's Discussion and Analysis is intended to be the Grand Ledge Public Schools administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2018.

Generally accepted accounting principles (GAAP) require reporting of two types of financial statements: District-wide financial statements and fund financial statements.

For the year ended June 30, 2018 Grand Ledge Public Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These changes are significant at the government-wide level.

Fund Financial Statements

The fund level financial statements are reported on modified accrual basis. Only those assets "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in the relevant funds including the Debt Funds, Capital Improvement (Sinking) Fund, and Special Revenue Funds comprised of Food Service, Community Education, and the Student Bookstore.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not reported.

District-Wide Financial Statements

The District-wide financial statements are full accrual based statements. They report all of the District's assets, deferred outflows, liabilities and deferred inflows, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for payment of long term principal or interest are grouped with unrestricted assets of the General Fund.

Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the District-wide financial statements.

Summary of Net Position

The District's combined net position at the beginning of the fiscal year was restated because of GASB Statement 75 implementation. The following is a summary of the District's net position at June 30, 2018.

	June 30, 2018	June 30, 2017
Current and other assets	$ 17,988,467	$ 16,361,801
Capital assets, net of depreciation	75,196,454	76,205,503
Total assets	93,184,921	92,567,304
Deferred outflows of resources	23,152,146	12,257,390
Other liabilities	11,733,071	11,400,362
Noncurrent liabilities	41,654,735	45,594,812
Net pension liability	80,137,878	74,114,212
Net other postemployment benefits liability	27,332,217	-
Total liabilities	160,857,901	131,109,386
Deferred inflows of resources	8,840,783	3,029,945
Net position:		
Net investment in capital assets	31,445,354	28,775,393
Restricted	1,151,621	1,205,291
Unrestricted	(85,958,592)	(59,295,321)
Total net position	$ (53,361,617)	$ (29,314,637)

The 2017 figures have not been updated for the adoption of GASB 75.

Analysis of Financial Position

During fiscal year ended June 30, 2018, the District's net position increased by $3,312,965. A few of the significant factors affecting net position during the year are discussed below:

A. Governmental Fund Operations

In the District's governmental funds, revenues exceeded expenditures by $1,490,226 for the fiscal year ended June 30, 2018. When Other Financing Sources (Uses) are included, revenues exceeded expenditures and transfers by $1,507,065. See the section entitled Major Governmental Funds Budgeting and Operating Highlights below for further discussion of governmental fund operations.

B. Depreciation Expense

The provisions of GASB Statement #34 require the District to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation is a reduction in net position. Depreciation expense is recorded using a straight-line method over the estimated useful lives of the assets. In accordance with generally accepted accounting principles, depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. For the year ended June 30, 2018, the depreciation expense was $3,594,796.

C. Capital Acquisitions

Capital outlay for the year ended June 30, 2018 totaled $2,590,239. Capital outlay was offset by current year depreciation expense of $3,594,796. The result was creating a decrease in net position from capital outlays of $1,004,557.

D. Debt Repayments

Repayment of debt decreased the District's long-term principal obligations thus contributing to an increase in the net position of the School District. The District repaid $3,260,000 of long-term debt during the year ended June 30, 2018.

Results of Operations

The results of this year's operations for the District as a whole are reported in the Statement of Activities. As the following table indicates, net position increased for the year ending June 30, 2018. With an increase in the Foundation Allowance, total unrestricted revenue increased slightly in 2018. Property tax revenue levied for debt services also increased due to a slight increase in the tax levy resulting from the refunding of the 2007 Debt. On the expense side, the District experienced a slight increase in operating expenses. Capital outlay continues as the District spends on the sinking fund.

Revenue:	2018	2017
General revenue:		
Property taxes, levied for general purposes	$ 7,777,987	$ 7,320,750
Property taxes, levied for debt service	5,793,858	5,512,513
Property taxes, levied for sinking fund	1,099,987	1,054,723
State of Michigan aid, unrestricted	31,098,935	31,005,015
Interest and investment earnings	44,768	19,753
Other general revenue	1,146,708	694,067
Total general revenue	46,962,243	45,606,821
Program revenue:		
Charges for services	3,384,970	2,737,745
Operating grants and contributions	14,324,707	13,151,223
Total revenue	64,671,920	61,495,789
Expenses:		
Instruction	32,244,253	30,309,667
Supporting services	19,924,616	19,050,409
Food services	1,690,761	1,690,124
School store	23,448	24,762
Community services	1,919,023	1,451,850
Interest on long-term debt	1,962,058	2,214,642
Depreciation - unallocated	3,594,796	3,550,497
Total expenses	61,358,955	58,291,951
Change in net position	$ 3,312,965	$ 3,203,838

The 2017 figures have not been updated for the adoption of GASB 75.

The General Fund is reported separately as a major fund in the fund financial statements. Funds reported as “Other Governmental Funds” in the fund financial statements include the Special Revenue Funds, Debt Retirement Funds, and Capital Project Funds. The annual fund financial statements provide the following insights about the results of this year’s operations:

Major Funds

A. General Fund

As a percentage of total expenditures, the General Fund experienced an increase in fund equity of $768,761 or 1.47% of total expenditures for the year ending June 30, 2018. The beginning fund balance was $5,467,296 as of July 1, 2017 and the ending total fund balance was $6,236,057 at June 30, 2018, which equates to 11.91% of total expenditures for the year.

B. Other Nonmajor Funds

Other nonmajor governmental funds experienced an increase in fund balance of $738,304 during the year. The beginning fund balance on July 1, 2017 was at $3,092,118 and at June 30, 2018 the fund balance was $3,830,422. The Sinking Fund and Technology Capital Projects Fund, approved by voters in September of 2002, finished its fifteenth year with a fund balance of $1,858,813 down from $1,905,794 at the end of FY 2016-17. The Sinking Fund was renewed in November 2011 for an additional ten (10) years at a reduced millage rate of .8 mills. Major uses of the sinking fund include the purchase of property and renovations to the existing capital infrastructure. In 2007-08 the District entered into a lease agreement with Nextel/Sprint for use of District owned band-width and established a new technology capital projects fund. The initial term of the lease was 10 years renewable every 5 years up to a total of 30 years. The up-front payment for the lease was $750,000 with initial monthly payments of $8,295 that are adjusted annually for inflation. The District’s original intent was to earmark these funds for technology replacement but due to an increase in unfunded mandates $550,000 was transferred from this fund into the District’s General Fund in 2008-09. However, the District plans to use the remaining funds for technology upgrades. The fund balance in the Food Service Fund increased during the 2017-18 school year by $33,377 for a total fund balance at year-end of $350,542. The District also maintains various debt service funds and other special revenue funds.

Major Governmental Funds Budgeting and Operating Highlights

The District’s budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, based on facts and assumptions known at the time of the initial budget preparation. It is expected that there will be changes between the initial budget and subsequent budgets, as many factors are not known at the time of adoption of the initial budget. Some of these factors include enrollment changes and resultant staffing adjustments, staffing changes that take place during the year, state school aid adjustments, grant allocations, and other unforeseeable events. As a matter of practice, the District amends its budget periodically during the fiscal year to adjust for these changes. The District prepares budgets for the General Fund, Special Revenue Funds, Debt Service Fund, and Sinking Fund.

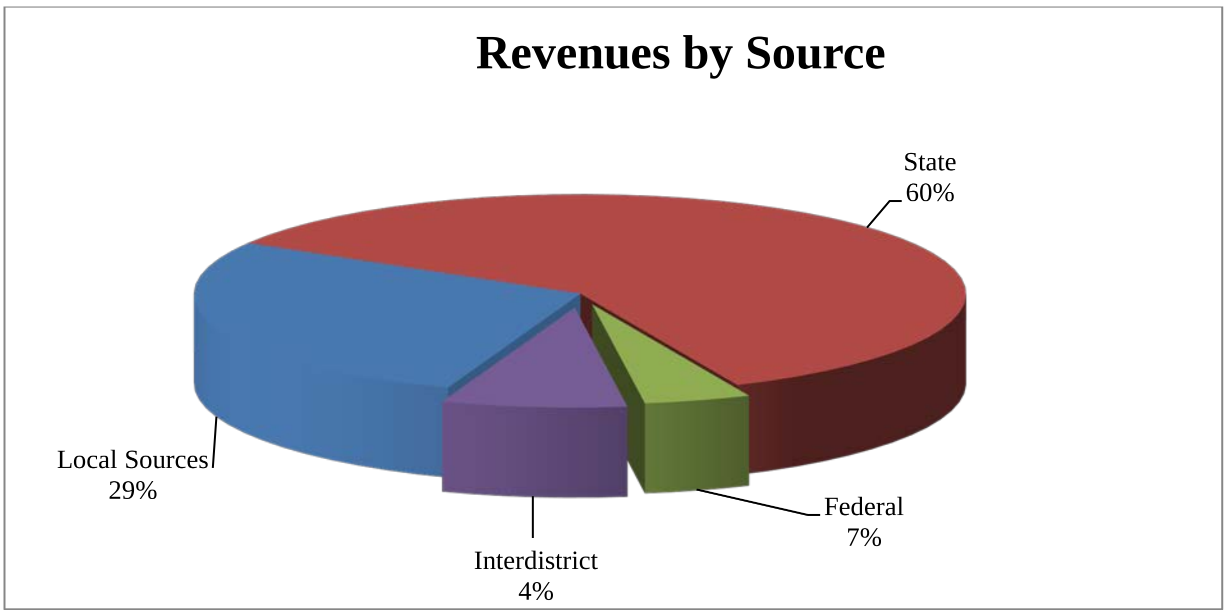
A. General Fund

In the General Fund, actual revenue was $53.5 million. This is above the original budget estimate of $50.2 million and in line with the final amended budgeted amount of $53.7 million. The actual expenditures of the General Fund were $52.4 million. This is above the original budget estimate of $50.2 million and below the final amended budgeted amount of $52.7 million, a variance of $323,000 or 0.61%.

The General fund revenues exceeded expenditures by $1,073,960 for the year ending June 30, 2018. After adjusting for net uses of Other Financing Sources and Uses of $305,199 revenues exceeded expenditures by $768,761. The ending fund balance in the General Fund for the year ending June 30, 2018 was $6,236,057 (11.91%) of expenditures of $52,377,033. For the prior year which ended June 30, 2017, the fund balance was $5,467,296 (10.85%) on expenditures of $50,386,535.

Governmental Fund Revenues

Revenues for all governmental funds totaled $64.4 million for 2017/2018. The following graph illustrates the District's revenues by source as a percentage of total revenue:



A. Unrestricted State Aid

Unrestricted state aid is determined by the following three variables: (1) State of Michigan student foundation allowance; (2) student enrollment for the year, blended at 90 percent of the current year's fall student count and 10 percent of the prior year's spring student count; and (3) the District's non-homestead property tax levy.

Annually, the State of Michigan establishes the per student foundation allowance. For the year ended June 30, 2018, the foundation allowance for Grand Ledge Public Schools was established at $7,631, resulting in an increase of $120 from the funding level for 2016 - 2017. Student enrollment for state aid for the 2017/2018 year was 5,253, a decrease of 14 full time equated students over the prior year.

A. Unrestricted State Aid (Concluded)

The following schedule summarizes the District's blended student enrollment in full-time equivalencies and per student Foundation Allowance for the 2017-2018 and the previous ten years:

Year	Student enrollment	Change from prior year	Foundation allowance	Change from prior year
2017 / 2018	5,253	(14)	$ 7,631	$ 120
2016 / 2017	5,267	96	7,511	120
2015 / 2016	5,171	75	7,391	265
2014 / 2015	5,096	(3)	7,126	100
2013 / 2014	5,099	(4)	7,026	60
2012 / 2013	5,103	(2)	6,966	10
2011 / 2012	5,105	35	6,956	(470)
2010 / 2011	5,070	(120)	7,426	-
2009 / 2010	5,190	(82)	7,426	-
2008 / 2009	5,272	(85)	7,426	119

B. Property Taxes

The District levies 18 mills of property taxes on all Non-Principal Residence Exemption (PRE) property and 6 mills on Commercial Property located within the District for General Fund operations. The levy is assessed on the Taxable Value of the property. The increase in taxable value is limited to the lesser of the inflation rate or 5%. When a property is sold, the Taxable Valuation of the sold property is adjusted to the State Equalized Value, which is approximately 50% of market value. This levy is subject to millage reduction fractions. In anticipation of future rollbacks, voters have approved a "Headlee Override" millage authorization of up to 3 mills. For the tax year 2017, the District levied the full 18 mills on non-homestead property that is required to earn per pupil funding.

The District levied 4.19 mills on all classes of property located within the District for retirement of bonded debt proposals approved by the voters in 2015 and 2016. This levy is not subject to millage reduction fractions and taxes are used to pay the principal and interest on bond obligations. The total amount collected for debt retirement was $5.8 million for the year.

The District's sinking funds are used for the repairs and replacement of buildings and sites. In November 2011, the District's voters renewed the sinking fund levy for an additional 10 years at a reduced rated of .80 mills. This levy is subject to future millage reduction fractions.

Governmental Fund Expenditures

The chart below illustrates that the General Fund comprises 83% of all expenditures within the governmental funds of the District. As of June 30, 2018, expenditures were $63 million for all District programs. The ending fund equity for all funds was $10.1 million.

	Expenditures & other uses (in millions)	Percent of total
General fund	$ 52.4	83%
Other governmental funds	10.6	17%
Total	$ 63.0	100%

Capital Asset and Debt Administration

A. Capital Assets

At June 30, 2018, the District had $142 million invested in land, buildings, improvements, furniture and equipment, buses and other vehicles. Of this amount, $67 million has been depreciated resulting in a net book value of $75 million. The District's buildings range in years of construction from 1929 (Sawdon Administration Building) to 1996 (Willow Ridge Elementary and the Operations Center). The majority of the buildings were constructed in the 1950's and 1960's. The District is committed to timely repairs and maintenance of its facilities. Computer purchases, taken in the aggregate, that are above the District's capitalization threshold of $5,000 are capitalized accordingly.

	2018	2017
Land	$ 4,487,474	$ 4,487,474
Construction in progress	-	1,081,509
Land improvements	7,070,742	6,067,510
Buildings	17,015,250	17,015,250
Building improvements	85,494,420	83,162,223
Equipment, computers and furnishing	23,758,263	23,776,248
Buses and other vehicles	4,277,236	4,233,301
Total	142,103,385	139,823,515
Less accumulated depreciation	66,906,931	63,618,012
Net capital assets	$ 75,196,454	$ 76,205,503

B. Long-Term Debt

At June 30, 2018, the District had $45.1 million in outstanding bonds, notes payable and other liabilities. The District collects revenues to meet its outstanding debt obligations across total property values. Therefore, total growth in valuation is an important element in determining the District's ability to retire bonded debt and/or to incur additional bonded debt as increased enrollment may require.

For more detailed information regarding capital assets and debt administration, please review the Notes to Financial Statements located in the financial section of this report.

Conditions that will Significantly Affect Financial Position and Results of Operations in Future Years

The total funding level for public school districts in Michigan has experienced a gradual increase during the last several years as the state's economy has gradually improved and increases in the per pupil funding have occurred. However, per pupil funding has only recently risen to a level above the 2008-2009 allowance while costs for services and supplies have increased at a much more significant rate. At the same time, the District experienced a reduction in enrollment during 2017-18 which offset the pupil funding increase.

In terms of expenditures, the cost to sustain the state-managed pension system continues to grow thus increasing financial pressure. On the plus side of this issue, the Michigan Legislature passed reform legislation in 2012 that could help control future costs. Additionally, the District has made spending adjustments by continuing its "hard caps" (fixed District premium co-pays) on employee health insurance. In an effort to curb health insurance expenditures, the District established a self-funded medical insurance plan in January, 2018. This plan is monitored by a third party administrator working for the district to negotiate with health care providers, ensuring the district incurs reasonable and affordable fees for employee healthcare services.

Conditions that will Significantly Affect Financial Position and Results of Operations in Future Years (Concluded)

In November 2011, local voters approved a request to renew the Sinking Fund levy for ten (10) years at a reduced rate of eight tenths (.8) of a mill. The Sinking Fund is restricted in use to the purchase of land and to improvements in buildings and sites. The levy is subject to rollback based on the Headlee tax limitation clause in the State Constitution. The Sinking Fund levy was subjected to a Headlee rollback in fiscal year 2017-18 which permanently reduced the rate to .7968.

On May 8, 2007 the voters approved a request to issue $33.9 million in bonded debt to finance improvements to existing facilities, technology upgrades and the purchase of buses. The bonds will be paid off over a period of thirty years.

The District refinanced outstanding debt obligations in fiscal years 2015 and 2016 resulting in a savings of $6.3 million over the remaining life of the bonds.

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 Nancy J. Rasinske, Chief Financial Officer, Grand Ledge Public Schools, 220 Lamson Street, Grand Ledge, Michigan 48837 or by telephone at (517) 925-5422.

BASIC FINANCIAL STATEMENTS

GRAND LEDGE PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2018

		Governmental activities
ASSETS:		
Cash and cash equivalents	$	7,586,242
Investments		2,469,837
Receivables:		
Accounts receivable		74,547
Intergovernmental receivables		7,514,014
Inventories		65,551
Prepaids		278,276
Capital assets not being depreciated		4,487,474
Capital assets net of accumulated depreciation		70,708,980
TOTAL ASSETS		93,184,921
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred charge on refunding		1,141,967
Related to other postemployment benefits		2,020,494
Related to pensions		19,989,685
TOTAL DEFERRED OUTFLOWS OF RESOURCES		23,152,146
LIABILITIES:		
Accounts payable		645,139
Accrued salaries and related items		3,096,815
Accrued retirement		1,273,199
IBNR reserves		188,882
Accrued interest		341,759
Unearned revenue		86,520
Notes payable		2,595,357
Noncurrent liabilities:		
Due within one year		3,505,400
Due in more than one year		41,654,735
Net other postemployment benefits liability		27,332,217
Net pension liability		80,137,878
TOTAL LIABILITIES		160,857,901
DEFERRED INFLOWS OF RESOURCES:		
Related to other postemployment benefits		924,028
Related to pensions		4,652,850
Related to state aid funding for pension benefits		3,263,905
TOTAL DEFERRED INFLOWS OF RESOURCES		8,840,783
NET POSITION:		
Net investment in capital assets		31,445,354
Restricted for capital projects (sinking fund)		342,771
Restricted for debt service		808,850
Unrestricted		(85,958,592)
TOTAL NET POSITION	$	(53,361,617)

GRAND LEDGE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions/programs	Expenses	Program revenues: Charges for services	Program revenues: Operating grants	Governmental activities: Net (expense) revenue and changes in net position
Governmental activities:				
Instruction	$ 32,244,253	$ -	$ 9,617,738	$ (22,626,515)
Support services	19,924,616	302,990	3,888,311	(15,733,315)
Community services	1,919,023	2,117,896	-	198,873
Food services	1,690,761	943,983	818,658	71,880
School store	23,448	20,101	-	(3,347)
Interest on long-term debt	1,962,058	-	-	(1,962,058)
Unallocated depreciation	3,594,796	-	-	(3,594,796)
Total governmental activities	$ 61,358,955	$ 3,384,970	$ 14,324,707	(43,649,278)
General revenues:				
Property taxes, levied for general purposes				7,777,987
Property taxes, levied for debt service				5,793,858
Property taxes, levied for sinking fund				1,099,987
Investment earnings				44,768
State sources - unrestricted				31,098,935
Other				1,146,708
Total general revenues				46,962,243
CHANGE IN NET POSITION				3,312,965
NET POSITION, beginning of year, as restated				(56,674,582)
NET POSITION, end of year				$ (53,361,617)

See notes to financial statements.

GRAND LEDGE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General fund	Total nonmajor funds	Total governmental funds
ASSETS			
ASSETS:			
Cash and cash equivalents	$ 3,874,551	$ 3,709,728	$ 7,584,279
Investments	2,469,837	-	2,469,837
Receivables:			
Accounts receivable	20,004	54,543	74,547
Intergovernmental receivables	7,493,434	20,580	7,514,014
Due from other funds	146,850	508,429	655,279
Inventories	29,082	36,469	65,551
Prepaids	118,423	100,115	218,538
TOTAL ASSETS	$ 14,152,181	$ 4,429,864	$ 18,582,045
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 294,064	$ 351,075	$ 645,139
Accrued salaries and related items	3,063,800	29,596	3,093,396
Accrued retirement	1,266,245	10,373	1,276,618
Accrued interest	36,076	-	36,076
Due to other funds	508,429	146,850	655,279
Due to internal service fund	127,181	-	127,181
Notes payable	2,595,357	-	2,595,357
Unearned revenue	24,972	61,548	86,520
TOTAL LIABILITIES	7,916,124	599,442	8,515,566
FUND BALANCES:			
Nonspendable:			
Inventories	29,082	36,469	65,551
Prepaids	118,423	100,115	218,538
Restricted for:			
Debt service	-	1,114,533	1,114,533
Capital projects - sinking fund	-	342,771	342,771
Special revenue food service	-	218,085	218,085

See notes to financial statements.

	General fund	Total nonmajor funds	Total governmental funds
FUND BALANCES (Concluded):			
Assigned for:			
Capital projects	$ -	$ 1,516,042	$ 1,516,042
Severance pay	267,068	-	267,068
Community service	-	487,697	487,697
School store	-	14,710	14,710
Unassigned:			
General Fund	5,821,484	-	5,821,484
TOTAL FUND BALANCES	6,236,057	3,830,422	10,066,479
LIABILITIES AND FUND BALANCES	$ 14,152,181	$ 4,429,864	$ 18,582,045

Total governmental fund balances		$ 10,066,479
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred charges on refunding		1,141,967
Deferred outflows of resources - related to pensions	$ 19,989,685	
Deferred inflows of resources - related to pensions	(4,652,850)	
Deferred outflows of resources - related to other postemployment benefits	2,020,494	
Deferred inflows of resources - related to other postemployment benefits	(924,028)	
Deferred inflows of resources - related to state funding for pension benefits	(3,263,905)	
		13,169,396
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	142,103,385	
Accumulated depreciation is	(66,906,931)	
		75,196,454
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds and other long-term debt payable		(39,885,000)
Bond premium		(5,008,067)
Compensated absences and termination benefits payable		(267,068)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid		(305,683)
Net other postemployment benefits liability		(27,332,217)
Net pension liability		(80,137,878)
Net position of governmental activities		$ (53,361,617)

See notes to financial statements.

GRAND LEDGE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	General fund	Total nonmajor funds	Total governmental funds
REVENUES:			
Local sources:			
Property taxes	$ 7,777,987	$ 6,893,845	$ 14,671,832
Tuition	29,746	-	29,746
Investment earnings	35,814	8,954	44,768
Food sales and other	-	2,792,147	2,792,147
Other	872,043	487,795	1,359,838
Total local sources	8,715,590	10,182,741	18,898,331
State sources	38,544,434	91,499	38,635,933
Federal sources	3,552,966	728,924	4,281,890
Incoming transfers and other	2,638,003	-	2,638,003
Total revenues	53,450,993	11,003,164	64,454,157
EXPENDITURES:			
Current:			
Instruction	31,986,127	-	31,986,127
Supporting services	20,357,513	-	20,357,513
Food service activities	-	1,670,097	1,670,097

See notes to financial statements.

	General fund	Total nonmajor funds	Total governmental funds
EXPENDITURES (Concluded):			
Current (Concluded):			
Community service activities	$ 13,479	$ 1,911,439	$ 1,924,918
Payment to other districts	3,164	-	3,164
School store	-	23,448	23,448
Capital outlay	16,750	1,730,219	1,746,969
Debt service:			
Principal repayment	-	3,260,000	3,260,000
Interest expense	-	1,987,650	1,987,650
Other	-	4,045	4,045
Total expenditures	52,377,033	10,586,898	62,963,931
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,073,960	416,266	1,490,226
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of capital assets	16,839	-	16,839
Transfers in	77,962	403,843	481,805
Transfers out	(400,000)	(81,805)	(481,805)
Total other financing sources (uses)	(305,199)	322,038	16,839
NET CHANGE IN FUND BALANCES	768,761	738,304	1,507,065
FUND BALANCES:			
Beginning of year	5,467,296	3,092,118	8,559,414
End of year	$ 6,236,057	$ 3,830,422	$ 10,066,479

See notes to financial statements.

GRAND LEDGE PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Net change in fund balances total governmental funds	$	1,507,065
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:		
Depreciation expense		(3,594,796)
Capital outlay		2,590,239
Loss on disposal of capital assets		(4,492)
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:		
Accrued interest payable, beginning of the year		331,275
Accrued interest payable, end of the year		(305,683)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:		
Payments on debt		3,260,000
Amortization of deferred charge on refunding		(91,041)
Amortization of bond premium		510,051
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:		
Accrued compensated absences and termination benefits, beginning of the year		198,394
Accrued compensated absences and termination benefits, end of the year		(267,068)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Other postemployment benefits related items		274,872
Pension related items		(963,667)
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period:		
State aid funding, beginning of year		3,131,721
State aid funding, end of year		(3,263,905)
Change in net position of governmental activities	$	3,312,965

See notes to financial statements.

GRAND LEDGE PUBLIC SCHOOLS
PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2018

	Internal service fund
ASSETS:	
Cash and cash equivalents	$ 1,963
Due from other funds	127,181
Prepaid expenses	59,738
TOTAL ASSETS	188,882
LIABILITIES:	
IBNR reserve	188,882
NET POSITION:	
Proprietary fund net position	$ -

See notes to financial statements.

GRAND LEDGE PUBLIC SCHOOLS
PROPRIETARY FUND
STATEMENT OF REVENUE, EXPENSE, AND CHANGE IN NET POSITION
YEAR ENDED JUNE 30, 2018

	Internal service fund
OPERATING REVENUE:	
Charges to other funds	$ 1,399,944
OPERATING EXPENSES:	
Claims	1,399,674
Other expenses	270
Total operating expenses	1,399,944
CHANGE IN NET POSITON	-
NET POSITION:	
Beginning of year	-
End of year	$ -

GRAND LEDGE PUBLIC SCHOOLS
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

	Internal service fund
CASH FLOWS FOR OPERATING ACTIVITIES:	
Charges for services	$ 1,213,025
Payments on cliams	(1,211,062)
Net cash provided by operating activities	1,963
CASH AND CASH EQUIVALENTS:	
Beginning of year	-
End of year	$ 1,963
CASH FLOWS FOR OPERATING ACTIVITIES:	
Operating income	$ -
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in operating assets and liabilities which provided (used) cash:	
Prepaid expenses	(59,738)
Due from other funds	(127,181)
IBNR reserve	188,882
	$ 1,963

See notes to financial statements.

GRAND LEDGE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	Agency fund	Private purpose trust fund
ASSETS:		
Cash and cash equivalents	$ 417,689	$ 43,810
LIABILITIES:		
Due to student and other groups	417,689	-
NET POSITION:		
Restricted for trust activities	$ -	$ 43,810

See notes to financial statements.

GRAND LEDGE PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2018

	Private purpose trust fund
ADDITIONS:	
Interest earnings	$ 274
Other income	3,398
Total additions	3,672
DEDUCTIONS:	
Scholarships awarded	2,584
CHANGE IN NET POSITON	1,088
NET POSITION:	
Beginning of year	42,722
End of year	$ 43,810

See notes to financial statements.

GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes and, intergovernmental revenues.

B. Reporting Entity

Grand Ledge Public Schools (the "District") is governed by the Grand Ledge Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements (GASB).

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter two are excluded from the government-wide financial statements.

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

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Continued)

The District reports the following major governmental funds:

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

Other Nonmajor Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, community service and school store in the special revenue funds.

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

The *sinking capital projects* accounts for the receipt of sinking fund millage proceeds and the acquisition of fixed assets or construction of capital projects. The District has complied with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95 relating to sinking funds.

The *technology capital projects* accounts for the receipt of lease revenue and the purchases of technology capital projects.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expense generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Proprietary funds are included in the government-wide statements.

The *internal service fund* accounts for risk management services to include employee medical insurance claim obligations provided to other departments of the school district on a cost reimbursement basis.

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust funds* account for funds entrusted to the District for scholarship awards and both the principal and interest may be spent. These funds are not reported in the District's government-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Concluded)

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

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the fiduciary and proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

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

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

The private-purpose trust fund is reported using the *economic resources measurements focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information (Concluded)

5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30, 2018. The District does not consider these amendments to be significant.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and cash equivalents

   The District's cash and cash equivalents are considered to be demand deposits, and short-term investments with original maturities of 3 months or less from the date of acquisition.

2. Investments

   Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

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

3. Inventories and prepaid items

   Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

   Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

4. Capital assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of 2 years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress if any are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Land improvements	20
Buildings and building improvements	50
Equipment, computers, and furnishing	5 - 20
School buses and other vehicles	8

5. Defined benefit plans

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

6. Deferred outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding and pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge 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. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

7. Deferred inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

8. Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Concluded)

9. Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2018, the District levied the following amounts per $1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	4.19
Sinking fund:	
PRE, Non-PRE, Commercial Personal Property	0.80

3. Compensated absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

4. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2018, the District had the following investments:

Investment type	Fair value	Weighted average maturity (years)	Standard & Poor's rating	%
MILAF External Investment pool - MIMAX	$ 808,805	0.0027	AAAm	33%
Michigan Class	1,661,032	0.0027	AAAm	67%
Total fair value	$ 2,469,837			100%
Portfolio weighted average maturity		0.0027		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2018, the fair value of the District’s investments is the same as the value of the pool shares.

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The other fund is Michigan Class (MC). MC is considered a local government investment pool of “qualified” investments for Michigan School Districts. MC is not regulated nor is it registered with the SEC. MC reports as of June 30, 2018, the fair value of the District’s investments is the same as the value of the pooled shares.

MILAF, as defined by the GASB, are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

Interest rate risk. In accordance with its investment policy, the 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 shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2018, $7,966,300 of the District’s bank balance of $8,365,457 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts. The carrying amount on the financial statements is $8,047,741. The fiduciary fund balances are included in the above balances.

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

The 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, broker/dealers, intermediaries and advisors with which the District will do business.

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

Fair value measurement. The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Michigan Class investments are Level 2.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The carrying amount of deposits and investments is as follows:

Deposits - including fiduciary funds of $461,499	$ 8,047,741
Investments	2,469,837
	$ 10,517,578

The above amounts are reported in the financial statements as follows:

Cash - fiduciary funds	$ 461,499
Cash - District-wide	7,586,242
Investments	2,469,837
	$ 10,517,578

NOTE 3 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 4,487,474	$ -	$ -	$ 4,487,474
Construction in progress	1,081,509	-	1,081,509	-
Total assets not being depreciated	5,568,983	-	1,081,509	4,487,474
Capital assets, being depreciated:				
Land improvements	6,067,510	1,003,232	-	7,070,742
Buildings	17,015,250	-	-	17,015,250
Building improvements	83,162,223	2,332,197	-	85,494,420
Equipment, computers and furnishing	23,776,248	41,614	59,599	23,758,263
School buses and other vehicles	4,233,301	294,705	250,770	4,277,236
Total capital assets, being depreciated	134,254,532	3,671,748	310,369	137,615,911
Accumulated depreciation:				
Land improvements	2,262,625	374,439	-	2,637,064
Buildings	11,072,406	258,705	-	11,331,111
Building improvements	26,297,222	2,196,592	-	28,493,814
Equipment, computers and furnishing	21,382,601	464,863	55,107	21,792,357
School buses and other vehicles	2,603,158	300,197	250,770	2,652,585
Total accumulated depreciation	63,618,012	3,594,796	305,877	66,906,931
Net capital assets being depreciated	70,636,520	76,952	4,492	70,708,980
Net governmental capital assets	$ 76,205,503	$ 76,952	$ 1,086,001	$ 75,196,454

Depreciation for the fiscal year ended June 30, 2018 amounted to $3,594,796. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Receivables at June 30, 2018 consist of the following:

Other governmental units:	
State aid	$ 6,941,380
Federal grants and other pass-through agencies	508,121
Other	64,513
	$ 7,514,014

No allowance for doubtful accounts is considered necessary.

NOTE 5 - NOTES PAYABLE - STATE AID ANTICIPATION NOTES

At June 30, 2018, the District issued state aid anticipation notes payable of $3,000,000. Note 2017 A-1 and A-2 required payments to an irrevocable set-aside account of approximately $405,000 for Note A-1 at June 30, 2018. Proceeds of the notes were used to fund school operations. At year end the balance of these payments are considered defeased debt and are not included in the year-end balance. The notes have the following interest rates and maturities:

Note	Amount	Interest rate	Maturity date
2017 A-1	$ 500,000	1.2700%	July 20, 2018
2017 A-2	2,500,000	1.4900%	August 20, 2018

The notes are secured by the full faith and credit of the District as well as pledged state aid.

Balance January 00, 1900	Additions	Payments	Balance June 30, 2018
$ 2,596,881	$ 3,000,000	$ 3,001,524	$ 2,595,357

Subsequent to year-end, the District set aside an additional amount to pay off the note principal and related interest expense. The District will not need to borrow for the fiscal year ending June 30, 2019.

NOTE 6 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2018:

	Accumulated compensated absences	Accumulated termination benefits	Bonds and other debt	Total
Balance, January 0, 1900	$ 153,937	$ 44,457	$ 48,663,118	$ 48,861,512
Additions	28,936	39,738	-	68,674
Deletions	-	-	3,770,051	3,770,051
Balance, June 30, 2018	182,873	84,195	44,893,067	45,160,135
Due within one year	3,700	6,700	3,495,000	3,505,400
Due in more than one year	$ 179,173	$ 77,495	$ 41,398,067	$ 41,654,735

NOTE 6 - LONG-TERM DEBT (Concluded)

Long-term obligation debt at June 30, 2018 is comprised of the following:

Serial bond due in annual installments of $2,490,000 to $2,895,000 from May 1, 2019 through May 1, 2024, interest at 5.00%.	$ 16,600,000
Serial bond due in annual installments of $1,005,000 to $1,335,000 from May 1, 2019 through May 1, 2037, interest at 4.00% to 5.00%.	23,285,000
Plus premiums on bond refundings	5,008,067
Total bonded debt	44,893,067
Obligation under contract for compensated absences	182,873
Obligation under contract for termination benefits	84,195
Total general long-term debt	$ 45,160,135

In prior years, the District had defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2018, $88,875,000 of bonds outstanding are considered defeased.

The annual requirement to amortize debt outstanding as of June 30, 2018, including interest payments of $13,535,700 are as follows:

Year ending June 30,	Principal	Interest	Total
2019	$ 3,495,000	$ 1,834,100	$ 5,329,100
2020	3,740,000	1,669,400	5,409,400
2021	3,995,000	1,493,000	5,488,000
2022	4,230,000	1,304,400	5,534,400
2023	4,175,000	1,106,250	5,281,250
2024 - 2028	9,265,000	3,470,600	12,735,600
2029 - 2033	6,145,000	2,052,950	8,197,950
2034 - 2037	4,840,000	605,000	5,445,000
	39,885,000	13,535,700	53,420,700
Premiums on bond refundings	5,008,067	-	5,008,067
Accumulated compensated absences	182,873	-	182,873
Accumulated termination benefits	84,195	-	84,195
	$ 45,160,135	$ 13,535,700	$ 58,695,835

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2018 are as follows:

Receivable fund		Payable fund	
General fund	$ 146,850	General fund	$ 508,429
Special revenue funds	508,429	Special revenue funds	146,850
	$ 655,279		$ 655,279

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) 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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www://michigan.gov/ors schools.

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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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 of the System.

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Benefits Provided - Overall

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

Plan name	Plan type	Plan status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

Pension Reform 2010

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

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Pension Reform 2012

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

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transient date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% person factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Pension Reform 2012 (Concluded)

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the Transition Date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus Plan) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for 2 consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Benefits Provided - Other Postemployment Benefit (OPEB)

Benefit provisions of the postemployment 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 health care 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 Postemployment 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.

Retiree Healthcare Reform of 2012

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.

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 will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age)

Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Regular Retirement (no reduction factor for age)

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for Other Postemployment Benefits. Plan members electing the Defined Contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Postemployment Benefits (OPEB). 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.

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2016 valuation will be amortized over a 22-year period for fiscal 2017.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other Postemployment Benefit
October 1, 2016 - September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately $8,286,000, with $8,105,000 specifically for the Defined Benefit Plan.

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Employer Contributions (Concluded)

The District's OPEB contributions for the year ended June 30, 2018 were equal to the required contribution total. OPEB benefits were approximately $2,409,000, with $2,250,000 specifically for the Defined Benefit Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

Pension Liabilities

At June 30, 2018, the District reported a liability of $80,137,878 for its proportionate share of the 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 date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the District's proportion was 0.30924 and 0.29706 percent.

MPSERS (Plan) Non-university employers:	September 30, 2017	September 30, 2016
Total pension liability	$ 72,407,218,688	$ 67,917,445,078
Plan fiduciary net position	$ 46,492,967,573	$ 42,968,263,308
Net pension liability	$ 25,914,251,115	$ 24,949,181,763
Proportionate share	0.30924%	0.29706%
Net pension liability for the District	$ 80,137,878	$ 74,114,212

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

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

For the year ended June 30, 2018, the District recognized pension expense of approximately $9,069,000.

At June 30, 2018, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ 2,939,888	$ (428,512)
Differences between expected and actual experience	696,453	(393,220)
Changes of assumptions	8,779,741	-
Net difference between projected and actual plan investments earnings	-	(3,831,118)
Reporting Unit's contributions subsequent to the measurement date	7,573,603	-
	$ 19,989,685	$ (4,652,850)

$7,573,603, reported as deferred outflows of resources related to pensions resulting from district employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	Amount
2018	$ 2,301,536
2019	3,538,976
2020	1,757,902
2021	164,818

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

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

OPEB Liabilities

At June 30, 2018, the District reported a liability of $27,332,217 for its proportionate share of the 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 date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.30865 percent.

MPSERS (Plan) Non-university employers:	September 30, 2017
Total Other Postemployment Benefit Liability	$ 13,920,945,991
Plan fiduciary net position	$ 5,065,474,948
Net Other Postemployment Benefit Liability	$ 8,855,471,043
Proportionate share	0.30865%
Net Other Postemployment Benefit liability for the District	$ 27,332,217

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of approximately $1,975,000.

At June 30, 2018, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ 2,454	$ -
Differences between expected and actual experience	-	(291,008)
Net difference between projected and actual plan investments earnings	-	(633,020)
Reporting Unit's contributions subsequent to the measurement date	2,018,040	-
	$ 2,020,494	$ (924,028)

$2,018,040, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30,	Amount
2018	$ (222,744)
2019	(222,744)
2020	(222,744)
2021	(222,744)
2022	(30,598)

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Actuarial Assumptions

Investment rate of return for Pension - 7.5% a year, compounded annually net of investment and administrative expenses for the non-hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the hybrid group (Pension Plus Plan).

Investment rate of return for OPEB - 7.5% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation - 3.0%

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projection scale BB (for men, 80% of the table rates were used and for women, 70% of the table rates were used).

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2016. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The long-term expected rate of return on pension and Other Postemployment Benefit plan investments - The pension rate was 7.5% (7% Pension Plus Plan), and the Other Postemployment Benefit rate was 7.5%, net of investment and administrative expenses 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.

Cost of Living Pension Adjustments - 3.0% annual non-compounded for MIP members

Healthcare cost trend rate for Other Postemployment Benefit - 7.5% for year one and graded to 3.5% to year twelve.

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Actuarial Assumptions (Concluded)

Additional assumptions for Other Postemployment Benefit only - Applies to individuals hired before September 4, 2012:

Opt Out Assumption - 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 coverage 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 one or more dependents.

The target asset allocation at September 30, 2017 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment category	Target allocation	Long-term expected real rate of return*
Domestic Equity Pools	28.00%	5.60%
Private Equity Pools	18.00%	8.70%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	(0.10)%
Real Estate and Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.00%
Short Term Investment Pools	2.00%	(0.90)%
	100.0%	

* Long term rate of return are net of administrative expenses and 2.3% inflation.

Pension discount rate - The discount rate used to measure the total pension liability was 7.5% (7.0% for Pension Plus Plan). This discount rate was based on the long-term 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 the discount rate assumed that plan members contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current 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.

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

OPEB discount rate - The 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 school districts 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 net pension liability to changes in the discount rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for Pension Plus Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease (6.5% / 6.0%)	Discount rate (7.5% / 7.0%)	1% Increase (8.5% / 8.0%)
Reporting Unit's proportionate share of the net pension liability	$ 104,393,000	$ 80,137,878	$ 59,716,610

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the Reporting Unit'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 than the current rate:

	Other Postemployment Benefit		
	1% Decrease (6.5%)	Discount rate (7.5%)	1% Increase (8.5%)
Reporting Unit's proportionate share of the net other postemployment benefit liability	$ 32,013,925	$ 27,332,217	$ 23,358,912

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the Reporting Unit's proportionate share of the net Other Postemployment Benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net Other Postemployment Benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease (6.5% decreasing to 2.5%)	Healthcare cost trend rates (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
Reporting Unit's proportionate share of the net other postemployment benefit liability	$ 23,146,713	$ 27,332,217	$ 32,084,564

<u>Pension and OPEB Plan Fiduciary Net Position</u>

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2017 Comprehensive Annual Financial Report.

Payable to the pension and OPEB plan - At year end the School District is current on all required pension and Other Postemployment Benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

<u>Other Information</u>

On December 20, 2017, the Michigan Supreme Court affirmed that Public Act 75 of 2010 is unconstitutional as it substantially impaired the employee's employment contracts by involuntarily reducing the employee's wages by 3%. As a result, the funds collected pursuant to Public Act 75 before the effective date of Public Act 300 of 2012, must be refunded to the employees in accordance with the Michigan Court of Claims judgment on the aforementioned court case. Effective September 30, 2017, the 3% contribution collected under Public Act 75, which amounted to approximately $554 million (including interest), was posted as a liability on the plan's CAFR report.

NOTE 9 - RISK MANAGEMENT

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

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

Self-funded dental and vision insurance programs were approved by the Board of Education and implemented for support personnel. All plans have limits on amounts for expenditures that will be reimbursed. This program is recorded in the general fund. The District has estimated a liability for any incurred and unreported claims.

NOTE 10 - TRANSFERS

The transfer of $60,000 from the food service fund to the general fund was for indirect costs. The transfer of $400,000 from the general fund to the technology capital projects fund was to allocate funds for future technology purchases expenditures. The transfer of $3,843 from the 2007 debt fund to the 2016 refunding debt fund was to continue to establish the new debt fund for the 2016 refunding. The transfer of $17,962 from the technology capital projects fund to the general fund was for reimbursement of technology purchases.

NOTE 11 - LAND OPTION

Grand Ledge Public Schools holds an option on approximately 92 acres on Grand River Avenue pursuant to an option agreement dated August 10, 2005. The option price is $1.00 with the stipulation that the option must be exercised on or before August 31, 2025. Additionally, the option agreement stipulates that the land must be used for the purpose of building one or more schools including playgrounds and athletic facilities.

NOTE 12 - TAX ABATEMENTS

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Taxes abated
Delta Township	$ 447,716
City of Grand Ledge	22,426
City of Lansing	663,434
Oneida Township	153,582
	$ 1,287,158

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no significant abatements made by the District.

NOTE 13 - NEW ACCOUNTING STANDARD

For the year ended June 30, 2018, the District implemented the following new pronouncement: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Summary:

GASB Statement No. 75 requires governments that participate in defined benefit Other Postemployment Benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

NOTE 13 - NEW ACCOUNTING STANDARD (Concluded)

The restatement of the beginning of the year net position is as follows:

		Governmental activities
Net postion as previously stated July 1, 2017	$	(29,314,637)
Adoption of GASB Statement 75:		
Net Other Postemployment Benefit liability		(28,829,433)
Deferred outflows		2,318,810
Deferred inflows		(849,322)
Net postion as restated July 1, 2017	$	(56,674,582)

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

GRAND LEDGE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	$ 7,949,615	$ 8,786,129	$ 8,715,590	$ (70,539)
State sources	37,252,283	38,505,704	38,544,434	38,730
Federal sources	1,871,105	3,692,719	3,552,966	(139,753)
Incoming transfers and other	3,132,761	2,666,591	2,638,003	(28,588)
Total revenues	50,205,764	53,651,143	53,450,993	(200,150)
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	23,744,985	24,461,993	24,430,462	31,531
Added needs	7,111,153	7,649,080	7,555,665	93,415
Total instruction	30,856,138	32,111,073	31,986,127	124,946
Supporting services:				
Pupil	3,845,144	4,026,624	4,026,715	(91)
Instructional staff	1,978,149	2,188,881	2,041,452	147,429
General administration	656,084	692,922	605,944	86,978
School administration	2,426,682	2,486,865	2,526,685	(39,820)
Business	623,483	597,107	601,035	(3,928)
Operation/maintenance	4,154,412	4,324,818	4,278,274	46,544
Pupil transportation	3,534,547	3,811,636	3,822,468	(10,832)
Central	1,272,328	1,482,004	1,562,693	(80,689)
Athletics	865,262	943,045	892,247	50,798
Total supporting services	19,356,091	20,553,902	20,357,513	196,389
Community services	22,341	15,489	13,479	2,010
Payments to other school districts	3,164	3,164	3,164	-
Capital outlay	-	16,750	16,750	-
Total expenditures	50,237,734	52,700,378	52,377,033	323,345
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(31,970)	950,765	1,073,960	123,195
OTHER FINANCING SOURCES (USES):				
Transfers in	60,000	77,962	77,962	-
Transfers out	-	(383,252)	(400,000)	(16,748)
Sale of capital assets	10,000	16,839	16,839	-
Total other financing sources (uses)	70,000	(288,451)	(305,199)	(16,748)
NET CHANGE IN FUND BALANCE	$ 38,030	$ 662,314	768,761	$ 106,447
FUND BALANCE:				
Beginning of year			5,467,296	
End of year			$ 6,236,057	

GRAND LEDGE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2017	2016	2015	2014
Reporting Unit's proportion of net pension liability (%)	0.30924%	0.29706%	0.29989%	0.29207%
Reporting Unit's proportionate share of net pension liability	$ 80,137,878	$ 74,114,212	$ 73,248,599	$ 64,333,440
Reporting Unit's covered-employee payroll	$ 26,065,957	$ 25,411,906	$ 25,047,090	$ 24,861,410
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	307.44%	291.65%	292.44%	258.77%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

GRAND LEDGE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2018	2017	2016	2015
Statutorily required contributions	$ 8,105,353	$ 7,166,476	$ 6,508,076	$ 5,345,104
Contributions in relation to statutorily required contributions	8,105,353	7,166,476	6,508,076	5,345,104
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Reporting Unit's covered-employee payroll	$ 26,368,179	$ 26,353,064	$ 24,781,377	$ 25,311,511
Contributions as a percentage of covered-employee payroll	30.74%	27.19%	26.26%	21.12%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

GRAND LEDGE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)

	2017
Reporting Unit's proportion of net OPEB liability (%)	0.30865%
Reporting Unit's proportionate share of net OPEB liability	$ 27,332,217
Reporting Unit's covered-employee payroll	$ 26,065,957
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	104.86%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, Reporting Units should present information for those years for which information is

GRAND LEDGE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)

	2018
Statutorily required contributions	$ 2,249,686
Contributions in relation to statutorily required contributions	2,249,686
Contribution deficiency (excess)	$ -
Reporting Unit's covered-employee payroll	$ 26,368,179
Contributions as a percentage of covered-employee payroll	8.53%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, Reporting Units should present information for those years for which information is available.

GRAND LEDGE PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

Changes of benefits terms: There were no changes of benefit terms in 2017

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

ADDITIONAL SUPPLEMENTARY INFORMATION

GRAND LEDGE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2018

	Special revenue	Debt service	Capital projects	Total nonmajor funds
ASSETS				
ASSETS:				
Cash and cash equivalents	$ 415,932	$ 1,114,533	$ 2,179,263	$ 3,709,728
Accounts receivable	43,395	-	11,148	54,543
Intergovernmental receivables	20,580	-	-	20,580
Due from other funds	508,429	-	-	508,429
Prepaids	100,115	-	-	100,115
Inventories	36,469	-	-	36,469
TOTAL ASSETS	$ 1,124,920	$ 1,114,533	$ 2,190,411	$ 4,429,864
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 19,477	$ -	$ 331,598	$ 351,075
Accrued salaries and related items	29,596	-	-	29,596
Accrued retirement	10,373	-	-	10,373
Due to other funds	146,850	-	-	146,850
Unearned revenue	61,548	-	-	61,548
TOTAL LIABILITIES	267,844	-	331,598	599,442

		Special revenue		Debt service		Capital projects		Total nonmajor funds
FUND BALANCES:								
Nonspendable:								
Inventories	$	36,469	$	-	$	-	$	36,469
Prepaids		100,115		-		-		100,115
Restricted for:								
Debt service		-		1,114,533		-		1,114,533
Capital projects		-		-		342,771		342,771
Special revenue food service		218,085		-		-		218,085
Assigned for:								
Community service		487,697		-		-		487,697
Capital projects		-		-		1,516,042		1,516,042
School store		14,710		-		-		14,710
TOTAL FUND BALANCES		857,076		1,114,533		1,858,813		3,830,422
TOTAL LIABILITIES AND FUND BALANCES	$	1,124,920	$	1,114,533	$	2,190,411	$	4,429,864

GRAND LEDGE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2018

	Special revenue	Debt service	Capital projects	Total nonmajor funds
REVENUES:				
Local sources:				
Property taxes	$ -	$ 5,793,858	$ 1,099,987	$ 6,893,845
Investment earnings	845	6,359	1,750	8,954
Food sales and other	2,792,147	-	-	2,792,147
Other	289,833	264	197,698	487,795
Total local sources	3,082,825	5,800,481	1,299,435	10,182,741
State sources	89,734	-	1,765	91,499
Federal sources	728,924	-	-	728,924
Total revenues	3,901,483	5,800,481	1,301,200	11,003,164
EXPENDITURES:				
Current:				
Food service activities	1,670,097	-	-	1,670,097
Community service activity	1,911,439	-	-	1,911,439
School store	23,448	-	-	23,448
Capital outlay	-	-	1,730,219	1,730,219
Debt service:				
Principal repayment	-	3,260,000	-	3,260,000
Interest expense	-	1,987,650	-	1,987,650
Other expense	-	4,045	-	4,045
Total expenditures	3,604,984	5,251,695	1,730,219	10,586,898
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	296,499	548,786	(429,019)	416,266
OTHER FINANCING SOURCES (USES):				
Transfers in	-	3,843	400,000	403,843
Transfers out	(60,000)	(3,843)	(17,962)	(81,805)
Total other financing sources (uses)	(60,000)	-	382,038	322,038
NET CHANGE IN FUND BALANCES	236,499	548,786	(46,981)	738,304
FUND BALANCES:				
Beginning of year	620,577	565,747	1,905,794	3,092,118
End of year	$ 857,076	$ 1,114,533	$ 1,858,813	$ 3,830,422

GRAND LEDGE PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Food service	Community service	School store	Totals
ASSETS				
ASSETS:				
Cash and cash equivalents	$ 401,222	$ -	$ 14,710	$ 415,932
Accounts receivable	2,936	40,459	-	43,395
Intergovernmental receivables	20,580	-	-	20,580
Due from other funds	-	508,429	-	508,429
Prepaids	100,000	115	-	100,115
Inventories	32,457	-	4,012	36,469
TOTAL ASSETS	$ 557,195	$ 549,003	$ 18,722	$ 1,124,920
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 13,047	$ 6,430	$ -	$ 19,477
Accrued salaries and related items	247	29,349	-	29,596
Accrued retirement	86	10,287	-	10,373
Due to other funds	146,850	-	-	146,850
Unearned revenue	46,423	15,125	-	61,548
TOTAL LIABILITIES	206,653	61,191	-	267,844
FUND BALANCES:				
Nonspendable:				
Inventories	32,457	-	4,012	36,469
Prepaids	100,000	115	-	100,115
Restricted for food service	218,085	-	-	218,085
Assigned for:				
Community service	-	487,697	-	487,697
School store	-	-	14,710	14,710
TOTAL FUND BALANCES	350,542	487,812	18,722	857,076
TOTAL LIABILITIES AND FUND BALANCES	$ 557,195	$ 549,003	$ 18,722	$ 1,124,920

GRAND LEDGE PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018

	Food service	Community service	School store	Totals
REVENUES:				
Sales	$ 933,322	$ 1,838,724	$ 20,101	$ 2,792,147
State aid	89,734	-	-	89,734
Federal aid	728,924	-	-	728,924
Investment earnings	833	-	12	845
Other	10,661	279,172	-	289,833
Total revenues	1,763,474	2,117,896	20,113	3,901,483
EXPENDITURES:				
Salaries	422,609	1,019,563	-	1,442,172
Benefits	199,580	513,303	-	712,883
Purchased services	245,351	37,179	-	282,530
Supplies and materials	755,332	163,463	13,040	931,835
Capital outlay	22,698	25,177	-	47,875
Other expenses	24,527	152,754	10,408	187,689
Total expenditures	1,670,097	1,911,439	23,448	3,604,984
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	93,377	206,457	(3,335)	296,499
OTHER FINANCING SOURCES (USES):				
Transfers out	(60,000)	-	-	(60,000)
NET CHANGE IN FUND BALANCES	33,377	206,457	(3,335)	236,499
FUND BALANCES:				
Beginning of year	317,165	281,355	22,057	620,577
End of year	$ 350,542	$ 487,812	$ 18,722	$ 857,076

GRAND LEDGE PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	2015 Refunding	2016 Refunding	Totals
ASSETS			
ASSETS:			
Cash and cash equivalents	$ 324,334	$ 790,199	$ 1,114,533
FUND BALANCES			
FUND BALANCES:			
Restricted for debt service	$ 324,334	$ 790,199	$ 1,114,533

GRAND LEDGE PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018

	2007	2015 Refunding	2016 Refunding	Totals
REVENUES:				
Local sources:				
Property taxes	$ 898	$ 3,263,719	$ 2,529,241	$ 5,793,858
Interest	-	3,477	2,882	6,359
Other	72	-	192	264
Total revenues	970	3,267,196	2,532,315	5,800,481
EXPENDITURES:				
Principal repayment	-	2,315,000	945,000	3,260,000
Interest expense	-	945,750	1,041,900	1,987,650
Other	47	940	3,058	4,045
Total expenditures	47	3,261,690	1,989,958	5,251,695
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	923	5,506	542,357	548,786
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	3,843	3,843
Transfers out	(3,843)	-	-	(3,843)
Total other financing sources (uses)	(3,843)	-	3,843	-
NET CHANGE IN FUND BALANCES	(2,920)	5,506	546,200	548,786
FUND BALANCES:				
Beginning of year	2,920	318,828	243,999	565,747
End of year	$ -	$ 324,334	$ 790,199	$ 1,114,533

GRAND LEDGE PUBLIC SCHOOLS
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Sinking fund	Technology capital projects	Totals
ASSETS			
ASSETS:			
Cash	$ 674,369	$ 1,504,894	$ 2,179,263
Accounts receivable	-	11,148	11,148
TOTAL ASSETS	$ 674,369	$ 1,516,042	$ 2,190,411
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 331,598	$ -	$ 331,598
TOTAL LIABILITIES	331,598	-	331,598
FUND BALANCES:			
Restricted for capital projects	342,771	-	342,771
Assigned for capital projects	-	1,516,042	1,516,042
TOTAL FUND BALANCES	342,771	1,516,042	1,858,813
TOTAL LIABILITIES AND FUND BALANCES	$ 674,369	$ 1,516,042	$ 2,190,411

GRAND LEDGE PUBLIC SCHOOLS
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018

	Sinking fund	Technology capital projects	Totals
REVENUES:			
Local sources:			
Property taxes	$ 1,099,987	$ -	$ 1,099,987
Telecommunications rights revenue	-	197,698	197,698
Investment income	419	1,331	1,750
State sources	1,765	-	1,765
Total revenues	1,102,171	199,029	1,301,200
EXPENDITURES:			
Capital outlay	1,730,219	-	1,730,219
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(628,048)	199,029	(429,019)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	400,000	400,000
Transfers out	-	(17,962)	(17,962)
Total other financing sources (uses)	-	382,038	382,038
NET CHANGE IN FUND BALANCES	(628,048)	581,067	(46,981)
FUND BALANCES:			
Beginning of year	970,819	934,975	1,905,794
End of year	$ 342,771	$ 1,516,042	$ 1,858,813

GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE
REQUIREMENTS - 2015 REFUNDING
YEAR ENDED JUNE 30, 2018

$23,235,000 Bonds issued February 12, 2015.

Interest due			Debt service requirement for fiscal year	
May 1,	November 1,	Principal due May 1,	June 30,	Amount
$ 415,000	$ 415,000	$ 2,490,000	2019	$ 3,320,000
352,750	352,750	2,680,000	2020	3,385,500
285,750	285,750	2,880,000	2021	3,451,500
213,750	213,750	2,895,000	2022	3,322,500
141,375	141,375	2,845,000	2023	3,127,750
70,250	70,250	2,810,000	2024	2,950,500
$ 1,478,875	$ 1,478,875	$ 16,600,000		$ 19,557,750

The above bonds dated February 15, 2015 have interest rates from 5.00%.

GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE
REQUIREMENTS - 2016 REFUNDING
JUNE 30, 2018

$24,230,000 Bonds issued March 16, 2016.

Interest due			Debt service requirement for fiscal year	
May 1,	November 1,	Principal due May 1,	June 30,	Amount
$ 502,050	$ 502,050	$ 1,005,000	2019	$ 2,009,100
481,950	481,950	1,060,000	2020	2,023,900
460,750	460,750	1,115,000	2021	2,036,500
438,450	438,450	1,335,000	2022	2,211,900
411,750	411,750	1,330,000	2023	2,153,500
385,150	385,150	1,315,000	2024	2,085,300
358,850	358,850	1,305,000	2025	2,022,700
332,750	332,750	1,290,000	2026	1,955,500
306,950	306,950	1,280,000	2027	1,893,900
281,350	281,350	1,265,000	2028	1,827,700
256,050	256,050	1,250,000	2029	1,762,100
231,050	231,050	1,240,000	2030	1,702,100
206,250	206,250	1,225,000	2031	1,637,500
181,750	181,750	1,215,000	2032	1,578,500
151,375	151,375	1,215,000	2033	1,517,750
121,000	121,000	1,210,000	2034	1,452,000
90,750	90,750	1,210,000	2035	1,391,500
60,500	60,500	1,210,000	2036	1,331,000
30,250	30,250	1,210,000	2037	1,270,500
$ 5,288,975	$ 5,288,975	$ 23,285,000		$ 33,862,950

The above bonds dated March 16, 2016 have interest rates from 4.00% to 5.00%.

GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued revenue 7/1/2017	Prior year expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued revenue 6/30/2018	Current year cash transferred to subrecipient
Clusters:									
Child Nutrition Cluster - U.S. Department of Agriculture -									
Passed through Michigan Department of Education:									
Non-Cash Assistance (Commodities):									
National Lunch Program Commodities 2017-18	10.555		$ 112,710	$ -	$ -	$ 112,710	$ 112,710	$ -	$ -
Cash Assistance:									
National School Lunch Program - Section 11	10.555	171960	22,457	22,457	463,354	104,717	82,260	-	-
National School Lunch Program - Section 11	10.555	181960	551,181	-	-	463,057	468,921	5,864	-
National School Lunch Program (including commodities) Subtotal			686,348	22,457	463,354	680,484	663,891	5,864	-
National School Lunch Program - Breakfast	10.553	171970	3,008	3,008	54,167	10,359	7,351	-	-
National School Lunch Program - Breakfast	10.553	181970	64,818	-	-	56,419	57,467	1,048	-
National School Breakfast Program Subtotal			67,826	3,008	54,167	66,778	64,818	1,048	-
Total Child Nutrition Cluster			754,174	25,465	517,521	747,262	728,709	6,912	-
Team Nutrition Training Program	10.574		215	-	-	215	215	-	-
Total U.S. Department of Agriculture			754,389	25,465	517,521	747,477	728,924	6,912	-

The accompanying notes are an integral part of this schedule.

GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued revenue 7/1/2017	Prior year expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued revenue 6/30/2018	Current year cash transferred to subrecipient
U.S. Department of Education									
Passed through Michigan Department of Education:									
Title 1, Part A									
Title 1 Part A 1617	84.010	1715301617	$ 359,516	$ 51,338	$ 345,314	$ 56,194	$ 4,856	$ -	$ -
Title 1 Part A 1718	84.010	1815301718	401,762	-	-	340,752	395,832	55,080	-
Total Title I Part A			761,278	51,338	345,314	396,946	400,688	55,080	-
Title I, Part D									
Title I Part D	84.013	1717001617	86,350	375	55,509	14,217	13,842	-	-
Title I Part D	84.013	1817001718	91,319	-	-	69,371	71,163	1,792	-
Total Title I Part D			177,669	375	55,509	83,588	85,005	1,792	-
Title II, Part A - Improving teacher quality									
Title II Part A	84.367	1705201617	148,434	-	93,393	1,662	1,662	-	-
Title II Part A	84.367	1805201718	175,851	-	-	94,915	94,915	-	-
Total Title II Part A			324,285	-	93,393	96,577	96,577	-	-
Title III - Limited English									
Title III	84.365	1705801617	20,518	3,226	12,562	3,301	75	-	-
Title III	84.365	1805801718	17,936	-	-	10,953	13,931	2,978	3,164
Total Title III			38,454	3,226	12,562	14,254	14,006	2,978	3,164
Title IV, Part A - SSAE									
Title IV Part A	84.424A	1807501718	10,000	-	-	1,588	1,588	-	-
Total passed through the Michigan Department of Education			1,311,686	54,939	506,778	592,953	597,864	59,850	3,164

The accompanying notes are an integral part of this schedule.

GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through grantor's number	Award amount	Accrued revenue 7/1/2017	Prior year expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued revenue 6/30/2018	Current year cash transferred to subrecipient
U.S. Department of Education (Concluded):									
Passed through the Eaton Intermediate School District:									
IDEA Flowthrough									
IDEA Flowthrough 1617	84.027A	1704501617	$ 1,256,287	$ 192,917	$ 1,248,704	$ 194,310	$ 1,393	$ -	$ -
IDEA Flowthrough 1718	84.027A	1804501718	3,186,275	-	-	2,507,000	2,948,359	441,359	-
Total IDEA Flowthrough			4,442,562	192,917	1,248,704	2,701,310	2,949,752	441,359	-
Medicaid Assistance Program:									
Medicaid Outreach 1718	93.778		5,350	-	9,490	5,350	5,350	-	-
Total passed through the Eaton Intermediate School District			4,447,912	192,917	1,258,194	2,706,660	2,955,102	441,359	-
Total U.S. Department of Education			5,759,598	247,856	1,764,972	3,299,613	3,552,966	501,209	3,164
TOTAL FEDERAL AWARDS			$ 6,513,987	$ 273,321	$ 2,282,493	$ 4,047,090	$ 4,281,890	$ 508,121	$ 3,164

The accompanying notes are an integral part of this schedule.

GRAND LEDGE PUBLIC SCHOOLS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

1. Basis of Presentation - The accompanying Schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Grand Ledge Public Schools under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Grand Ledge Public Schools, it is not intended to and does not present the financial position or changes in net position of Grand Ledge Public Schools.

2. Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Grand Ledge Public Schools has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Management has utilized the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.

4. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	$ 3,552,966
Other nonmajor governmental fund	728,924
Total federal expenditures	$ 4,281,890

5. Of the Federal expenditures presented in the schedule of expenditures of federal awards, Grand Ledge Public Schools provided federal awards to subrecipients reported below.

U.S. Department of Education:	
Passed through the Michigan Department of Education:	
Title III	
Passed through to: Eaton Rapids Public Schools	
Federal CFDA number	84.365
Pass-through grantor's number	1805801718
Subrecipient award amount	$ 3,164
Subrecipient current year expenditures	3,164
Current year cash transferred to subrecipent	3,164
Total passed through to subrecipients	$ 3,164

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INDEPENDENT AUDITOR'S 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*

To the Board of Education
Grand Ledge Public Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grand Ledge Public Schools as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Grand Ledge Public Schools' basic financial statements and have issued our report thereon dated September 6, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 Grand Ledge Public Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maner Costerisan PC

September 6, 2018

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education
Grand Ledge Public Schools

Report on Compliance for Each Major Federal Program

We have audited Grand Ledge Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Grand Ledge Public Schools' major federal programs for the year ended June 30, 2018. Grand Ledge Public Schools' major federal programs are 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 federal statues, 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 Grand Ledge Public Schools' 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* (CFR) 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 Grand Ledge Public Schools' 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 unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Grand Ledge Public Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Grand Ledge Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Grand Ledge Public Schools 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 Grand Ledge Public Schools' 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 the 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 Grand Ledge Public Schools' 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maner Costerisan PC

September 6, 2018

GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	*Unmodified*			
➢ Material weakness(es) identified:		Yes	X	No
➢ Significant deficiency(ies) identified?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
➢ Material weakness(es) identified:		Yes	X	No
➢ Significant deficiency(ies) identified?		Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	*Unmodified*			
Any audit findings disclosed that are required to be reported with Title 2 CFR Section 200.516(a)?		Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027A	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs:	$	750,000		
Auditee qualified as low-risk auditee?	X	Yes		No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

There were no audit findings in either of the prior two years.