

GRAND LEDGE PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2017

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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, 2017, 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*, issue 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, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 August 30, 2017 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.

Maney Costeiran PC

August 30, 2017

**Grand Ledge Public Schools
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2017**

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, 2017.

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

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 and 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 was more on June 30, 2017 than the year before, increasing from (\$32,518,475) to (\$29,314,637).

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Current and other assets	\$ 16,361,801	\$ 18,552,129
Capital assets, net of depreciation	76,205,503	77,265,060
Total assets	<u>92,567,304</u>	<u>95,817,189</u>
Deferred outflows of resources	<u>12,257,390</u>	<u>10,938,192</u>
Other liabilities	11,400,362	14,409,623
Noncurrent liabilities	45,594,812	49,370,044
Net pension liability	74,114,212	73,248,599
Total liabilities	<u>131,109,386</u>	<u>137,028,266</u>
Deferred inflows of resources	<u>3,029,945</u>	<u>2,245,590</u>
Net position:		
Net investment in capital assets	28,775,393	25,965,940
Restricted	1,205,291	2,064,504
Unrestricted	<u>(59,295,321)</u>	<u>(60,548,919)</u>
Total net position	<u>\$ (29,314,637)</u>	<u>\$ (32,518,475)</u>

Analysis of Financial Position

During fiscal year ended June 30, 2017, the District's net position increased by \$3,203,838. 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 \$763,475 for the fiscal year ended June 30, 2017. When Other Financing Sources (Uses) are included, revenues exceeded expenditures and transfers by \$772,175. 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, 2017, the depreciation expense was \$3,550,497.

C. Capital Acquisitions

Capital outlay for the year ended June 30, 2017 totaled \$2,542,841. Capital outlay was offset by current year depreciation expense of \$3,550,497. The result was creating a decrease in net position from capital outlays of \$1,007,656.

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 \$3,450,000 of long-term debt during the year ended June 30, 2017.

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, 2017. With an increase in enrollment, total unrestricted revenue increased slightly in 2017. Property tax revenue levied for debt services also decreased due to a reduced tax levy resulting from the refunding of the 2005 and 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:	<u>2017</u>	<u>2016</u>
General revenue:		
Property taxes, levied for general purposes	\$ 7,320,750	\$ 7,008,246
Property taxes, levied for debt service	5,512,513	5,968,403
Property taxes, levied for sinking fund	1,054,723	1,018,854
State of Michigan aid, unrestricted	31,005,015	27,758,835
Interest and investment earnings	19,753	13,023
Other general revenue	<u>694,067</u>	<u>386,798</u>
Total general revenue	45,606,821	42,154,159
Program revenue:		
Charges for services	2,737,745	2,551,423
Operating grants and contributions	<u>13,151,223</u>	<u>11,356,788</u>
Total revenue	<u>61,495,789</u>	<u>56,062,370</u>
Expenses:		
Instruction	30,309,667	29,694,453
Supporting services	19,050,409	16,251,561
Food services	1,690,124	1,602,843
School store	24,762	26,315
Community services	1,451,850	1,110,088
Interest on long-term debt	2,214,642	2,149,750
Depreciation - unallocated	<u>3,550,497</u>	<u>3,538,778</u>
Total expenses	<u>58,291,951</u>	<u>54,373,788</u>
Change in net position	<u>\$ 3,203,838</u>	<u>\$ 1,688,582</u>

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 \$973,227 or 1.93% of total expenditures for the year ending June 30, 2017. The beginning fund balance was \$4,494,069 as of July 1, 2016 and the ending total fund balance was \$5,467,296 at June 30, 2017, which equates to 10.85% of total expenditures for the year.

B. Other Nonmajor Funds

Other non-major governmental funds experienced a decrease in fund balance of \$201,052 during the year. The beginning fund balance on July 1, 2017 was at \$3,293,170 and at June 30, 2017 the fund balance was \$3,092,118. The Sinking Fund and Technology Capital Projects Fund, approved by voters in September of 2002, finished its fifteenth year with a fund balance of \$1,905,794 up from \$1,783,004 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 beginning in 2013-14. The fund balance in the Food Service Fund decreased during the 2016-17 school year by \$31,291 for a total fund balance at year-end of \$317,165. 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.

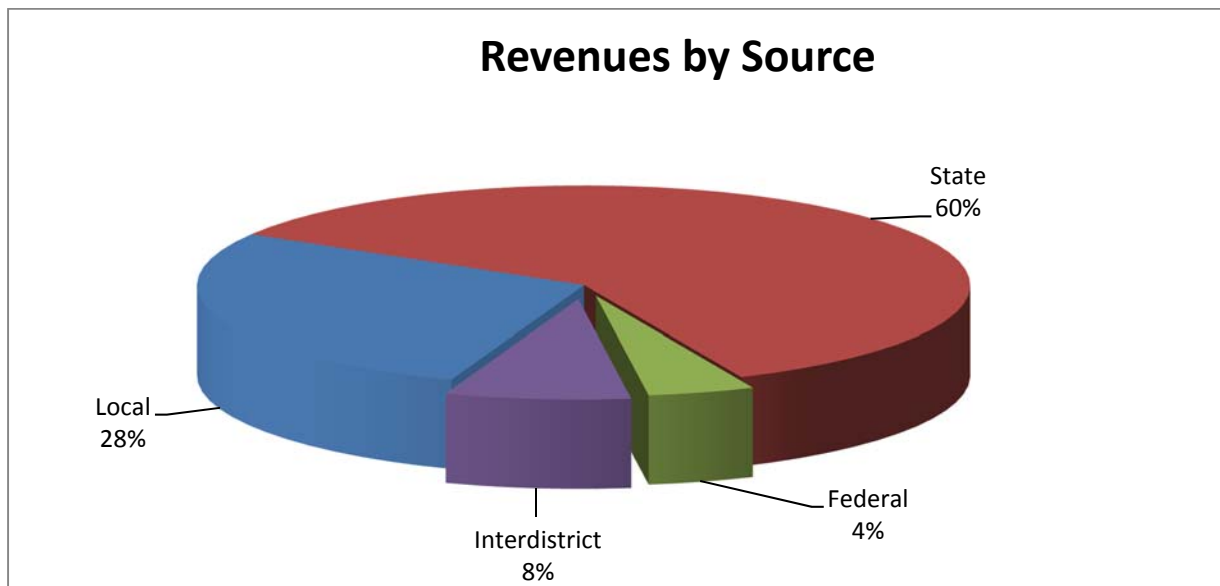
A. General Fund

In the General Fund, actual revenue was \$52.0 million. This is above the original budget estimate of \$48.5 million and in line with the final amended budgeted amount of \$52.0 million. The actual expenditures of the General Fund were \$50.4 million. This is above the original budget estimate of \$48.6 million and below the final amended budgeted amount of \$50.6 million, a variance of \$202,200 or 0.40%.

The General fund revenues exceeded expenditures by \$1,601,315 for the year ending June 30, 2017. After adjusting for net uses of Other Financing Sources and Uses of \$628,088 revenues exceeded expenditures by \$973,227. The ending fund balance in the General Fund for the year ending June 30, 2017 was \$5,467,296 (10.85%) of expenditures of \$50,386,535. For the prior year which ended **June 30, 2016**, the fund balance was \$4,494,069 (9.5%) on expenditures of \$47,307,670.

Governmental Fund Revenues

Revenues for all governmental funds totaled \$62.0 million for 2016/2017. The following graph illustrates the District's revenues by source as a percentage of total revenue:



A. Unrestricted State Aid

The District is predominantly funded by State Aid but funding has stagnated as Michigan's economy continues to recover from "The Great Recession." 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, 2017, the foundation allowance for Grand Ledge Public Schools was established at \$7,511, resulting in an increase of \$120 from the funding level for 2015-2016. Student enrollment for state aid for the 2016/2017 year was 5,267, an increase of 96 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 2016-2017 and the previous ten years:

<u>Year</u>	<u>Student enrollment</u>	<u>Change from prior year</u>	<u>Foundation allowance</u>	<u>Change from prior year</u>
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
2007/2008	5,357	13	7,307	107

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 2016, the District levied the full 18 mills on non-homestead property that is required to earn per pupil funding.

The District levied 4.18 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 \$5.5 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 82% of all expenditures within the governmental funds of the District. As of June 30, 2017, expenditures were \$61.2 million for all District programs. The ending fund equity for all funds was \$8.6 million.

	<u>Expenditures & other uses (in millions)</u>	<u>Percent of total</u>
General fund	\$ 50.4	82%
Other governmental funds	10.8	18%
Total	<u>\$ 61.2</u>	<u>100%</u>

Capital Asset and Debt Administration

A. Capital Assets

At June 30, 2017, the District had \$140 million invested in land, buildings, improvements, furniture and equipment, buses and other vehicles. Of this amount, \$64 million has been depreciated resulting in a net book value of \$76 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.

	<u>2017</u>	<u>2016</u>
Land	\$ 4,487,474	\$ 4,487,474
Construction in progress	1,081,509	-
Land improvements	6,067,510	5,805,993
Buildings	17,015,250	16,760,350
Building improvements	83,162,223	82,872,662
Equipment, computers and furnishing	23,776,248	24,822,601
Buses and other vehicles	<u>4,233,301</u>	<u>4,172,802</u>
Total	139,823,515	138,921,882
Less accumulated depreciation	<u>63,618,012</u>	<u>61,656,822</u>
Net capital assets	<u>\$ 76,205,503</u>	<u>\$ 77,265,060</u>

B. Long-Term Debt

At June 30, 2017, the District had \$49.0 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 worldwide economic downturn continues to have a negative impact on the domestic economy including our nation's public schools. In Michigan, the total funding level for public school districts is not keeping pace with increased costs of operations and state requirements. Per pupil funding for 2016-17 is only slightly above the per pupil level of 2008-09. On the positive side, the district continues to experience stable enrollment which helps stabilize total revenues. 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 has 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 as well as negotiating significant concessions from labor at the bargaining table.

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.

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 during the past two fiscal years 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, 2017**

	<u>Governmental activities</u>
ASSETS:	
Cash and cash equivalents	\$ 6,417,003
Investments	2,434,679
Receivables:	
Accounts receivable	26,424
Intergovernmental receivables	7,281,738
Inventories	62,157
Prepays	139,800
Capital assets not being depreciated	5,568,983
Capital assets net of accumulated depreciation	<u>70,636,520</u>
TOTAL ASSETS	<u>92,567,304</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	1,233,008
Related to pensions	<u>11,024,382</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>12,257,390</u>
LIABILITIES:	
Accounts payable	588,530
Accrued salaries and related items	3,277,329
Accrued retirement	1,260,399
Accrued interest	359,784
Unearned revenue	50,739
Notes payable	2,596,881
Noncurrent liabilities:	
Due within one year	3,266,700
Due in more than one year	45,594,812
Net pension liability	<u>74,114,212</u>
TOTAL LIABILITIES	<u>131,109,386</u>
DEFERRED INFLOWS OF RESOURCES:	
Related to pensions	747,546
Related to state aid funding for pension	<u>2,282,399</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,029,945</u>
NET POSITION:	
Net investment in capital assets	28,775,393
Restricted for capital projects (sinking fund)	970,819
Restricted for debt service	234,472
Unrestricted	<u>(59,295,321)</u>
TOTAL NET POSITION	<u>\$ (29,314,637)</u>

**GRAND LEDGE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants</u>	<u>Net (expense) revenue and changes in net position</u>
Governmental activities:				
Instruction	\$ 30,309,667	\$ -	\$ 7,750,713	\$ (22,558,954)
Support services	19,050,409	240,595	4,634,113	(14,175,701)
Community services	1,451,850	1,486,467	-	34,617
Food services	1,690,124	991,090	766,397	67,363
School store	24,762	19,593	-	(5,169)
Interest on long-term debt	2,214,642	-	-	(2,214,642)
Unallocated depreciation	3,550,497	-	-	(3,550,497)
Total governmental activities	<u>\$ 58,291,951</u>	<u>\$ 2,737,745</u>	<u>\$ 13,151,223</u>	<u>(42,402,983)</u>
General revenues:				
Property taxes, levied for general purposes				7,320,750
Property taxes, levied for debt service				5,512,513
Property taxes, levied for sinking fund				1,054,723
Investment earnings				19,753
State sources - unrestricted				31,005,015
Other				694,067
Total general revenues				<u>45,606,821</u>
CHANGE IN NET POSITION				3,203,838
NET POSITION, beginning of year				<u>(32,518,475)</u>
NET POSITION, end of year				<u>\$ (29,314,637)</u>

**GRAND LEDGE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General fund	Total nonmajor funds	Total governmental funds
ASSETS			
ASSETS:			
Cash and cash equivalents	\$ 3,633,149	\$ 2,783,854	\$ 6,417,003
Investments	2,434,679	-	2,434,679
Receivables:			
Accounts receivable	3,301	23,123	26,424
Intergovernmental receivables	7,244,015	37,723	7,281,738
Due from other funds	3,613	355,286	358,899
Inventories	30,934	31,223	62,157
Prepays	39,800	100,000	139,800
	\$ 13,389,491	\$ 3,331,209	\$ 16,720,700
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 442,517	\$ 146,013	\$ 588,530
Accrued salaries and related items	3,248,000	29,329	3,277,329
Accrued retirement	1,250,502	9,897	1,260,399
Accrued interest	28,509	-	28,509
Due to other funds	355,286	3,613	358,899
Notes payable	2,596,881	-	2,596,881
Unearned revenue	500	50,239	50,739
	7,922,195	239,091	8,161,286
FUND BALANCES:			
Nonspendable:			
Inventories	30,934	31,223	62,157
Prepays	39,800	100,000	139,800

See notes to financial statements.

	<u>General fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
FUND BALANCES (Concluded):			
Restricted for:			
Debt service	\$ -	\$ 565,747	\$ 565,747
Capital projects	-	970,819	970,819
Special revenue food service	-	194,856	194,856
Assigned for:			
Capital projects	-	934,975	934,975
Severance pay	198,394	-	198,394
Community service	-	281,355	281,355
School store	-	13,143	13,143
Unassigned:			
General Fund	5,198,168	-	5,198,168
TOTAL FUND BALANCES	<u>5,467,296</u>	<u>3,092,118</u>	<u>8,559,414</u>
LIABILITIES AND FUND BALANCES	<u>\$ 13,389,491</u>	<u>\$ 3,331,209</u>	<u>\$ 16,720,700</u>
Total governmental fund balances			\$ 8,559,414
Amounts reported for governmental activities in the statement of net position are different because:			
Deferred charges on refunding			1,233,008
Deferred outflows of resources - related to pensions		\$ 11,024,382	
Deferred inflows of resources - related to pensions		(747,546)	
Deferred inflows of resources - related to state pension funding		<u>(2,282,399)</u>	7,994,437
Capital assets used in governmental activities are not financial resources and are not reported in the funds:			
The cost of the capital assets is		\$ 139,823,515	
Accumulated depreciation is		<u>(63,618,012)</u>	76,205,503
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			(43,145,000)
Bond premium			(5,518,118)
Compensated absences and terminated benefits payable			(198,394)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid			(331,275)
Net pension liability			<u>(74,114,212)</u>
Net position of governmental activities			<u>\$ (29,314,637)</u>

See notes to financial statements.

**GRAND LEDGE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>General fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES:			
Local sources:			
Property taxes	\$ 7,320,750	\$ 6,567,236	\$ 13,887,986
Tuition	30,053	-	30,053
Investment earnings	19,396	1,190	20,586
Food sales and other	-	2,321,952	2,321,952
Other	734,387	335,560	1,069,947
Total local sources	8,104,586	9,225,938	17,330,524
State sources	37,035,923	69,610	37,105,533
Federal sources	2,053,680	696,787	2,750,467
Incoming transfers and other	4,793,661	-	4,793,661
Total revenues	51,987,850	9,992,335	61,980,185
EXPENDITURES:			
Current:			
Instruction	30,450,252	-	30,450,252
Supporting services	19,919,826	-	19,919,826
Food service activities	-	1,728,778	1,728,778

See notes to financial statements.

	<u>General fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
EXPENDITURES (Concluded):			
Current (Concluded):			
Community service activities	\$ 13,293	\$ 1,543,909	\$ 1,557,202
Payment to other districts	3,164	-	3,164
School store	-	24,762	24,762
Capital outlay	-	1,785,846	1,785,846
Debt service:			
Principal repayment	-	3,450,000	3,450,000
Interest expense	-	2,286,088	2,286,088
Other	-	10,792	10,792
Total expenditures	<u>50,386,535</u>	<u>10,830,175</u>	<u>61,216,710</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,601,315</u>	<u>(837,840)</u>	<u>763,475</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of capital assets	8,700	-	8,700
Transfers in	263,212	1,549,157	1,812,369
Transfers out	(900,000)	(912,369)	(1,812,369)
Total other financing sources (uses)	<u>(628,088)</u>	<u>636,788</u>	<u>8,700</u>
NET CHANGE IN FUND BALANCES	973,227	(201,052)	772,175
FUND BALANCES:			
Beginning of year	4,494,069	3,293,170	7,787,239
End of year	<u>\$ 5,467,296</u>	<u>\$ 3,092,118</u>	<u>\$ 8,559,414</u>

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, 2017

Net change in fund balances total governmental funds	\$ 772,175
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	(3,550,497)
Capital outlay	2,542,841
Loss on disposal of capital assets	(51,901)
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	402,721
Accrued interest payable, end of the year	(331,275)
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	3,450,000
Amortization of deferred charge on refunding	(91,041)
Amortization of bond premium	510,051
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Deferred inflows of resources - unavailable revenue, beginning of the year	(213,988)
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	202,875
Accrued compensated absences and termination benefits, end of the year	(198,394)
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:	
Pension related items	39,706
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:	
State aid funding for pension, beginning of year	2,002,964
State aid funding for pension, end of year	(2,282,399)
Change in net position of governmental activities	\$ 3,203,838

**GRAND LEDGE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017**

	Agency fund	Private Purpose Trust Fund
ASSETS		
ASSETS:		
Cash and cash equivalents	\$ 446,339	\$ 42,722
LIABILITIES AND NET POSITION		
LIABILITIES:		
Due to student and other groups	446,339	-
NET POSITION:		
Reserved for trust activities	-	42,722
TOTAL NET POSITION	\$ -	\$ 42,722

**GRAND LEDGE PUBLIC SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2017**

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Interest earnings	\$ 254
DEDUCTIONS:	
Scholarships awarded	<u>1,981</u>
CHANGE IN NET POSITON	(1,727)
NET POSITION:	
Beginning of year	<u>44,449</u>
End of year	<u><u>\$ 42,722</u></u>

**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, intergovernmental revenues, and other nonexchange transactions.

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 and fiduciary funds, even though the latter 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 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.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO 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.

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.

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.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 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.

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.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

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.

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.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30, 2017. The District does not consider these amendments to be significant.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 three 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.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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 two 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 additions	50
Furniture and equipment	5 - 20
Transportation equipment	8

5. Defined benefit plan

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

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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 two items that qualify for reporting in this category. They are the deferred charge on refunding and pension 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 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 two items that qualifies for reporting in this category. The first is the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary. The second is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period.

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.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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, 2017, 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	4.18
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.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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, 2017, the District had the following investments:

<u>Investment Type</u>	<u>Fair value</u>	<u>Weighted average maturity (years)</u>	<u>Standard & Poor's Rating</u>	<u>%</u>
MILAF External Investment pool - MIMAX	\$ 798,318	0.0027	AAAm	33%
Michigan Class	<u>1,636,361</u>	0.0027	AAAm	<u>67%</u>
Total fair value	<u>\$ 2,434,679</u>			<u>100%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

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, 2017, the fair value of the District’s investments is the same as the value of the pool shares.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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, 2017, 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, 2017, \$7,850,114 of the District’s bank balance of \$8,252,442 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 \$6,906,064. 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.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

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 \$489,061	\$ 6,906,064
Investments	<u>2,434,679</u>
	<u><u>\$ 9,340,743</u></u>

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

Cash - fiduciary funds	\$ 489,061
Cash - district-wide	6,417,003
Investments	<u>2,434,679</u>
	<u><u>\$ 9,340,743</u></u>

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS

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

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
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	4,487,474	1,081,509	-	5,568,983
Capital assets, being depreciated:				
Land improvements	5,805,993	261,517	-	6,067,510
Buildings	16,760,350	254,900	-	17,015,250
Building improvements	82,872,662	289,561	-	83,162,223
Equipment, computers and furnishing	24,822,601	351,372	1,397,725	23,776,248
School buses and other vehicles	4,172,802	303,982	243,483	4,233,301
Total capital assets, being depreciated	134,434,408	1,461,332	1,641,208	134,254,532
Accumulated depreciation:				
Land improvements	1,973,324	289,301	-	2,262,625
Buildings	10,803,653	268,753	-	11,072,406
Building improvements	24,183,231	2,113,991	-	26,297,222
Equipment, computers and furnishing	22,116,967	611,458	1,345,824	21,382,601
School buses and other vehicles	2,579,647	266,994	243,483	2,603,158
Total accumulated depreciation	61,656,822	3,550,497	1,589,307	63,618,012
Net capital assets being depreciated	72,777,586	(2,089,165)	51,901	70,636,520
Net governmental capital assets	<u>\$ 77,265,060</u>	<u>\$ (2,089,165)</u>	<u>\$ 51,901</u>	<u>\$ 76,205,503</u>

Depreciation for the fiscal year ended June 30, 2017 amounted to \$3,550,497. 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, 2017 consist of the following:

Other governmental units:	
State aid	\$ 6,761,418
Federal grants and other pass-through agencies	273,321
Other	246,999
	<u>\$ 7,281,738</u>

No allowance for doubtful accounts is considered necessary.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - NOTES PAYABLE - STATE AID ANTICIPATION NOTES

At June 30, 2017, the District issued state aid anticipation notes payable outstanding of \$3,000,000. Note 2016 C-1 and C-2 required payments to an irrevocable set-aside account of approximately \$161,000 and \$242,000 at June 30, 2017, respectively. 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
2016 C-1	\$ 199,878	1.0000%	July 20, 2017
2016 C-2	300,122	0.7600%	July 20, 2017
2016 C-3	2,500,000	1.2000%	August 21, 2017

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

Balance June 30, 2016	Additions	Payments	Balance June 30, 2017
\$ 3,792,057	\$ 3,000,000	\$ 4,195,176	\$ 2,596,881

Subsequent to year-end, the District set aside an additional amount to pay off the note principal and related interest expense. The District has approved a note payable of \$3,000,000 for the fiscal year ending June 30, 2018.

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, 2017:

	Accumulated compensated absences	Accumulated terminated benefits	Bonds and other debt	Total
Balance, July 1, 2016	\$ 170,682	\$ 32,193	\$ 52,623,169	\$ 52,826,044
Additions	-	12,264	-	12,264
Deletions	16,745	-	3,960,051	3,976,796
Balance, June 30, 2017	153,937	44,457	48,663,118	48,861,512
Due within one year	3,100	3,600	3,260,000	3,266,700
Due in more than one year	\$ 150,837	\$ 40,857	\$ 45,403,118	\$ 45,594,812

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT (Concluded)

Long-term obligation debt at June 30, 2017 is comprised of the following:

Serial bond due in annual installments of \$2,315,000 to \$2,895,000 from May 1, 2017 through May 1, 2024, interest at 5.00%.	\$ 18,915,000
Serial bond due in annual installments of \$945,000 to \$1,335,000 from May 1, 2018 through May 1, 2037, interest at 4.00% to 5.00%.	24,230,000
Plus: premiums on bond refundings	<u>5,518,118</u>
Total bonded debt	48,663,118
Obligation under contract for compensated absences	153,937
Obligation under contract for terminated benefits	<u>44,457</u>
Total general long-term debt	<u><u>\$ 48,861,512</u></u>

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, 2017, \$97,920,000 of bonds outstanding are considered defeased.

The annual requirement to amortize debt outstanding as of June 30, 2017, including interest payments of \$15,523,350 are as follows:

Year ending June 30,	Principal	Interest	Total
2018	\$ 3,260,000	\$ 1,987,650	\$ 5,247,650
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 - 2027	12,175,000	4,014,150	16,189,150
2028 - 2032	6,195,000	2,312,900	8,507,900
2033 - 2037	6,055,000	907,750	6,962,750
	43,145,000	15,523,350	58,668,350
Premiums on bond refundings	5,518,118	-	5,518,118
Accumulated compensated absences	153,937	-	153,937
Accumulated terminated benefits	44,457	-	44,457
	<u>\$ 48,861,512</u>	<u>\$ 15,523,350</u>	<u>\$ 64,384,862</u>

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2017 are as follows:

Receivable fund		Payable fund	
General fund	\$ 3,613	General fund	\$ 355,286
Special revenue funds	355,286	Debt service funds	3,583
	<u>\$ 358,899</u>	Capital projects fund	30
			<u>\$ 358,899</u>

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/mpsers-cafr.

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.

Benefits Provided

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

<u>Plan name</u>	<u>Plan Type</u>	<u>Plan status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Benefits Provided (Concluded)

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. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund. Members who elected under option 1 to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP).

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Regular Retirement (no reduction factor for age)

Eligibility - 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.

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation.

Pension Plus

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

Option 1 - Credited Service after the Transition Date times 1.5% times FAC.

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

Option 3 - Credited Service after the Transition Date times 1.25% times FAC.

Option 4 - None (Member will receive benefit through a Defined Contribution plan). As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS.

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.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7%. Plan members electing the defined contribution plan are not required to make additional contributions.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

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 Post-Employment 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. The unfunded (overfunded) actuarial accrued liability as of September 30, 2016 valuation will be amortized over a 20-year period for fiscal 2016.

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:

October 1, 2015 - September 30, 2016	14.56% - 18.95%
October 1, 2016 - September 30, 2017	15.27% - 19.03%

The District's pension contributions for the year ended June 30, 2017 were equal to the required contribution total. Pension contributions were approximately \$7,418,000, with \$7,166,000 specifically for the Defined Benefit Plan. These amounts include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (72.88% for pension and 27.12% for OPEB).

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

Pension Liabilities

At June 30, 2017, the District reported a liability of \$74,114,212 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2015 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, 2016 and 2015, the District's proportion was .29706 and .29989 percent.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

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

Pension Liabilities (Concluded)

<u>MPERS (Plan) Non-university employers:</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Total Pension Liability	\$ 67,917,445,078	\$ 66,312,041,902
Plan Fiduciary Net Position	\$ 42,968,263,308	\$ 41,887,015,147
Net Pension Liability	\$ 24,949,181,763	\$ 24,425,026,755
Proportionate share	0.29706%	0.29989%
Net Pension liability for the District	\$ 74,114,212	\$ 73,248,599

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

For the year ended June 30, 2017, the District recognized pension expense of \$7,126,000.

At June 30, 2017, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 1,065,915	\$ (571,893)
Differences between expected and actual experience	923,659	(175,653)
Changes of assumptions	1,158,718	-
Net difference between projected and actual plan investments earnings	1,231,778	-
Reporting Unit's contributions subsequent to the measurement date	6,644,312	-
	<u>\$ 11,024,382</u>	<u>\$ (747,546)</u>

\$6,644,312, 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.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded)

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
2017	\$ 818,547
2018	721,680
2019	1,905,981
2020	186,316

Actuarial Assumptions

Investment rate of return - 8.0% 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).

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

Inflation - 2.5%

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projection scale BB for men and women were used.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2015. 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 plan investments - The rate was **8% (7%** Pension Plus Plan) 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.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Actuarial Assumptions (Concluded)

The target asset allocation at September 30, 2016 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.00%	5.90%
Alternate Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate and Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short Term Investment Pools	2.00%	0.00%
	<u>100.00%</u>	

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

Discount rate - The discount rate used to measure the total pension liability was **8%** (7% for Pension Plus Plan). The discount rate did not change from the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate -The following presents the Reporting Unit's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7% 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:

	<u>1% Decrease (6% - 7.0%)</u>	<u>Discount Rate (7% - 8.0%)</u>	<u>1% Increase (8% - 9.0%)</u>
Reporting Unit's proportionate share of the net pension liability	<u>\$ 95,440,449</u>	<u>\$ 74,114,212</u>	<u>\$ 56,134,143</u>

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2016 Comprehensive Annual Financial Report.

Payable to the Pension Plan - At year end the School District is current on all required pension 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 funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

Other Information

Discount Rate - Assumed Rate of Return

On February 23, 2017, in accordance with PA 300 of 1980, as amended, the Michigan Public Schools Employees' Retirement System's Board approved a decrease in the assumed investment rate of return (discount rate) used in the System's annual actuarial valuation for the non-hybrid defined benefit pension plan from 8% to 7.5% effective for the fiscal year 2016 valuation and following.

The September 30, 2016 Annual Actuarial Valuation Report will be used to establish the employer contribution for fiscal year beginning October 1, 2018 and will be based upon the 7.5% investment rate of return assumption. The actuarial computed employer contributions and the net pension liability will increase as a result of lowering the assumed investment rate of return.

Pension Reform 2017

Senate Bill 401, amends the Public School Employees Retirement Act (PA 300 of 1980, as amended).

The bill closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new option revised hybrid plan with similar plan benefit calculations but contains 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 would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The bill includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Benefit Provisions - Other Postemployment

Introduction

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. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, 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.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

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.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RETIREMENT AND POST RETIREMENT BENEFITS (Concluded)

Employer Contributions

The employer contribution rate ranged from 5.52% to 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015, 2.2% to 2.71% of covered payroll for the period from March 10, 2015 to September 30, 2015, and from 6.4% to 6.83% of covered payroll for the period from October 1, 2015 through September 30, 2016 5.69% to 5.91% of covered payroll for the period from October 1, 2016 through September 30, 2017 dependent upon the employee's date of hire and plan election.

The District postemployment healthcare contributions to MPSERS for the years ended June 30, 2017, 2016 and 2015 were approximately \$2,400,000, \$2,600,000 and \$2,800,000.

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 \$900,000 from the general fund to the technology capital projects fund was to allocate funds for future technology purchases expenditures. The transfer of \$649,157 from the 2007 debt fund to the 2016 refunding debt fund was to establish a separate debt fund for the 2016 refunding.

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.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - TAX ABATEMENTS

Effective for the year ended June 30, 2017 the District is required to disclose significant tax abatements as required by GASB statement 77 (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	\$ 122,876
City of Grand Ledge	14,186
City of Lansing	843,177
Oneida Township	50,839
	\$ 1,031,078

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 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued by the GASB in June 2015 and will be effective for the District’s 2018 fiscal year. The Statement requires governments that participate in defined benefit other post-employment 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. Statement No.75 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.

**GRAND LEDGE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS (Concluded)

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.

REQUIRED SUPPLEMENTARY INFORMATION

**GRAND LEDGE PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	\$ 7,359,546	\$ 8,093,840	\$ 8,104,586	\$ 10,746
State sources	36,768,280	36,988,732	37,035,923	47,191
Federal sources	1,540,777	2,170,129	2,053,680	(116,449)
Incoming transfers and other	2,849,860	4,779,336	4,793,661	14,325
Total revenues	<u>48,518,463</u>	<u>52,032,037</u>	<u>51,987,850</u>	<u>(44,187)</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	23,018,961	23,118,354	23,190,008	(71,654)
Added needs	8,355,307	7,446,437	7,257,212	189,225
Community education	-	3,031	3,032	(1)
Total instruction	<u>31,374,268</u>	<u>30,567,822</u>	<u>30,450,252</u>	<u>117,570</u>
Supporting services:				
Pupil	2,077,216	3,876,698	3,867,649	9,049
Instructional staff	1,487,956	2,177,451	2,069,489	107,962
General administration	698,351	662,748	646,534	16,214
School administration	2,406,569	2,325,845	2,338,550	(12,705)
Business	661,044	640,427	667,893	(27,466)
Operation/maintenance	4,334,860	4,122,976	4,163,372	(40,396)
Pupil transportation	3,440,982	3,620,062	3,607,356	12,706
Central	1,237,330	1,623,697	1,578,539	45,158
Athletics	913,962	944,546	980,444	(35,898)
Total supporting services	<u>17,258,270</u>	<u>19,994,450</u>	<u>19,919,826</u>	<u>74,624</u>
Community services	13,220	23,299	13,293	10,006
Payments to other school districts	3,890	3,164	3,164	-
Total expenditures	<u>48,649,648</u>	<u>50,588,735</u>	<u>50,386,535</u>	<u>202,200</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(131,185)</u>	<u>1,443,302</u>	<u>1,601,315</u>	<u>158,013</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	140,000	263,212	263,212	-
Transfers out	-	(900,000)	(900,000)	-
Sale of capital assets	25,000	8,700	8,700	-
Total other financing sources (uses)	<u>165,000</u>	<u>(628,088)</u>	<u>(628,088)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 33,815</u>	<u>\$ 815,214</u>	<u>973,227</u>	<u>\$ 158,013</u>
FUND BALANCE:				
Beginning of year			<u>4,494,069</u>	
End of year			<u>\$ 5,467,296</u>	

**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 (AMOUNTS WERE DETERMINED
AS OF 9/30 OF EACH FISCAL YEAR)**

	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.29706%	0.29989%	0.29207%
Reporting unit's proportionate share of net pension liability	\$ 74,114,212	\$ 73,248,599	\$ 64,333,440
Reporting unit's covered-employee payroll	\$ 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 (%)	291.65%	292.44%	258.77%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	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 CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 6/30 OF EACH FISCAL YEAR)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 7,166,476	\$ 6,508,076	\$ 5,345,104
Contributions in relation to statutorily required contributions	<u>7,166,476</u>	<u>6,508,076</u>	<u>5,345,104</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 26,353,064	\$ 24,781,377	\$ 25,311,511
Contributions as a percentage of covered-employee payroll	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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

Changes of benefits terms: There were no changes of benefit terms in **2016**

Changes of assumptions: There were no changes of benefit assumptions in **2016**.

ADDITIONAL SUPPLEMENTARY INFORMATION

**GRAND LEDGE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2017**

	Special revenue	Debt service	Capital projects	Total nonmajor funds
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 227,495	\$ 571,565	\$ 1,984,794	\$ 2,783,854
Accounts receivable	12,300	-	10,823	23,123
Intergovernmental receivables	37,723	-	-	37,723
Due from other funds	355,286	-	-	355,286
Prepays	100,000	-	-	100,000
Inventories	31,223	-	-	31,223
	\$ 764,027	\$ 571,565	\$ 1,995,617	\$ 3,331,209
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 53,985	\$ 2,235	\$ 89,793	\$ 146,013
Accrued salaries and related items	29,329	-	-	29,329
Accrued retirement	9,897	-	-	9,897
Due to other funds	-	3,583	30	3,613
Unearned revenue	50,239	-	-	50,239
	143,450	5,818	89,823	239,091

	<u>Special revenue</u>	<u>Debt service</u>	<u>Capital projects</u>	<u>Total nonmajor funds</u>
FUND BALANCES:				
Nonspendable:				
Inventories	\$ 31,223	\$ -	\$ -	\$ 31,223
Prepays	100,000	-	-	100,000
Restricted for:				
Debt service	-	565,747	-	565,747
Capital projects	-	-	970,819	970,819
Special revenue food service	194,856	-	-	194,856
Assigned for:				
Community service	281,355	-	-	281,355
Capital projects	-	-	934,975	934,975
School store	13,143	-	-	13,143
	<u>620,577</u>	<u>565,747</u>	<u>1,905,794</u>	<u>3,092,118</u>
TOTAL FUND BALANCES				
	<u>\$ 764,027</u>	<u>\$ 571,565</u>	<u>\$ 1,995,617</u>	<u>\$ 3,331,209</u>
TOTAL LIABILITIES AND FUND BALANCES				

**GRAND LEDGE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2017**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Capital projects</u>	<u>Total nonmajor funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ -	\$ 5,512,513	\$ 1,054,723	\$ 6,567,236
Investment earnings	840	239	111	1,190
Food sales and other	2,321,952	-	-	2,321,952
Other	174,365	4,181	157,014	335,560
Total local sources	<u>2,497,157</u>	<u>5,516,933</u>	<u>1,211,848</u>	<u>9,225,938</u>
State sources	69,610	-	-	69,610
Federal sources	696,787	-	-	696,787
Total revenues	<u>3,263,554</u>	<u>5,516,933</u>	<u>1,211,848</u>	<u>9,992,335</u>
EXPENDITURES:				
Current:				
Food service activities	1,728,778	-	-	1,728,778
Community service activity	1,543,909	-	-	1,543,909
School store	24,762	-	-	24,762
Capital outlay	-	-	1,785,846	1,785,846
Debt service:				
Principal repayment	-	3,450,000	-	3,450,000
Interest expense	-	2,286,088	-	2,286,088
Other expense	-	10,792	-	10,792
Total expenditures	<u>3,297,449</u>	<u>5,746,880</u>	<u>1,785,846</u>	<u>10,830,175</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(33,895)</u>	<u>(229,947)</u>	<u>(573,998)</u>	<u>(837,840)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	649,157	900,000	1,549,157
Transfers out	(60,000)	(649,157)	(203,212)	(912,369)
Total other financing sources (uses)	<u>(60,000)</u>	<u>-</u>	<u>696,788</u>	<u>636,788</u>
NET CHANGE IN FUND BALANCES	<u>(93,895)</u>	<u>(229,947)</u>	<u>122,790</u>	<u>(201,052)</u>
FUND BALANCES:				
Beginning of year	<u>714,472</u>	<u>795,694</u>	<u>1,783,004</u>	<u>3,293,170</u>
End of year	<u>\$ 620,577</u>	<u>\$ 565,747</u>	<u>\$ 1,905,794</u>	<u>\$ 3,092,118</u>

**GRAND LEDGE PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

ASSETS	Food Service	Community Service	School Store	Totals
ASSETS:				
Cash and cash equivalents	\$ 214,352	\$ -	\$ 13,143	\$ 227,495
Accounts receivable	2,954	9,346	-	12,300
Intergovernmental receivables	37,723	-	-	37,723
Due from other funds	2,558	352,728	-	355,286
Prepays	100,000	-	-	100,000
Inventories	22,309	-	8,914	31,223
TOTAL ASSETS	\$ 379,896	\$ 362,074	\$ 22,057	\$ 764,027
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 24,456	\$ 29,529	\$ -	\$ 53,985
Accrued salaries and related items	644	28,685	-	29,329
Accrued retirement	137	9,760	-	9,897
Unearned revenue	37,494	12,745	-	50,239
TOTAL LIABILITIES	62,731	80,719	-	143,450
FUND BALANCES:				
Nonspendable:				
Inventories	22,309	-	8,914	31,223
Prepays	100,000	-	-	100,000
Restricted for food service	194,856	-	-	194,856
Assigned for:				
Community service	-	281,355	-	281,355
School store	-	-	13,143	13,143
TOTAL FUND BALANCES	317,165	281,355	22,057	620,577
TOTAL LIABILITIES AND FUND BALANCES	\$ 379,896	\$ 362,074	\$ 22,057	\$ 764,027

**GRAND LEDGE PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2017**

	Food service	Community service	School store	Totals
REVENUES:				
Sales	\$ 990,257	\$ 1,312,102	\$ 19,593	\$ 2,321,952
State aid	69,610	-	-	69,610
Federal aid	696,787	-	-	696,787
Investment earnings	833	-	7	840
Other	-	174,365	-	174,365
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1,757,487	1,486,467	19,600	3,263,554
EXPENDITURES:				
Salaries	437,293	776,475	-	1,213,768
Benefits	195,174	385,157	-	580,331
Purchased services	257,541	49,481	-	307,022
Supplies and materials	756,285	147,320	21,423	925,028
Capital outlay	57,752	123,768	-	181,520
Other expenses	24,733	61,708	3,339	89,780
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	1,728,778	1,543,909	24,762	3,297,449
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<hr/>	<hr/>	<hr/>	<hr/>
	28,709	(57,442)	(5,162)	(33,895)
OTHER FINANCING SOURCES (USES):				
Transfers out	(60,000)	-	-	(60,000)
NET CHANGE IN FUND BALANCES	<hr/>	<hr/>	<hr/>	<hr/>
	(31,291)	(57,442)	(5,162)	(93,895)
FUND BALANCES:				
Beginning of year	348,456	338,797	27,219	714,472
End of year	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 317,165	\$ 281,355	\$ 22,057	\$ 620,577

**GRAND LEDGE PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

	2007	2015 Refunding	2016 Refunding	Totals
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 3,818	\$ 323,687	\$ 244,060	\$ 571,565
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 898	\$ 1,337	\$ -	\$ 2,235
Due to other funds	-	3,522	61	3,583
TOTAL LIABILITIES	898	4,859	61	5,818
FUND BALANCES:				
Restricted for debt service	2,920	318,828	243,999	565,747
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,818	\$ 323,687	\$ 244,060	\$ 571,565

**GRAND LEDGE PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2017**

	<u>2007</u>	<u>2015 Refunding</u>	<u>2016 Refunding</u>	<u>Totals</u>
REVENUES:				
Local sources:				
Property taxes	\$ 1,399,416	\$ 3,348,447	\$ 764,650	\$ 5,512,513
Interest	9	62	168	239
Other	-	-	4,181	4,181
Total revenues	<u>1,399,425</u>	<u>3,348,509</u>	<u>768,999</u>	<u>5,516,933</u>
EXPENDITURES:				
Principal repayment	1,215,000	2,235,000	-	3,450,000
Interest expense	56,450	1,057,500	1,172,138	2,286,088
Other	3,492	5,281	2,019	10,792
Total expenditures	<u>1,274,942</u>	<u>3,297,781</u>	<u>1,174,157</u>	<u>5,746,880</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>124,483</u>	<u>50,728</u>	<u>(405,158)</u>	<u>(229,947)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	649,157	649,157
Transfers out	(649,157)	-	-	(649,157)
Total other financing sources (uses)	<u>(649,157)</u>	<u>-</u>	<u>649,157</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(524,674)</u>	<u>50,728</u>	<u>243,999</u>	<u>(229,947)</u>
FUND BALANCES:				
Beginning of year	527,594	268,100	-	795,694
End of year	<u>\$ 2,920</u>	<u>\$ 318,828</u>	<u>\$ 243,999</u>	<u>\$ 565,747</u>

**GRAND LEDGE PUBLIC SCHOOLS
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

		<u>Sinking fund</u>	<u>Technology capital projects</u>	<u>Totals</u>
ASSETS				
ASSETS:				
Cash		\$ 1,060,642	\$ 924,152	\$ 1,984,794
Accounts receivable		-	10,823	10,823
TOTAL ASSETS		<u>\$ 1,060,642</u>	<u>\$ 934,975</u>	<u>\$ 1,995,617</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable		\$ 89,793	\$ -	\$ 89,793
Due to other funds		30	-	30
TOTAL LIABILITIES		<u>89,823</u>	<u>-</u>	<u>89,823</u>
FUND BALANCES:				
Restricted for capital projects		970,819	-	970,819
Assigned for capital projects		-	934,975	934,975
TOTAL FUND BALANCES		<u>970,819</u>	<u>934,975</u>	<u>1,905,794</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$ 1,060,642</u>	<u>\$ 934,975</u>	<u>\$ 1,995,617</u>

**GRAND LEDGE PUBLIC SCHOOLS
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2017**

	Sinking fund	Technology capital projects	Totals
REVENUES:			
Local sources:			
Property taxes	\$ 1,054,723	\$ -	\$ 1,054,723
Telecommunications rights revenue	-	126,714	126,714
Other income	30,300	-	30,300
Investment income	111	-	111
Total revenues	1,085,134	126,714	1,211,848
EXPENDITURES:			
Capital outlay	1,785,846	-	1,785,846
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(700,712)	126,714	(573,998)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	900,000	900,000
Transfers out	-	(203,212)	(203,212)
Total other financing sources (uses)	-	696,788	696,788
NET CHANGE IN FUND BALANCES	(700,712)	823,502	122,790
FUND BALANCES:			
Beginning of year	1,671,531	111,473	1,783,004
End of year	\$ 970,819	\$ 934,975	\$ 1,905,794

**GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE
REQUIREMENTS - 2015 REFUNDING
YEAR ENDED JUNE 30, 2017**

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

Interest due		Principal due May 1,	Debt service requirement for fiscal year	
May 1,	November 1,		June 30,	Amount
\$ 472,875	\$ 472,875	\$ 2,315,000	2018	\$ 3,260,750
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
<u>\$ 1,951,750</u>	<u>\$ 1,951,750</u>	<u>\$ 18,915,000</u>		<u>\$ 22,818,500</u>

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, 2017**

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

<u>Interest due</u>		<u>Principal due May 1,</u>	<u>Debt service requirement for fiscal year</u>	
<u>May 1,</u>	<u>November 1,</u>		<u>June 30,</u>	<u>Amount</u>
\$ 520,950	\$ 520,950	\$ 945,000	2018	\$ 1,986,900
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
<u>\$ 5,809,925</u>	<u>\$ 5,809,925</u>	<u>\$ 24,230,000</u>		<u>\$ 35,849,850</u>

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, 2017**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (unearned) revenue 7/1/2016	Prior year expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued (unearned) revenue 6/30/2017	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 2016-17	10.555		\$ 118,789	\$ -	\$ -	\$ 118,789	\$ 118,789	\$ -	\$ -
Cash Assistance:									
National School Lunch Program - Section 11	10.555	161960	56,102	20,883	481,966	76,985	56,102	-	-
National School Lunch Program - Section 11	10.555	171960	463,354	-	-	440,897	463,354	22,457	-
National School Lunch Program (including commodities) Subtotal			<u>638,245</u>	<u>20,883</u>	<u>481,966</u>	<u>636,671</u>	<u>638,245</u>	<u>22,457</u>	<u>-</u>
National School Lunch Program - Breakfast	10.553	161970	4,375	2,878	55,013	7,253	4,375	-	-
National School Lunch Program - Breakfast	10.553	171970	54,167	-	-	51,159	54,167	3,008	-
National School Breakfast Program Subtotal			<u>58,542</u>	<u>2,878</u>	<u>55,013</u>	<u>58,412</u>	<u>58,542</u>	<u>3,008</u>	<u>-</u>
Total Child Nutrition Cluster			<u>696,787</u>	<u>23,761</u>	<u>536,979</u>	<u>695,083</u>	<u>696,787</u>	<u>25,465</u>	<u>-</u>

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, 2017**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (unearned) revenue 7/1/2016	Prior year expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued (unearned) revenue 6/30/2017	Current Year Cash Transferred to Subrecipient
Other federal awards:									
Passed through Michigan Department of Education:									
Title I Part A									
Title 1 Part A 1516	84.010	1615301516	\$ 369,685	\$ 124,093	\$ 333,202	\$ 129,515	\$ 5,422	\$ -	\$ -
Title 1 Part A 1617	84.010	1715301617	359,516	-	-	293,976	345,314	51,338	-
Total Title I Part A			<u>729,201</u>	<u>124,093</u>	<u>333,202</u>	<u>423,491</u>	<u>350,736</u>	<u>51,338</u>	<u>-</u>
Title I - Part D									
Title I Part D	84.013	1617001516	78,867	13,842	55,368	27,684	13,842	-	-
Title I Part D	84.013	1717001617	86,350	-	-	55,134	55,509	375	-
Total Title I Part D			<u>165,217</u>	<u>13,842</u>	<u>55,368</u>	<u>82,818</u>	<u>69,351</u>	<u>375</u>	<u>-</u>
Title II, Part A - Improving teacher quality									
Title II Part A	84.367	1605201516	154,559	69,615	109,023	86,849	17,234	-	-
Title II Part A	84.367	1705201617	148,434	-	-	93,393	93,393	-	-
Total Title II Part A			<u>302,993</u>	<u>69,615</u>	<u>109,023</u>	<u>180,242</u>	<u>110,627</u>	<u>-</u>	<u>-</u>
Title III - Limited English									
Title III	84.365	1605801516	17,539	5,530	10,407	5,730	200	-	-
Title III	84.365	1705801617	20,518	-	-	9,336	12,562	3,226	3,164
Total Title III			<u>38,057</u>	<u>5,530</u>	<u>10,407</u>	<u>15,066</u>	<u>12,762</u>	<u>3,226</u>	<u>3,164</u>
Total passed through the Michigan Department of Education			<u>1,235,468</u>	<u>213,080</u>	<u>508,000</u>	<u>701,617</u>	<u>543,476</u>	<u>54,939</u>	<u>3,164</u>

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, 2017**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (unearned) revenue 7/1/2016	Prior year expenditures (memorandum only)	Current year receipts (cash basis)	Current year expenditures	Accrued (unearned) revenue 6/30/2017	Current Year Cash Transferred to Subrecipient
Other federal awards (Continued):									
Passed through the Eaton Intermediate School District:									
IDEA Flowthrough									
IDEA Flowthrough 1516	84.027A	1604501516	\$ 1,294,309	\$ 524,590	\$ 1,256,288	\$ 562,612	\$ 38,022	\$ -	\$ -
IDEA Flowthrough 1617	84.027A	1704501617	1,256,287	-	-	1,055,787	1,248,704	192,917	-
Total IDEA Flowthrough			<u>2,550,596</u>	<u>524,590</u>	<u>1,256,288</u>	<u>1,618,399</u>	<u>1,286,726</u>	<u>192,917</u>	<u>-</u>
Medicaid Assistance Program:									
Medicaid Outreach 1617	93.778		9,490	-	-	9,490	9,490	-	-
Total passed through the Eaton Intermediate School District			<u>2,560,086</u>	<u>524,590</u>	<u>1,256,288</u>	<u>1,627,889</u>	<u>1,296,216</u>	<u>192,917</u>	<u>-</u>
Total federal awards			<u>\$ 4,492,341</u>	<u>\$ 761,431</u>	<u>\$ 2,301,267</u>	<u>\$ 3,024,589</u>	<u>\$ 2,536,479</u>	<u>\$ 273,321</u>	<u>\$ 3,164</u>

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, 2017**

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, 2017. 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	\$ 2,053,680
Other nonmajor governmental fund	<u>696,787</u>
	2,750,467
Less: Federal reimbursements collected after September 1, 2016	<u>213,988</u>
Total federal expenditures	<u><u>\$ 2,536,479</u></u>

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: 1705801617

Subrecipient award amount: \$3,164

Subrecipient current year expenditures: 3,164

Current year cash transferred to subrecipient: 3,164

Total passed through to subrecipients \$3,164

**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, 2017, 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 August 30, 2017.

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.

Maney Costeiran PC

August 30, 2017

**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, 2017. 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 statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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, 2017.

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.

Manes Costeiron PC

August 30, 2017

**GRAND LEDGE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017**

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