

Grass Lake  
Community  
Schools



Year Ended  
June 30, 2019

Financial  
Statements

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# GRASS LAKE COMMUNITY SCHOOLS

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## INDEPENDENT AUDITORS' REPORT

October 14, 2019

Board of Education  
Grass Lake Community Schools  
Grass Lake, Michigan

### 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 *Grass Lake Community Schools* (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Independent Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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 Grass Lake Community Schools as of June 30, 2019, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules for the pension and other postemployment benefit plan, as listed 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 Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Robson LLC". The signature is written in a cursive, flowing style.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# GRASS LAKE COMMUNITY SCHOOLS

## Management's Discussion and Analysis

As management of Grass Lake Community Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019.

### Financial Highlights

· Total net position	\$ (20,877,492)
· Change in total net position	(394,657)
· Fund balances, governmental funds	1,809,915
· Change in fund balances, governmental funds	144,016
· Unassigned fund balance, general fund	1,540,721
· Change in fund balance, general fund	105,951
· General obligation bonds outstanding	18,400,625
· Change in general obligation bonds	(2,129,375)
· Capital assets, net	23,444,180

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components:

1. Government-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

This report also contains other required supplementary information in addition to the basic financial statements.

### Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, supporting services, community services, athletics, and food service. The District has no business-type activities as of and for the year ending June 30, 2019.

# GRASS LAKE COMMUNITY SCHOOLS

## Management's Discussion and Analysis

### Fund Financial Statements

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

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

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

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of fund revenues, expenditures, and changes in fund balances for the general fund and the debt service fund, which are the District's major funds. Data from the other nonmajor governmental special revenue fund is shown as well.

The District adopts an annual appropriated budget for its general and special revenue funds. The budgetary comparison statement has been provided herein to demonstrate compliance with the general fund budget.

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

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPERS pension and other postemployment benefit plan immediately following the notes to the financial statements.

# GRASS LAKE COMMUNITY SCHOOLS

## Management's Discussion and Analysis

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$20,877,492 at the close of the most recent fiscal year.

	Net Position	
	2019	2018
<b>Assets</b>		
Current and other assets	\$ 3,331,148	\$ 3,071,412
Capital assets, net	23,444,180	23,938,689
<b>Total assets</b>	<u>26,775,328</u>	<u>27,010,101</u>
Deferred outflows of resources	<u>9,516,293</u>	<u>6,091,074</u>
<b>Liabilities</b>		
Long-term debt	24,522,746	25,489,249
Other liabilities	29,638,918	26,871,193
<b>Total liabilities</b>	<u>54,161,664</u>	<u>52,360,442</u>
Deferred inflows of resources	<u>3,007,449</u>	<u>1,223,568</u>
<b>Net position</b>		
Net investment in capital assets	7,018,624	6,461,732
Restricted	69,187	19,316
Unrestricted (deficit)	(27,965,303)	(26,963,883)
<b>Total net position</b>	<u>\$ (20,877,492)</u>	<u>\$ (20,482,835)</u>

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in fiscal year 2015 and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in fiscal year 2018. In addition to expanded disclosure requirements, the District is required to report its proportionate share of the MPERS net pension liability and net other postemployment benefits liability on the statement of net position. This change has resulted in a negative total net position of governmental activities of \$20,877,492. Of this amount, \$(27,965,303) is unrestricted net position (deficit) and \$69,187 represents resources that are subject to external restrictions on how they may be used. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year.

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

The results of this year's operations for the District as a whole are reported in the statement of activities, which shows the change in net position for the fiscal year 2019.

# GRASS LAKE COMMUNITY SCHOOLS

## Management's Discussion and Analysis

### Governmental Activities

Net position decreased \$394,657 in the current year compared to a decrease of \$104,409 in the prior year. The current year decrease is largely due to new staffing in order to meet the demands of a growing student population.

	Change in Net Position	
	2019	2018
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 1,165,307	\$ 1,178,792
Operating grants and contributions	647,722	573,706
General revenues:		
Property taxes	3,216,465	3,047,604
Unrestricted state aid	10,412,581	10,007,564
Grants and contributions not restricted to specific programs	691,882	847,981
Unrestricted investment earnings	3,104	2,873
<b>Total revenues</b>	<u>16,137,061</u>	<u>15,658,520</u>
<b>Expenses</b>		
Instruction	9,389,881	8,623,176
Supporting services	4,037,336	4,109,592
Community services	127,964	119,419
Athletics	356,292	346,915
Food service	575,201	549,879
Interest on long-term debt	1,055,759	985,098
Unallocated depreciation	989,285	1,028,850
<b>Total expenses</b>	<u>16,531,718</u>	<u>15,762,929</u>
<b>Change in net position</b>	(394,657)	(104,409)
<b>Net position</b>		
Beginning of year	<u>(20,482,835)</u>	<u>(20,378,426)</u>
End of year	<u>\$ (20,877,492)</u>	<u>\$ (20,482,835)</u>

### Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,809,915. Approximately 85% of this total amount, or \$1,540,721 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, or assigned to indicate that it is not available for new spending because the underlying assets are included in inventory and are not available for current expenditure, or it is constrained by externally or internally imposed restrictions. At the end of the current fiscal year, \$11,420 is nonspendable for inventory, \$191,020 is restricted (externally) for debt service, \$15,044 is restricted (externally) for food service, and \$51,710 is assigned (internally) for technology.

# GRASS LAKE COMMUNITY SCHOOLS

## Management's Discussion and Analysis

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the total fund balance was \$1,592,431, of which \$1,540,721 was unassigned, and \$51,710 was assigned for technology. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance represent 11.2% and 11.6% of total general fund expenditures and other financing uses, respectively.

The fund balance of the District's general fund increased \$105,951 during the current fiscal year, compared to a decrease of \$101,464 in the prior fiscal year. This is primarily attributable to student growth which generated more revenues than the expenditures that were created in order to provide educational services to the students.

The fund balance of the District's debt service fund increased \$13,749 during the current fiscal year, compared to an increase of \$66,348 in the prior fiscal year. This is primarily attributable to fewer taxes collected based on appeals of the property taxes levied which resulted in a drop in money generated for the District.

### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted at year end. A statement showing the District's original and final budget amounts compared with amounts actually incurred is provided with the governmental fund section in these financial statements.

The original budget is adopted by the school board before the start of the District's fiscal year and the final amended budget is adopted at the end of the fiscal year. The difference between the two relates to adjustments made in salaries, benefits, and general expenditures throughout the course of the year. Once the adjustments are known, the budget is adjusted accordingly.

### Capital Assets and Debt Administration

*Capital Assets.* The District's investment in capital assets for its governmental activities as of June 30, 2019, amounted to \$23,444,180 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, buses and other vehicles, and furniture and equipment.

	District's Capital Assets (net of depreciation)	
	2019	2018
Land	\$ 225,287	\$ 225,287
Construction in progress	387,776	-
Buildings and building improvements	21,385,585	22,026,719
Buses and other vehicles	245,489	191,094
Furniture and equipment	1,200,043	1,495,589
<b>Total capital assets, net</b>	<b>\$ 23,444,180</b>	<b>\$ 23,938,689</b>

Additional information regarding the District's capital assets can be found in the footnotes to the financial statements.

# GRASS LAKE COMMUNITY SCHOOLS

## Management's Discussion and Analysis

### Long-term Debt

At the end of the fiscal years 2019 and 2018, the District had total long term debt outstanding, as follows:

	Long-term Debt	
	2019	2018
General obligation bonds	\$ 18,400,625	\$ 20,530,000
Notes from direct borrowings and direct placements:		
Installment purchase agreements	525,662	149,832
State of Michigan School Loan Funds	3,835,945	2,952,012
Unamortized bond premium	1,453,962	1,575,126
Compensated absences	306,552	282,279
<b>Total</b>	<b>\$ 24,522,746</b>	<b>\$ 25,489,249</b>

The District's total general obligation bonds and notes from direct borrowings and direct placements decreased by \$869,612.

Additional information regarding the District's long-term debt can be found in footnotes to the financial statements.

### Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2019-2020 fiscal year:

- The foundation allowance is budgeted at \$7,871
- Student Enrollment is anticipated to remain relatively consistent with the enrollment of 2018-19
- An anticipated increase in health benefits of 3%
- An increase in administrative salaries of 2%
- An anticipated increase in teacher salaries of 2%
- An anticipated increase in support staff salaries of 1.5%
- A projected increase of preschool wages of \$0.20/hour

### Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, 899 South Union Street, Grass Lake, MI 49240.

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## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

# GRASS LAKE COMMUNITY SCHOOLS

## Statement of Net Position

June 30, 2019

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 1,363,352
Receivables	1,956,376
Inventory	11,420
Capital assets not being depreciated	613,063
Capital assets being depreciated, net	<u>22,831,117</u>
<b>Total assets</b>	<u>26,775,328</u>
<b>Deferred outflows of resources</b>	
Deferred charge on refunding	759,693
Deferred pension amounts	7,631,129
Deferred other postemployment benefit amounts	<u>1,125,471</u>
<b>Total deferred outflows of resources</b>	<u>9,516,293</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,649,741
Unearned revenue	19,789
Long-term debt:	
Due within one year	2,793,106
Due in more than one year	21,729,640
Net pension liability (due in more than one year)	22,100,071
Net other postemployment benefit liability (due in more than one year)	<u>5,869,317</u>
<b>Total liabilities</b>	<u>54,161,664</u>
<b>Deferred inflows of resources</b>	
Deferred pension amounts	1,688,788
Deferred other postemployment benefit amounts	<u>1,318,661</u>
<b>Total deferred inflows of resources</b>	<u>3,007,449</u>
<b>Net position</b>	
Net investment in capital assets	7,018,624
Restricted for:	
Debt service	42,723
Food service	26,464
Unrestricted (deficit)	<u>(27,965,303)</u>
<b>Total net position</b>	<u>\$ (20,877,492)</u>

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

# GRASS LAKE COMMUNITY SCHOOLS

## Statement of Activities

For the Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 9,389,881	\$ 790,015	\$ 69,347	\$ (8,530,519)
Supporting services	4,037,336	-	305,759	(3,731,577)
Community services	127,964	7,057	-	(120,907)
Athletics	356,292	101,707	16,746	(237,839)
Food service	575,201	266,528	255,870	(52,803)
Interest on long-term debt	1,055,759	-	-	(1,055,759)
Unallocated depreciation	989,285	-	-	(989,285)
<b>Total governmental activities</b>	<b>\$ 16,531,718</b>	<b>\$ 1,165,307</b>	<b>\$ 647,722</b>	<b>(14,718,689)</b>
General revenues				
Property taxes				3,216,465
Unrestricted state aid				10,412,581
Grants and contributions not restricted to specific programs				691,882
Unrestricted investment earnings				3,104
<b>Total general revenues</b>				<b>14,324,032</b>
Change in net position				(394,657)
Net position, beginning of year				(20,482,835)
Net position, end of year				<b>\$ (20,877,492)</b>

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

## FUND FINANCIAL STATEMENTS

# GRASS LAKE COMMUNITY SCHOOLS

## Balance Sheet

Governmental Funds

June 30, 2019

	General Fund	Debt Service Fund	Nonmajor Special Revenue School Lunch Fund	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 1,140,854	\$ 191,020	\$ 31,478	\$ 1,363,352
Due from other governments	1,953,021	-	3,355	1,956,376
Inventory	-	-	11,420	11,420
<b>Total assets</b>	<b>\$ 3,093,875</b>	<b>\$ 191,020</b>	<b>\$ 46,253</b>	<b>\$ 3,331,148</b>
<b>Liabilities</b>				
Accounts payable	\$ 129,150	\$ -	\$ -	\$ 129,150
Salaries and benefits payable	1,372,294	-	-	1,372,294
Unearned revenue	-	-	19,789	19,789
<b>Total liabilities</b>	<b>1,501,444</b>	<b>-</b>	<b>19,789</b>	<b>1,521,233</b>
<b>Fund balances</b>				
Nonspendable for inventory	-	-	11,420	11,420
Restricted for:				
Debt service	-	191,020	-	191,020
Food service	-	-	15,044	15,044
Assigned for technology	51,710	-	-	51,710
Unassigned	1,540,721	-	-	1,540,721
<b>Total fund balances</b>	<b>1,592,431</b>	<b>191,020</b>	<b>26,464</b>	<b>1,809,915</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,093,875</b>	<b>\$ 191,020</b>	<b>\$ 46,253</b>	<b>\$ 3,331,148</b>

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

# GRASS LAKE COMMUNITY SCHOOLS

## Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2019

Fund balances - total governmental funds	\$ 1,809,915
Amounts reported for <i>governmental activities</i> in the statement of net position are because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	
Capital assets not being depreciated	613,063
Capital assets being depreciated, net	22,831,117
Certain liabilities, such as bonds payable, are not due and payable in the current period therefore are not reported in the funds.	
Bonds, loans, and installment purchase agreements	(22,762,232)
Unamortized bond premium	(1,453,962)
Unamortized charge on bond refunding	759,693
Accrued interest on bonds payable	(148,297)
Compensated absences	(306,552)
Certain pension and other postemployment benefit-related amounts, such as the net pension liability and net other postemployment benefit liability and deferred amounts, are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(22,100,071)
Deferred outflows related to the net pension liability	7,631,129
Deferred inflows related to the net pension liability	(1,688,788)
Net other postemployment benefit liability	(5,869,317)
Deferred outflows related to the net other postemployment benefit liability	1,125,471
Deferred inflows related to the net other postemployment benefit liability	(1,318,661)
Net position of governmental activities	<u>\$ (20,877,492)</u>

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

# GRASS LAKE COMMUNITY SCHOOLS

## Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2019

	General Fund	Debt Service Fund	Nonmajor Special Revenue School Lunch Fund	Totals
<b>Revenues</b>				
Local sources:				
Property taxes	\$ 976,755	\$ 2,150,845	\$ -	\$ 3,127,600
Interest	3,104	88,865	-	91,969
Athletics	118,453	-	-	118,453
Preschool	790,015	-	-	790,015
Other local revenues	698,939	-	266,528	965,467
State sources	10,619,840	43,557	15,302	10,678,699
Federal sources	124,290	-	240,568	364,858
<b>Total revenues</b>	<b>13,331,396</b>	<b>2,283,267</b>	<b>522,398</b>	<b>16,137,061</b>
<b>Expenditures</b>				
Current:				
Instruction	8,687,707	-	-	8,687,707
Supporting services	3,852,631	-	-	3,852,631
Community services	117,846	-	-	117,846
Athletics	343,641	-	-	343,641
Food service	-	-	553,385	553,385
Debt service:				
Principal repayment	97,135	2,129,375	-	2,226,510
Interest and fiscal charges	101,345	921,034	-	1,022,379
Capital outlay	442,802	-	-	442,802
<b>Total expenditures</b>	<b>13,643,107</b>	<b>3,050,409</b>	<b>553,385</b>	<b>17,246,901</b>
Revenues under expenditures	(311,711)	(767,142)	(30,987)	(1,109,840)
<b>Other financing sources (uses)</b>				
Issuance of long-term debt	472,965	780,891	-	1,253,856
Transfers in	-	-	55,303	55,303
Transfers out	(55,303)	-	-	(55,303)
<b>Total other financing sources</b>	<b>417,662</b>	<b>780,891</b>	<b>55,303</b>	<b>1,253,856</b>
Net change in fund balances	105,951	13,749	24,316	144,016
Fund balances, beginning of year	1,486,480	177,271	2,148	1,665,899
<b>Fund balances, end of year</b>	<b>\$ 1,592,431</b>	<b>\$ 191,020</b>	<b>\$ 26,464</b>	<b>\$ 1,809,915</b>

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

# GRASS LAKE COMMUNITY SCHOOLS

## Reconciliation

Net Change in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds	\$ 144,016
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital assets purchased/constructed	494,776
Depreciation expense	(989,285)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Issuance of long-term debt	(1,253,856)
Principal payments on long-term liabilities	2,226,510
Change in accrued interest payable on School Loan Revolving Funds	(103,042)
Amortization of premium on bond refunding	121,164
Amortization of charge on bond refunding	(63,308)
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 funds.	
Change in accrued interest payable on bonds	11,806
Change in the accrual for compensated absences	(24,273)
Change in the net pension liability and related deferred amounts	(1,201,641)
Change in the net other postemployment benefit liability and related deferred amounts	242,476
Change in net position of governmental activities	<u>\$ (394,657)</u>

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

# GRASS LAKE COMMUNITY SCHOOLS

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenues</b>				
Local sources:				
Property taxes	\$ 908,200	\$ 976,755	\$ 976,755	\$ -
Interest	1,500	3,115	3,104	(11)
Athletics	69,250	118,453	118,453	-
Preschool	750,000	790,015	790,015	-
Other local revenues	483,000	698,939	698,939	-
State sources	10,612,684	10,609,447	10,619,840	10,393
Federal sources	93,482	124,290	124,290	-
<b>Total revenues</b>	<b>12,918,116</b>	<b>13,321,014</b>	<b>13,331,396</b>	<b>10,382</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs:				
Elementary	3,472,809	3,442,681	3,442,681	-
Middle school	1,372,633	1,354,289	1,354,289	-
High school	2,222,551	2,155,821	2,155,821	-
Pre-Kindergarten	650,976	671,514	672,146	632
Added needs:				
Special education	812,578	819,770	819,770	-
At Risk	124,548	243,000	243,000	-
<b>Total instruction</b>	<b>8,656,095</b>	<b>8,687,075</b>	<b>8,687,707</b>	<b>632</b>
Supporting services:				
Pupil services	261,159	270,963	270,963	-
Instructional staff	145,963	181,383	181,383	-
Technology and media	295,475	286,535	286,535	-
General administration:				
Board of education	78,000	44,557	44,557	-
Executive administration	306,047	339,018	339,018	-
School administration	892,640	914,166	914,166	-
Business services	204,208	185,841	185,841	-
Operations and maintenance	1,171,531	1,173,627	1,173,627	-
Pupil transportation	452,202	456,415	456,415	-
Staff/personnel services	-	126	126	-
<b>Total supporting services</b>	<b>3,807,225</b>	<b>3,852,631</b>	<b>3,852,631</b>	<b>-</b>

continued...

# GRASS LAKE COMMUNITY SCHOOLS

## Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Expenditures (continued)				
Current (continued):				
Community services	\$ 115,008	\$ 117,846	\$ 117,846	\$ -
Athletics	318,424	343,722	343,641	(81)
Debt service:				
Principal repayment	-	97,135	97,135	-
Interest and fiscal charges	80,000	101,345	101,345	-
Total debt service	80,000	198,480	198,480	-
Capital outlay	75,000	442,802	442,802	-
Total expenditures	13,051,752	13,642,556	13,643,107	551
Revenues over (under) expenditures	(133,636)	(321,542)	(311,711)	9,831
Other financing sources (uses)				
Issuance of long-term debt	-	472,965	472,965	-
Transfers out	-	(55,303)	(55,303)	-
Total other financing sources	-	417,662	417,662	-
Net change in fund balance	(133,636)	96,120	105,951	9,831
Fund balance, beginning of year	1,486,480	1,486,480	1,486,480	-
Fund balance, end of year	\$ 1,352,844	\$ 1,582,600	\$ 1,592,431	\$ 9,831

concluded.

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

# GRASS LAKE COMMUNITY SCHOOLS

## Statement of Fiduciary Assets and Liabilities

June 30, 2019

	Agency Fund
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 253,884</u>
<b>Liabilities</b>	
Due to student groups and activities	<u>\$ 253,884</u>

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

## NOTES TO FINANCIAL STATEMENTS

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

Grass Lake Community Schools (the “District”) has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

#### *Government-wide and Fund 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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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, except for agency funds, which do not have a measurement focus. 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.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. 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 are recorded only when payment is due.

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

Property taxes, intergovernmental revenue, 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is used to account for all financial resources except those accounted for and reported in another fund.

The *debt service fund* is used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

The District reports the following fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

The *agency fund* accounts for assets held for other groups and organizations and is custodial in nature.

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

### Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

#### *Deposits and Investments*

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

#### *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds." These interfund balances, as applicable, result primarily 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.

#### *Inventory*

Inventory is valued at the lower of cost (first in, first out) or market. Inventory in the food service fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current position.

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Capital Assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings and building improvements	50
Buses and other vehicles	5-8
Furniture and equipment	5-20

### *Deferred Outflows of Resources*

In addition to assets, the statement of financial 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 will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows for the charge on refunding. This amount represents 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. The District also reports deferred outflows of resources related to the net pension liability and the net other postemployment benefit liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

### *Compensated Absences*

It is the District's policy to permit employees to accumulate various earned but unused vacation and sick pay benefits. These are accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

### *Long-term Obligations*

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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 in 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 proceeds received, are reported as debt service expenditures.

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Deferred Inflows of Resources*

In addition to liabilities, the statement of financial 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds may also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District's deferred inflows of resources are related to pension and other postemployment benefit liabilities.

### *Fund Equity*

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. If applicable, *committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action if the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports assigned fund balance, if applicable, for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education has the authority to assign fund balance for a particular purpose. *Unassigned fund balance* is the residual classification for the general fund.

When the District incurs an expenditure for purposes for which various fund balance classification can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

### *Pensions and Other Postemployment Benefits*

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

### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

### 2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted and as amended by the Board of Education. The budgets for the general and special revenue funds are adopted on a functional basis.

### 3. EXCESS OF EXPENDITURES OVER BUDGET

During the year ended June 30, 2019, the District incurred certain expenditures in excess of the amounts appropriated as follows:

	Final Budget	Actual	Over Budget
General fund			
Current-			
Instruction -			
Basic programs -			
Pre-Kindergarten	\$ 671,514	\$ 672,146	\$ 632

### 4. DEPOSITS

A reconciliation of cash and cash equivalents as shown on the Statement of Net Position and Statement of Fiduciary Assets and Liabilities follows:

Statement of Net Position	
Cash and cash equivalents	\$ 1,363,352
Statement of Fiduciary Assets and Liabilities	
Cash and cash equivalents	<u>253,884</u>
Total	<u>\$ 1,617,236</u>
Deposits	
Bank deposits (checking/savings accounts)	\$ 1,617,046
Cash on hand	<u>190</u>
Total	<u>\$ 1,617,236</u>

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

### Statutory Authority

State statutes authorize the District to invest in:

- . Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- . Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- . Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- . Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- . Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- . Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

### Deposit and Investment Risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the listing of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District has no investments at June 30, 2019.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The District has no investments at June 30, 2019.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$1,400,185 of the District's bank balance of \$1,650,185 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. The District has no investments at June 30, 2019.

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

### 5. RECEIVABLES

Receivables as of year-end for the District’s individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	Nonmajor Special Revenue School Lunch Fund	Total
Due from other governments	\$ 1,953,021	\$ 3,355	\$ 1,956,376

### 6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated -					
Land	\$ 225,287	\$ -	\$ -	\$ -	\$ 225,287
Construction in progress	-	387,776	-	-	387,776
	<u>225,287</u>	<u>387,776</u>	<u>-</u>	<u>-</u>	<u>613,063</u>
Capital assets being depreciated:					
Buildings and building improvements	32,333,408	-	-	-	32,333,408
Buses and other vehicles	1,153,377	107,000	(10,000)	-	1,250,377
Furniture and equipment	5,884,133	-	-	-	5,884,133
	<u>39,370,918</u>	<u>107,000</u>	<u>(10,000)</u>	<u>-</u>	<u>39,467,918</u>
Less accumulated depreciation:					
Buildings and building improvements	(10,306,689)	(641,134)	-	-	(10,947,823)
Buses and other vehicles	(962,283)	(52,605)	10,000	-	(1,004,888)
Furniture and equipment	(4,388,544)	(295,546)	-	-	(4,684,090)
	<u>(15,657,516)</u>	<u>(989,285)</u>	<u>10,000</u>	<u>-</u>	<u>(16,636,801)</u>
Total capital assets being depreciated, net	<u>23,713,402</u>	<u>(882,285)</u>	<u>-</u>	<u>-</u>	<u>22,831,117</u>
Capital assets, net	<u>\$ 23,938,689</u>	<u>\$ (494,509)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,444,180</u>

Depreciation expense of \$989,285 was reported as “unallocated depreciation”, and was not allocated to specific functions.

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

### 7. PAYABLES

Accounts payable and accrued liabilities as of year end for the District’s general fund are as follows:

Fund Financial Statements	
Accounts payable	\$ 129,150
Salaries and benefits payable	<u>1,372,294</u>
	1,501,444
Government-wide Financial Statements	
Accrued interest on long-term debt	<u>148,297</u>
	<u>\$ 1,649,741</u>

### 8. INTERFUND TRANSFERS

At June 30, 2019, interfund transfers consisted of transfers from the general fund to the nonmajor fund of \$55,303 to subsidize the food service program.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

### 9. LONG-TERM DEBT

*Changes in Long-term Debt.* Long-term liability activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds:					
2010 Refunding Bonds	\$ 875,000	\$ -	\$ (109,375)	\$ 765,625	\$ 109,375
2015A Refunding Bonds	15,700,000	-	(1,260,000)	14,440,000	1,320,000
2015B Refunding Bonds	3,955,000	-	(760,000)	3,195,000	775,000
Total general obligation bonds	<u>20,530,000</u>	<u>-</u>	<u>(2,129,375)</u>	<u>18,400,625</u>	<u>2,204,375</u>
Direct borrowings/placements:					
Installment purchase agreements:					
2015 school buses	89,730	-	(29,088)	60,642	29,902
2017 school bus	60,102	-	(29,754)	30,348	30,348
2018 school buses	-	85,199	-	85,199	27,593
SmartBoot security system	-	387,766	(38,293)	349,473	73,172
Total installment purchase agreements	<u>149,832</u>	<u>472,965</u>	<u>(97,135)</u>	<u>525,662</u>	<u>161,015</u>
School Loan Funds:					
School Bond Loan	830	27	-	857	-
School Revolving Loan	2,951,182	883,906	-	3,835,088	-
Total School Loan Funds	<u>2,952,012</u>	<u>883,933</u>	<u>-</u>	<u>3,835,945</u>	<u>-</u>
Total direct borrowings/placements	<u>3,101,844</u>	<u>1,356,898</u>	<u>(97,135)</u>	<u>4,361,607</u>	<u>161,015</u>
Total bonds and direct borrowings/placements	23,631,844	1,356,898	(2,226,510)	22,762,232	2,365,390
Unamortized bond premium	1,575,126	-	(121,164)	1,453,962	121,164
Compensated absences	282,279	290,747	(266,474)	306,552	306,552
Total	<u>\$ 25,489,249</u>	<u>\$ 1,647,645</u>	<u>\$ (2,614,148)</u>	<u>\$ 24,522,746</u>	<u>\$ 2,793,106</u>

Compensated absences are generally liquidated by the general fund.

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

### General Obligation Bonds

Bonds payable consist of the following issues:

\$1,750,000, 2010 Refunding Bonds payable in annual installments of \$109,375 through May 1, 2026, interest at 6.25%	\$ 765,625
\$19,130,000, 2015 Refunding Bonds, Series A, payable in annual installments of \$740,000 to \$1,560,000 through May 1, 2031, interest at 3.0% to 5.0%	14,440,000
\$6,155,000, 2015 Refunding Bonds (taxable), Series B, issued to refund School Loan Funds, payable in annual installments of \$725,000 to \$860,000 through May 1, 2023, interest at 0.75% to 3.30%	<u>3,195,000</u>
	<u><u>\$ 18,400,625</u></u>

Annual debt service requirements to maturity for bonds payable are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 2,204,375	\$ 861,028	\$ 3,065,403
2021	2,289,375	775,653	3,065,028
2022	2,384,375	682,993	3,067,368
2023	2,484,375	584,043	3,068,418
2024	1,649,375	506,425	2,155,800
2025-2029	5,648,750	1,341,900	6,990,650
2030-2031	1,740,000	131,000	1,871,000
	<u>\$ 18,400,625</u>	<u>\$ 4,883,042</u>	<u>\$ 23,283,667</u>

### Installment Purchase Agreements

During 2016, the District entered into a purchase agreement to purchase two buses for \$148,238. Payments are due on July 15 each year through July 15, 2020. During 2018, the District entered into an installment purchase agreement to purchase one bus for \$90,633. Payments are due on August 15, 2017, August 15, 2018, and August 1, 2019. During 2019, the District entered into an installment purchase agreement to purchase two buses for \$85,199. Payments are due on July 10, 2019, 2020, and 2021. Additionally, during 2019, the District entered into an installment purchase agreement to purchase the SmartBook Security System for \$387,766. Payments are due the 24th of each month, beginning December 24, 2018 through November 24, 2023.

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

Annual debt service requirements to maturity for notes from direct borrowings and direct placements are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 161,015	\$ 18,945	\$ 179,960
2021	135,668	13,398	149,066
2022	109,262	8,204	117,466
2023	83,727	3,674	87,401
2024	35,990	406	36,396
	<u>\$ 525,662</u>	<u>\$ 44,627</u>	<u>\$ 570,289</u>

### State of Michigan School Loan Funds

The State of Michigan School Loan Funds represent amounts borrowed from the State of Michigan School Bond loan program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the debt service requirements on the general obligation bonds. Changes to the School Loan Funds for the year ended June 30, 2019, are as follows:

	Principal	Interest	Total
Beginning balance	\$ 2,842,755	\$ 109,257	\$ 2,952,012
Additions	780,891	103,042	883,933
Ending balance	<u>\$ 3,623,646</u>	<u>\$ 212,299</u>	<u>\$ 3,835,945</u>

## 10. NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2019, the composition of net investment in capital assets was comprised of the following:

Net investment in capital assets	
Capital assets not being depreciated	\$ 613,063
Capital asset being depreciated, net	22,831,117
Capital related general obligation bonds	(15,205,625)
Notes from direct borrowings and direct placements	
Installment purchase agreements	(525,662)
Unamortized premium on bond refunding	(1,453,962)
Unamortized deferred charge on bond refunding	759,693
Net investment in capital assets	<u>\$ 7,018,624</u>

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

### 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty claims and workers compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### 12. PROPERTY TAXES

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and December 1, and are due upon receipt of the billing by the taxpayer. 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. District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

### 13. TAX ABATEMENTS

The District received reduced property tax revenues during 2019 as a result of industrial facilities tax exemptions (IFT's) entered into by cities, villages, townships, and authorities within the District boundaries.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property within the District boundaries. The abatements amounted to approximately \$14,000 in reduced District tax revenues for 2019.

### 14. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

#### *Plan Description*

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

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

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

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

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Pension Benefits Provided*

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. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

### *Other Postemployment Benefits Provided*

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other 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. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

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 were deposited into their 401(k) account.

### Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	17.89% - 18.25%
Member Investment Plan (MIP)	3.00% - 7.00%	17.89% - 18.25%
Pension Plus	3.00% - 6.40%	16.46% - 16.61%
Pension Plus 2	6.20%	19.59% - 19.74%
Defined Contribution	0.00%	13.39% - 13.54%

For the year ended June 30, 2019, required and actual contributions from the District to the pension plan were \$1,932,738, which included \$814,714, the amount received from the State and remitted to the System to fund the MPERS unfunded actuarial accrued liability (“UAAL”) stabilization rate.

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

The table below summarizes OPEB contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.67% - 7.93%
Personal Healthcare Fund (PHF)	0.00%	7.42% - 7.57%

For the year ended June 30, 2019, required and actual contributions from the District to the OPEB plan were \$493,649.

The table below summarizes defined contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2019, required and actual contributions from the District for those members with a defined contribution benefit were \$42,672.

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

At June 30, 2019, the District reported a liability of \$22,100,071 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, the District's proportion was 0.07352%, which was an increase of 0.00074% from its proportion measured as of September 30, 2017.

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

For the year ended June 30, 2019, the District recognized pension expense of \$3,087,747. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 102,548	\$ 160,597	\$ (58,049)
Changes in assumptions	5,118,358	-	5,118,358
Net difference between projected and actual earnings on pension plan investments	-	1,511,083	(1,511,083)
Changes in proportion and differences between employer contributions and proportionate share of contributions	636,225	17,108	619,117
	<u>5,857,131</u>	<u>1,688,788</u>	<u>4,168,343</u>
District contributions subsequent to the measurement date	1,773,998	-	1,773,998
	<u>1,773,998</u>	<u>-</u>	<u>1,773,998</u>
<b>Total</b>	<b><u>\$ 7,631,129</u></b>	<b><u>\$ 1,688,788</u></b>	<b><u>\$ 5,942,341</u></b>

The \$1,773,998 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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 June 30,	Amount
2020	\$ 1,739,134
2021	1,273,733
2022	836,888
2023	318,588
<b>Total</b>	<b><u>\$ 4,168,343</u></b>

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

At June 30, 2019, the District reported a liability of \$5,869,317 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, the District's proportion was 0.07384% which was an increase of 0.00106% from its proportion measured as of September 30, 2017.

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

For the year ended June 30, 2019, the District recognized OPEB expense of \$303,689. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 1,092,431	\$ (1,092,431)
Changes in assumptions	621,564	-	621,564
Net difference between projected and actual earnings on OPEB plan investments	-	225,572	(225,572)
Changes in proportion and differences between employer contributions and proportionate share of contributions	79,639	658	78,981
	<u>701,203</u>	<u>1,318,661</u>	<u>(617,458)</u>
District contributions subsequent to the measurement date	424,268	-	424,268
	<u>424,268</u>	<u>-</u>	<u>424,268</u>
<b>Total</b>	<b><u>\$ 1,125,471</u></b>	<b><u>\$ 1,318,661</u></b>	<b><u>\$ (193,190)</u></b>

The \$424,268 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2020	\$ (154,809)
2021	(154,809)
2022	(154,809)
2023	(108,816)
2024	<u>(44,215)</u>
<b>Total</b>	<b><u>\$ (617,458)</u></b>

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Actuarial Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2017 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	7.05%
Pension Plus plan (hybrid)	7.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	7.15%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.0% Year 12
Mortality	RP-2014 Male and Female Healthy Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females
Other OPEB assumptions:	
Opt-out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5304 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.6018 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Long-term Expected Return on Pension Plan Assets*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.70%	1.60%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	100.00%		5.66%
Inflation			2.30%
Risk adjustment			-0.91%
Investment rate of return			7.05%

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Long-term Expected Return on OPEB Plan Assets*

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.70%	1.60%
Private equity pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	100.00%		5.66%
Inflation			2.30%
Risk adjustment			-0.81%
Investment rate of return			7.15%

### *Discount Rate*

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan) and 7.15%, respectively. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

# GRASS LAKE COMMUNITY SCHOOLS

## Notes to Financial Statements

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.05% / 6.00% / 5.00%)	Current Discount Rate (7.05% / 7.00% / 6.00%)	1% Increase (8.05% / 8.00% / 7.00%)
District's proportionate share of the net pension liability	\$ 29,015,687	\$ 22,100,071	\$ 16,354,319

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

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net OPEB liability	\$ 7,045,995	\$ 5,869,317	\$ 4,879,586

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

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

	1% Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net OPEB liability	\$ 4,827,448	\$ 5,869,317	\$ 7,064,553

### *Pension and OPEB Plans Fiduciary Net Position*

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

# GRASS LAKE COMMUNITY SCHOOLS

## ■ Notes to Financial Statements

### *Payable to the Pension Plan*

At June 30, 2019, the District reported a payable of \$340,558 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2019.

### *Payable to the OPEB Plan*

At June 30, 2019, the District reported a payable of \$51,406 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2019.



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## REQUIRED SUPPLEMENTARY INFORMATION

## GRASS LAKE COMMUNITY SCHOOLS

### Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

#### Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,				
	2015	2016	2017	2018	2019
District's proportionate share of the net pension liability	\$ 14,860,509	\$ 16,828,172	\$ 17,609,147	\$ 18,860,343	\$ 22,100,071
District's proportion of the net pension liability	0.06747%	0.06890%	0.07058%	0.07278%	0.07352%
District's covered payroll	\$ 5,736,412	\$ 5,742,325	\$ 6,029,541	\$ 6,151,069	\$ 6,271,336
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.06%	293.06%	292.05%	306.62%	352.40%
Plan fiduciary net position as a percentage of the total pension liability	66.20%	63.17%	63.27%	64.21%	62.36%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

#### Schedule of the District's Pension Contributions

	Year Ended June 30,				
	2015	2016	2017	2018	2019
Statutorily required contribution	\$ 1,168,945	\$ 1,602,784	\$ 1,700,466	\$ 2,060,370	\$ 1,932,738
Contributions in relation to the statutorily required contribution	(1,168,945)	(1,602,784)	(1,700,466)	(2,060,370)	(1,932,738)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 5,726,557	\$ 5,939,662	\$ 6,125,281	\$ 6,248,360	\$ 6,290,094
Contributions as a percentage of covered payroll	20.41%	26.98%	27.76%	32.97%	30.73%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

GRASS LAKE COMMUNITY SCHOOLS

**Required Supplementary Information**  
 MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability

	Year Ended	
	2018	2019
District's proportionate share of the net OPEB liability	\$ 6,445,234	\$ 5,869,317
District's proportion of the net OPEB liability	0.07278%	0.07384%
District's covered payroll	\$ 6,151,069	\$ 6,271,336
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	104.78%	93.59%
Plan fiduciary net position as a percentage of the total OPEB liability	36.39%	42.95%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended	
	2018	2019
Statutorily required contribution	\$ 411,009	\$ 493,649
Contributions in relation to the statutorily required contribution	<u>(411,009)</u>	<u>(493,649)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 6,248,360	\$ 6,290,094
Contributions as a percentage of covered payroll	6.58%	7.85%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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

October 14, 2019

Board of Education  
Grass Lake Community Schools  
Grass Lake, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Grass Lake Community Schools* (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 14, 2019.

#### Internal Control Over Financial Reporting

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

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

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.