

**GLENN PUBLIC SCHOOL**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary information)**  
**YEAR ENDED JUNE 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Glenn Public School

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund information of Glenn Public School, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Glenn Public School's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Glenn Public School as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter - Change in Accounting Principle***

As discussed in Note 7 to the financial statements, Glenn Public School implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2018 on our consideration of Glenn Public School'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Glenn Public School's 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 Glenn Public School's internal control over financial reporting and compliance.

*Manes Costeiran PC*

October 18, 2018

## MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Glenn Public School’s annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

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

## FINANCIAL HIGHLIGHTS

The District’s liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$(689,567) (*net position*).

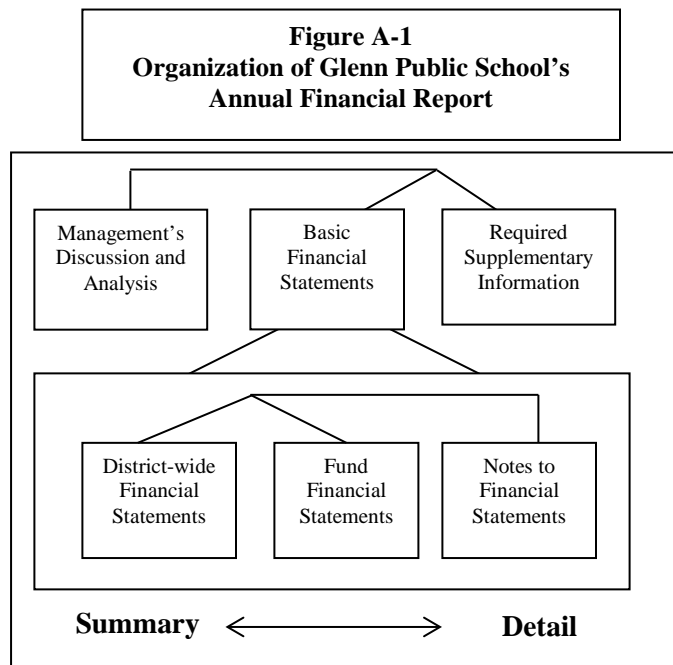
The District’s total net position increased by \$54,029.

At the close of the current fiscal year, the District’s general fund reported an ending fund balance of \$194,488, an increase of 14.53% or \$24,670 over the prior year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District’s operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

<b>Figure A-2 Major Features of District-wide and Fund Financial Statements</b>		
	District-wide Statements	Governmental Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary of fiduciary, such as special education and building maintenance
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

### **DISTRICT-WIDE STATEMENTS**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net position includes all of the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base, enrollment, and the condition of school building.

In the district-wide financial statements, the District's activities:

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, and administration. State foundation aid finances most of these activities.

### **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- The District's major funds are the general fund and the debt service fund.

All of the District's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

### **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Net position - The District's combined net position increased from the prior year by \$54,029, increasing total net position to \$(689,567).

The total revenue increased by 5.8%, from \$577,347 for 2017 to \$610,923 for 2018.

The total cost of instruction increased by 11.6% and the total cost of support services decreased 2.1%. Overall, total expenses increased by 6.9%.



**Table A-3  
Glenn Public School  
Net position**

	2018	2017
<b>Assets:</b>		
Current assets	\$ 263,573	\$ 231,502
Capital assets	208,970	225,032
Total assets	<u>472,543</u>	<u>456,534</u>
Deferred outflows of resources	<u>184,760</u>	<u>94,365</u>
<b>Liabilities:</b>		
Long-term liabilities	171,082	194,967
Other liabilities	61,542	55,254
Net other postemployment benefits liability	257,768	-
Net pension liability	739,168	707,112
Total liabilities	<u>1,229,560</u>	<u>957,333</u>
Deferred inflows of resources	<u>117,310</u>	<u>78,985</u>
<b>Net position:</b>		
Net investment in capital assets	43,970	35,032
Restricted for debt service	7,543	6,430
Unrestricted	<u>(741,080)</u>	<u>(526,881)</u>
Total net position	<u>\$ (689,567)</u>	<u>\$ (485,419)</u>

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

**Table A-4  
Changes in Glenn Public School's Net position**

	2018	2017
Revenues:		
Program revenues:		
Federal and state categorical grants	\$ 77,348	\$ 67,387
General revenues:		
Property taxes, levied for general purposes	472,105	451,894
Property taxes, levied for debt service	34,480	35,420
Investment earnings	202	154
State sources	2,139	1,848
Intermediate sources	15,368	15,043
Other	9,281	5,601
Total revenues	<u>610,923</u>	<u>577,347</u>
Expenses:		
Instruction	382,940	343,169
Support services	143,951	147,075
Interest on long-term debt	8,882	9,876
Unallocated depreciation	21,121	20,818
Total expenses	<u>556,894</u>	<u>520,938</u>
Change in net position	<u>\$ 54,029</u>	<u>\$ 56,409</u>

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

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its general fund reported a fund balance of \$194,488, an increase of \$24,670 from last year's total of \$169,818. This represents roughly four months of the 2017-2018 total general fund expenditures.

#### General Fund and Budget Highlights

Over the course of the year, the District amended the annual operating budget two times, most recently in June of 2018. Total general fund revenues increased 6.1% from the original to the final budget due to increases in expected property tax revenue and additional state and federal aid. Total budgeted expenditures increased by 2.0% from the original to the final budget due to increases across the board. Overall actual expenditures were consistent with budgeted amounts and increased 7.2% over the prior year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The District's capital assets are as follows:

	Glenn Public School's Capital Assets			
	2018			2017
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 8,247	\$ -	\$ 8,247	\$ 8,247
Land improvements	54,880	51,203	3,677	4,366
Buildings and improvements	406,210	213,890	192,320	211,321
Computer equipment	26,802	22,076	4,726	1,098
Equipment and furniture	72,434	72,434	-	-
Office machines	5,330	5,330	-	-
Total	<u>\$ 573,903</u>	<u>\$ 364,933</u>	<u>\$ 208,970</u>	<u>\$ 225,032</u>

Additions to capital assets totaled \$5,059 which was made up of computer equipment. More detailed information regarding the District's capital asset activity can be found in Note 3 to the financial statements.

### LONG-TERM DEBT

At the end of the current fiscal year, the District had a total bonded debt outstanding of \$165,000. This balance represents unlimited tax bonds to provide funds for the acquisition and construction of major capital facilities. Current requirements for principal and interest expenditures are payable solely from future revenues of the debt service fund, which consists principally of property taxes collected by the District.

Additional information on the District's long-term debt can be found in Note 4 to the financial statements.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future.

- Property taxes are the primary funding source for the District. Property values have been slowly increasing the past couple of years but the District has also seen an increase in the reclassification of properties from Non-Principal Residence to Principal Residence. This has led to only a slight increase in property tax receipts. State Aid is not a source of revenue as student enrollment would have to exceed 57 students to qualify for State Aid at the current level of property values of non-principal residence exempt properties.
- Retirement rates continue to increase as of October 1, 2018 from 32.66% to 33.17%. The State legislature has passed retirement reform measures that will stabilize the rate for the short term but the long term cost of the pension continues and its impact on the District's finances continues to be of concern.

- The District's Board of Education monitors the expenses of the District as student enrollment increases or decreases. The Board elected to levy taxes to pay the annual debt payments. The additional levy occurred during the Winter 2016 tax collection and will be effective going forward. The Board may elect to suspend this debt levy once the property values start to increase again.
- The District has taken initial steps to become a more science-themed school. It is contracting with a local outdoor discovery center to help with the planning and implementing of new curriculum alignment, outdoor spaces renovations, and other nature based educational changes. The District is excited to be able to offer these enriching program changes to the students.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Lisa Bradley, Supervisor of Financial Services, Allegan Area Educational Service Agency, 310 Thomas St., Allegan, MI 49010.

**BASIC FINANCIAL STATEMENTS**

**GLENN PUBLIC SCHOOL  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	<b>Governmental activities</b>
<b>ASSETS:</b>	
Cash	\$ 249,444
Accounts receivable	123
Intergovernmental receivables	12,639
Prepays	1,367
Capital assets, not being depreciated	8,247
Capital assets, net of accumulated depreciation	200,723
<b>TOTAL ASSETS</b>	472,543
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Related to other postemployment benefits	20,180
Related to pensions	164,580
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	184,760
<b>LIABILITIES:</b>	
Accounts payable	3,393
Accrued salaries and related items	42,082
Accrued retirement	14,821
Accrued interest	1,246
Noncurrent liabilities:	
Due within one year	25,507
Due in more than one year	145,575
Net other postemployment benefits liability	257,768
Net pension liability	739,168
<b>TOTAL LIABILITIES</b>	1,229,560
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Related to other postemployment benefits	8,764
Related to pensions	78,097
Related to state aid funding for pension	30,449
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	117,310
<b>NET POSITION:</b>	
Net investment in capital assets	43,970
Restricted for debt service	7,543
Unrestricted	(741,080)
<b>TOTAL NET POSITION</b>	\$ (689,567)

See notes to financial statements.

**GLENN PUBLIC SCHOOL  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Net (expense)</u>
		<u>services</u>	<u>grants</u>	<u>revenue and</u>
				<u>changes in</u>
				<u>net position</u>
Governmental activities:				
Instruction	\$ 382,940	\$ -	\$ 68,016	\$ (314,924)
Support services	143,951	-	9,332	(134,619)
Interest on long-term debt	8,882	-	-	(8,882)
Unallocated depreciation	21,121	-	-	(21,121)
Total governmental activities	<u>\$ 556,894</u>	<u>\$ -</u>	<u>\$ 77,348</u>	<u>(479,546)</u>
General revenues:				
Property taxes, levied for general purposes				472,105
Property taxes, levied for debt service				34,480
Investment earnings				202
State sources				2,139
Intermediate sources				15,368
Other				9,281
Total general revenues				<u>533,575</u>
<b>CHANGE IN NET POSITION</b>				54,029
<b>NET POSITION</b> , beginning of year, as restated				<u>(743,596)</u>
<b>NET POSITION</b> , end of year				<u>\$ (689,567)</u>

**GLENN PUBLIC SCHOOL  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<b>ASSETS</b>	<u>General fund</u>	<u>Debt service fund</u>	<u>Total governmental funds</u>
<b>ASSETS:</b>				
	Cash	\$ 240,655	\$ 8,789	\$ 249,444
	Accounts receivable	123	-	123
	Intergovernmental receivables	12,639	-	12,639
	Prepays	1,367	-	1,367
	<b>TOTAL ASSETS</b>	<u>\$ 254,784</u>	<u>\$ 8,789</u>	<u>\$ 263,573</u>
 <b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES:</b>				
	Accounts payable	\$ 3,393	\$ -	\$ 3,393
	Accrued retirement	14,821	-	14,821
	Accrued salaries and related items	42,082	-	42,082
	<b>TOTAL LIABILITIES</b>	<u>60,296</u>	<u>-</u>	<u>60,296</u>

See notes to financial statements.



	<u>General fund</u>	<u>Debt service fund</u>	<u>Total governmental funds</u>
<b>FUND BALANCE:</b>			
Nonspendable:			
Prepays	\$ 1,367	\$ -	\$ 1,367
Restricted:			
Debt service	-	8,789	8,789
Assigned:			
Curriculum	35,000	-	35,000
Maintenance and improvements	50,000	-	50,000
Technology	20,000	-	20,000
Playground	7,500	-	7,500
Unassigned	80,621	-	80,621
<b>TOTAL FUND BALANCE</b>	<u>194,488</u>	<u>8,789</u>	<u>203,277</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 254,784</u>	<u>\$ 8,789</u>	<u>\$ 263,573</u>
<b>Total governmental fund balances</b>			\$ 203,277
Amounts reported for governmental activities in the statement of net position are different because:			
Deferred outflows of resources - related to pensions			164,580
Deferred inflows of resources - related to pensions			(78,097)
Deferred inflows of resources - related to state pension funding			(30,449)
Deferred inflows of resources - related to other postemployment benefits			(8,764)
Deferred outflows of resources - related to other postemployment benefits			20,180
Capital assets used in governmental activities are not financial resources and are not reported in the funds:			
The cost of the capital assets is		\$ 573,903	
Accumulated depreciation is		<u>(364,933)</u>	
			208,970
Long-term liabilities are not due and payable in the current period and are not reported in the funds:			
Bonds payable			(165,000)
Compensated absences and termination benefits			(6,082)
Accrued interest is not included as a liability in government funds, it is recorded when paid			(1,246)
Net other postemployment benefits liability			(257,768)
Net pension liability			(739,168)
<b>Net position of governmental activities</b>			<u>\$ (689,567)</u>

See notes to financial statements.

**GLENN PUBLIC SCHOOL  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018**

	<u>General fund</u>	<u>Debt service fund</u>	<u>Total governmental funds</u>
<b>REVENUES:</b>			
Local sources:			
Property taxes	\$ 472,105	\$ 34,480	\$ 506,585
Investment earnings	191	11	202
Other	8,877	-	8,877
Total local sources	481,173	34,491	515,664
State sources	52,352	504	52,856
Federal sources	26,768	-	26,768
Incoming transfers and other	15,772	-	15,772
Total revenues	576,065	34,995	611,060
<b>EXPENDITURES:</b>			
Current:			
Instruction	404,627	-	404,627
Supporting services	143,763	-	143,763
Capital outlay	3,005	-	3,005
Debt service:			
Principal repayment	-	25,000	25,000
Interest	-	8,565	8,565
Other	-	499	499
Total expenditures	551,395	34,064	585,459
<b>NET CHANGE IN FUND BALANCE</b>	24,670	931	25,601
<b>FUND BALANCE:</b>			
Beginning of year	169,818	7,858	177,676
End of year	\$ 194,488	\$ 8,789	\$ 203,277

**GLENN PUBLIC SCHOOL  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

<b>Net change in fund balances total governmental funds</b>	<b>\$ 25,601</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(21,121)
Capital outlay	5,059
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	1,428
Accrued interest payable, end of the year	(1,246)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items are as follows:	
Payments on debt	25,000
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences and termination benefits, beginning of the year	4,967
Accrued compensated absences and termination benefits, end of the year	(6,082)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Other postemployment benefits items	3,604
Pension related items	16,956
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period:	
Change in state aid funding for pension and other post employment benefits	(137)
<b>Change in net position of governmental activities</b>	<b><u>\$ 54,029</u></b>

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The District currently does not have fiduciary activities. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

**B. Reporting Entity**

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

**C. Basis of Presentation - Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds.

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

**D. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the District’s funds. The emphasis of fund financial statements is on major governmental funds. The only fund the District currently operates, which is also the only major governmental fund of the District, is the general fund.

The District reports the following major governmental fund:

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

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

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Measurement Focus and Basis of Accounting**

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

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

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

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

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

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Measurement Focus and Basis of Accounting (Concluded)**

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

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

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

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

**F. Budgetary Information**

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

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

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Budgetary Information (Concluded)**

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2018. The District does not consider these amendments to be significant.

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

1. Cash

The District's cash are considered to be cash on hand and demand deposits.

2. Investments

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

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

2. Investments (Concluded)

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

3. Prepaid items

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

4. Capital assets

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

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



**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

4. Capital assets (Concluded)

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

Capital asset classes	Lives
Building and improvements	50
Furniture and other equipment	5 - 20
Land improvements	20

5. Defined benefit plans

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

6. Deferred outflows

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

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

7. Deferred inflows

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

8. Net position flow assumption

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

9. Fund balance flow assumptions

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

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

10. Fund balance policies

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

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

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

**H. Revenues and Expenditures/Expenses**

1. Program revenues

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

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Revenues and Expenditures/Expenses (Continued)**

2. Property taxes

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

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

Fund	Mills
General Fund:	
Non-Principal Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	0.79

3. Compensated absences

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

4. Long-term obligations

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

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**H. Revenues and Expenditures/Expenses (Concluded)**

4. Long-term obligations (Concluded)

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**Interest rate risk.** The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The District has no investment policy that would further limit its investment choices. As of June 30, 2018, the District had no investments.

**Concentration of credit risk.** The District places no limit on the amount the District may invest in any one issuer. At June 30, 2018, the District had no investments.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2018, \$5,707 of the District's bank balance of \$255,707 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District had no investments at June 30, 2018.

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

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - CAPITAL ASSETS**

The following is a summary of changes in the capital assets for the fiscal year:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated - land	\$ 8,247	\$ -	\$ -	\$ 8,247
Other capital assets:				
Land improvements	54,880	-	-	54,880
Building and improvements	406,210	-	-	406,210
Computer equipment	21,743	5,059	-	26,802
Equipment and furniture	72,434	-	-	72,434
Office machines	5,330	-	-	5,330
Subtotal	<u>560,597</u>	<u>5,059</u>	<u>-</u>	<u>565,656</u>
Accumulated depreciation:				
Land improvements	50,514	689	-	51,203
Building and improvements	194,889	19,001	-	213,890
Computer equipment	20,645	1,431	-	22,076
Equipment and furniture	72,434	-	-	72,434
Office machines	5,330	-	-	5,330
	<u>343,812</u>	<u>21,121</u>	<u>-</u>	<u>364,933</u>
Net capital assets being depreciated	<u>216,785</u>	<u>(16,062)</u>	<u>-</u>	<u>200,723</u>
Net governmental capital assets	<u>\$ 225,032</u>	<u>\$(16,062)</u>	<u>\$ -</u>	<u>\$ 208,970</u>

Depreciation for the fiscal year ended June 30, 2018 amounted to \$21,121. Depreciation expense is unallocated as the assets serve multiple functions.

**NOTE 4 - LONG-TERM DEBT**

Bonds payable at June 30, 2018 are comprised of the following issues:

2005 general obligation bonds due in annual installments of \$25,000 to \$30,000 through May 1, 2024, with interest at 4.40% to 4.65%.	<u>\$ 165,000</u>
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The District issues unlimited tax bonds for the governmental activities to provide funds for the acquisition and construction of major capital facilities. Unlimited tax bonds are direct obligations and pledge the full faith and credit of the District. Current requirements for principal and interest expenditures are payable solely from future revenues of the general fund, which consists principally of property taxes collected by the District.

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - LONG-TERM DEBT (Concluded)**

The annual requirements to amortize long-term debt outstanding as of June 30, 2018, including interest of \$27,430 are as follows:

Year ending June 30,	Principal	Interest	Total
2019	\$ 25,000	\$ 7,478	\$ 32,478
2020	25,000	6,377	31,377
2021	25,000	5,265	30,265
2022	30,000	4,140	34,140
2023	30,000	2,775	32,775
2024	30,000	1,395	31,395
	165,000	<u>\$ 27,430</u>	<u>\$ 192,430</u>
Due within one year	<u>(25,000)</u>		
	<u>\$ 140,000</u>		

	June 30, 2017	Additions	Payments	June 30, 2018	Due in one year
Bonds payable	<u>\$ 190,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 165,000</u>	<u>\$ 25,000</u>
Compensated absences and termination benefits	<u>\$ 4,967</u>	<u>\$ 1,115</u>	<u>\$ -</u>	<u>\$ 6,082</u>	<u>\$ 507</u>

**NOTE 5 - RETIREMENT AND POST RETIREMENT BENEFITS**

**Plan Description**

The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the Board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at [www://michigan.gov/orschools](http://www://michigan.gov/orschools).

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

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Plan Description (Concluded)**

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

**Benefits Provided - Overall**

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

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

**Benefits Provided - Pension**

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

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



**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Pension Reform 2010**

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

**Pension Reform 2012**

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

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

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

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

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

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

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Pension Reform 2012 (Concluded)**

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

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

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

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

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

**Pension Reform of 2017**

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

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Benefits Provided - Other Postemployment Benefit (OPEB)**

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

**Retiree Healthcare Reform of 2012**

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

**Regular Retirement (no reduction factor for age)**

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

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

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Member Contributions**

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

**Employer Contributions**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Postemployment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

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

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

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

The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately \$80,000, with \$78,000 specifically for the Defined Benefit Plan.

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Employer Contributions (Concluded)**

The District's OPEB contributions for the year ended June 30, 2018 were equal to the required contribution total. OPEB benefits were approximately \$24,000, with \$22,000 specifically for the Defined Benefit Plan.

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

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

**Pension Liabilities**

At June 30, 2018, the District reported a liability of \$739,168 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the District's proportion was 0.00285% and 0.00283%.

<u>MPERS (Plan) Non-university employers</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Total pension liability	\$ 72,407,218,688	\$ 67,917,445,078
Plan fiduciary net position	\$ 46,492,967,573	\$ 42,968,263,308
Net pension liability	\$ 25,914,251,115	\$ 24,949,181,770
Proportionate share	0.00285%	0.00283%
Net pension liability for the District	\$ 739,168	\$ 707,112

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

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

For the year ended June 30, 2018, the District recognized pension expense of \$60,650.

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

	Deferred outflows of resources	Deferred inflows of resources
Change of assumptions	\$ 80,982	\$ -
Net difference between projected and actual earnings on pension plan investments	-	35,337
Difference between expected and actual experience	6,424	3,627
Changes in proportion and difference between employer contributions and proportionate share of contributions	3,451	39,133
Reporting Unit's contributions subsequent to the measurement date	73,723	-
	\$ 164,580	\$ 78,097

\$73,723, reported as deferred outflows of resources related to pensions resulting from district employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2018	\$ (2,601)
2019	11,400
2020	5,085
2021	(1,124)

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

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

**OPEB Liabilities**

At June 30, 2018, the District reported a liability of \$257,768 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.00291%.

<u><i>MPSERS (Plan) Non-university employers</i></u>	<u>September 30, 2017</u>
Total OPEB liability	\$ 13,920,945,991
Plan fiduciary net position	\$ 5,065,474,948
Net OPEB liability	\$ 8,855,471,043
Proportionate share	0.00291%
Net OPEB liability for the District	\$ 257,768

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$18,309.

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

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ -	\$ 2,744
Net difference between projected and actual earnings on OPEB plan investments	-	5,970
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	50
Employer contributions subsequent to the measurement date	20,180	-
	\$ 20,180	\$ 8,764

\$20,180, reported as deferred outflows of resources related to OPEB resulting from district employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2018	\$ (2,117)
2019	(2,117)
2020	(2,117)
2021	(2,117)
2022	(296)



**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Actuarial Assumptions**

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

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

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

**Inflation** - 3.0%.

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

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

**The long-term expected rate of return on pension and other postemployment benefit plan investments** - The pension rate was 7.5% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.5%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Cost of living pension adjustments** - 3.0% annual non-compounded for MIP members.

**Healthcare cost trend rate for other postemployment benefit** - 7.5% for year one and graded to 3.5% to year twelve.

**Additional assumptions for other postemployment benefit only - applies to individuals hired before September 4, 2012:**

Opt Out Assumption - 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage - 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Actuarial Assumptions (Continued)**

Coverage Election at Retirement - 75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

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

<u>Investment category</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic Equity Pools	28.00%	5.60%
Private Equity Pools	18.00%	8.70%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	(0.10)%
Real Estate and Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.00%
Short Term Investment Pools	2.00%	(0.90)%
	<u>100.00%</u>	

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

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

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Actuarial Assumptions (Continued)**

**OPEB discount rate** - The discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	Pension		
	1% Decrease (6.5% - 6.0%)	Discount rate (7.5% - 7.0%)	1% Increase (8.5% - 8.0%)
Reporting Unit's proportionate share of the net pension liability	\$ 962,890	\$ 739,168	\$ 550,808

**Sensitivity of the net OPEB liability to changes in the discount rate** - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Other postemployment benefit		
	1% Decrease (6.5%)	Discount rate (7.5%)	1% Increase (8.5%)
Reporting Unit's proportionate of the net other postemployment benefit liability	\$ 301,920	\$ 257,768	\$ 220,296

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - RETIREMENT AND POST RETIREMENT BENEFITS (Concluded)**

**Actuarial Assumptions (Concluded)**

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

	Other postemployment benefit		
	1% Decrease (6.5% decreasing to 2.5%)	Healthcare cost trend rates (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 218,295	\$ 257,768	\$ 302,587

**Pension and OPEB Plan Fiduciary Net Position**

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

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

**Other Information**

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

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - RISK MANAGEMENT**

The District carries commercial insurance for risks of property loss torts, errors and omissions and employee injuries (workers' compensation).

**NOTE 7 - NEW ACCOUNTING STANDARD**

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

**Summary:**

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

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

	Governmental activities
Net position as previously stated July 1, 2017	\$ (485,419)
Adoption of GASB Statement No. 75	
Net OPEB liability	(271,888)
Deferred outflows	21,932
Deferred inflows	(8,221)
Net position as restated July 1, 2017	\$ (743,596)

**GLENN PUBLIC SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**GLENN PUBLIC SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2018**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget</u>
<b>REVENUES:</b>				
Local sources	\$ 463,575	\$ 480,830	\$ 481,173	\$ 343
State sources	43,207	51,818	52,352	534
Federal sources	20,335	29,195	26,768	(2,427)
Incoming transfers and other	17,104	15,772	15,772	-
Total revenues	<u>544,221</u>	<u>577,615</u>	<u>576,065</u>	<u>(1,550)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic programs	366,026	371,672	368,991	2,681
Added needs	38,517	38,497	35,636	2,861
Total instruction	<u>404,543</u>	<u>410,169</u>	<u>404,627</u>	<u>5,542</u>
Supporting services:				
General administration	80,500	70,715	72,971	(2,256)
Business	5,783	12,244	12,241	3
Operation/maintenance	53,015	55,057	54,089	968
Central	3,000	6,718	4,462	2,256
Total supporting services	<u>142,298</u>	<u>144,734</u>	<u>143,763</u>	<u>971</u>
Capital outlay	-	3,005	3,005	-
Total expenditures	<u>546,841</u>	<u>557,908</u>	<u>551,395</u>	<u>6,513</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,620)</u>	<u>19,707</u>	<u>24,670</u>	<u>4,963</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (2,620)</u>	<u>\$ 19,707</u>	<u>24,670</u>	<u>\$ 4,963</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>169,818</u>	
End of year			<u>\$ 194,488</u>	



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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting Unit's proportion of net pension liability (%)	0.00285%	0.00283%	0.00304%	0.00315%
Reporting Unit's proportionate share of net pension liability	\$ 739,168	\$ 707,112	\$ 742,853	\$ 694,231
Reporting Unit's covered-employee payroll	\$ 247,576	\$ 242,259	\$ 262,477	\$ 275,986
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	298.56%	291.88%	283.02%	251.55%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	64.21%	63.27%	63.17%	66.20%

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 77,606	\$ 66,630	\$ 62,362	\$ 53,145
Contributions in relation to statutorily required contributions	<u>77,606</u>	<u>66,630</u>	<u>62,362</u>	<u>53,145</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 250,129	\$ 243,319	\$ 241,228	\$ 264,194
Contributions as a percentage of covered-employee payroll	31.03%	27.38%	25.85%	20.12%

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

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

	2017
Reporting Unit's proportion of net OPEB liability (%)	0.00291%
Reporting Unit's proportionate share of net OPEB liability	\$ 257,768
Reporting Unit's covered-employee payroll	\$ 247,576
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	104.12%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	36.39%

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

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

	2018
Statutorily required contributions	\$ 21,913
Contributions in relation to statutorily required contributions	21,913
Contribution deficiency (excess)	\$ -
Reporting Unit's covered-employee payroll	\$ 250,129
Contributions as a percentage of covered-employee payroll	8.76%

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

**GLENN PUBLIC SCHOOL  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2018**

**Changes of benefits terms:** There were no changes of benefits terms in 2017.

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

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

To the Board of Education  
Glenn Public School

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Glenn Public School as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Glenn Public School’s basic financial statements and have issued our report thereon dated October 18, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Glenn Public School’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 Glenn Public School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Glenn Public School’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 Glenn Public School'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Manes Costeiran PC*

October 18, 2018

October 18, 2018

To the Board of Education  
Glenn Public School

We have audited the financial statements of Glenn Public School for the year ended June 30, 2018, and have issued our report thereon dated October 18, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Glenn Public School. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Glenn Public School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.



## Significant Audit Findings

### *1. Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Glenn Public School are described in Note 1 to the financial statements. During 2018 the District implemented Governmental Accounting Standard No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The application of existing policies was not changed during 2018. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.

Management's estimate in calculating the liability for employee compensated absences:

The estimated liability is approximately \$6,000. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets:

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

### *2. Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

3. *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

4. *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

5. *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 18, 2018.

6. *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Glenn Public School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Glenn Public School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. *Other Matters*

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

A separate management letter was not issued.

This information is intended solely for the use of the Board of Education and management of Glenn Public School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Maney Costeiran PC*