

# Grosse Ile Township Schools

## Financial Statements

June 30, 2017



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**Grosse Ile Township Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2017**

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**Members of the Board of Education**

Ms. Patricia L. Selby, President

Mrs. Suzanne Sassack, Vice President

Mr. Frank DeMare, Secretary

Mr. John Gatti, Treasurer

Mrs. Kelly Loeffler, Trustee

Mr. Jeffery Anderson, Trustee

Mrs. Collie Hooper-Yan, Trustee

**Administration**

Ms. Joanne Lelekatch, Superintendent

Mrs. Linda Drzyzga, Business Manager



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## Independent Auditors' Report

Management and the Board of Education  
Grosse Ile Township Schools  
Grosse Ile, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grosse Ile Township Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Grosse Ile Township Schools, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters:**

### **Required Supplementary Information**

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

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grosse Ile Township Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2017 on our consideration of Grosse Ile Township Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District'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 Grosse Ile Township Schools' internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Ann Arbor, MI  
October 19, 2017

# **GROSSE ILE TOWNSHIP SCHOOLS**

## **Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2017**

Grosse Ile Township Schools (the "District"), a K-12 School District located in Wayne County, Michigan, in continuing its implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Management's Discussion & Analysis section, a requirement of GASB 34, is intended to be Grosse Ile Township Schools' discussion and analysis of the financial results for the fiscal year ended June 30, 2017.

Generally accepted accounting principles (GAAP) according to GASB 34 now requires the reporting of two types of financial statements:

- Fund Financial Statements – The format we used prior to fiscal year ended June 30, 2003
- District-Wide Financial Statements – A revised format required under GASB 34 since June 30, 2003

### **Fund Financial Statements**

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

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including the Debt Fund, Capital Project Funds and the Special Revenue Fund that reflects the Food Service/Cafeteria operation.

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

### **District-Wide Financial Statements**

The district-wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, whether they are "currently available" or not. For example, assets that are restricted for use in the Debt Fund solely for the payment of long-term principal and interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the statement of net assets of the district-wide financial statements.

# GROSSE ILE TOWNSHIP SCHOOLS

## Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2017

### Summary of Net Position:

The following summarizes the net position as of June 30, 2017 and 2016:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current and other assets	\$ 17,012,580	\$ 15,472,203
Capital assets, net	34,522,362	34,829,581
Deferred outflows of resources	<u>4,681,537</u>	<u>4,173,908</u>
 Total assets	 <u>56,216,479</u>	 <u>54,475,692</u>
<b>Liabilities</b>		
Noncurrent liabilities outstanding	59,300,856	61,742,099
Other liabilities	5,154,995	4,708,953
Deferred inflows of resources	<u>2,029,055</u>	<u>992,835</u>
 Total liabilities	 <u>66,484,906</u>	 <u>67,443,887</u>
<b>Net Position</b>		
Net investment in capital assets	9,516,351	6,065,600
Restricted for food service	-	29,709
Restricted for debt service	486,039	258,570
Restricted for capital projects	8,167,396	10,961,715
Unrestricted	<u>(28,438,213)</u>	<u>(30,283,789)</u>
 Total net position	 <u>\$ (10,268,427)</u>	 <u>\$ (12,968,195)</u>

# **GROSSE ILE TOWNSHIP SCHOOLS**

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## **Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2017**

The District's net position was \$(10,268,427) at June 30, 2017. Capital assets, net of related debt totaling \$9,516,351 compares the cost, less depreciation, of the District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use that net position for day-to-day operations.

The \$(28,438,213) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

### **Analysis of Financial Position:**

During the fiscal year ended June 30, 2017, the District's net position increased by \$2,699,768. The significant factors affecting net position during the year are discussed below:

### **General Fund Operations**

The District's revenues exceeded expenditures from General Fund operations by \$1,672,834 for the fiscal year ended June 30, 2017. See the section entitled **Results of Operations**, below for further discussion of General Fund operations.

# **GROSSE ILE TOWNSHIP SCHOOLS**

## **Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2017**

### **Debt, Principal Payments**

The District made principal payments on bonded, long-term debt obligations that reduced the amount of the District's long-term liabilities as follows:

#### **2008 Refunding Bonds**

Principal balance, June 30, 2016	\$ 7,680,000
Principal payments, May 1, 2017	<u>(1,330,000)</u>
Principal balance, June 30, 2017	<u>\$ 6,350,000</u>

#### **2015 Refunding Bonds**

Principal balance, June 30, 2016	\$ 9,440,000
Principal payments, May 1, 2017	<u>(480,000)</u>
Principal balance, June 30, 2017	<u>\$ 8,960,000</u>

#### **2016 Building and Site Bonds**

Principal balance, June 30, 2017	<u>\$ 10,655,000</u>
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# **GROSSE ILE TOWNSHIP SCHOOLS**

## **Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2017**

### **Net Investment in Capital Assets**

The District's net investment in capital assets decreased by \$307,219 during the fiscal year. This is summarized as follows:

	<b>June 30, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2017</b>
Capital assets	\$ 63,161,913	\$ 989,051	\$ 2,271,695	\$ 61,879,269
Less: accumulated depreciation	<u>28,332,332</u>	<u>1,242,279</u>	<u>2,217,704</u>	<u>27,356,907</u>
Net investment capital outlay	<u>\$ 34,829,581</u>	<u>\$ (253,228)</u>	<u>\$ 53,991</u>	<u>\$ 34,522,362</u>

In February 2008, the District advance refunded a portion of the outstanding 1998 Refunding Bonds in the amount of \$18,725,000. The net cumulative savings to the taxpayers of Grosse Ile Township in refunding the bonds is estimated at \$1,267,277.

In February 2015, the District advance refunded a portion of the 2006 Bonds in the amount of \$9,440,000. The net cumulative savings to the taxpayers of Grosse Ile Township in refunding the bond is estimated at \$994,782.

In May 2015, Grosse Ile Township voters approved a renewal of a Sinking Fund millage of  $\frac{3}{4}$  of one mill levied each year for five years to be used for school building and site purposes.

In May 2016, Grosse Ile Township voters approved a \$10,655,000 general obligation bond issue to remodel and equip buildings, acquire buses, purchase technology and improve athletic facilities.

# GROSSE ILE TOWNSHIP SCHOOLS

## Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2017

### Results of Operations:

For the fiscal years ended June 30, 2017 and 2016 the District-wide results of operation were as follows:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
<b>Revenue</b>		
General revenue		
Property taxes levied for general operations	\$ 2,972,738	\$ 2,301,057
Property taxes levied for debt service	3,038,011	2,860,142
Property taxes levied for sinking fund	434,305	430,161
State of Michigan unrestricted foundation aid	16,129,306	15,744,984
Other general revenue	<u>320,520</u>	<u>202,592</u>
Total general revenue	22,894,880	21,538,936
Operating grants	1,347,573	1,154,976
Charges for services	<u>752,071</u>	<u>728,298</u>
Total revenue	<u>24,994,524</u>	<u>23,422,210</u>
<b>Expenses</b>		
Instruction and instructional support	\$12,316,910	13,067,853
Support services	6,614,397	6,938,288
Athletics	572,936	571,219
Cafeteria	600,322	630,265
Community services	722	3,973
Interest on long-term debt	947,190	1,075,190
Depreciation - unallocated	<u>1,242,279</u>	<u>1,389,812</u>
Total expense	<u>22,294,756</u>	<u>23,676,600</u>
<b>Change in net position</b>	2,699,768	(254,390)
Beginning net position as restated	<u>(12,968,195)</u>	<u>(12,713,805)</u>
Ending of net position	<u>\$ (10,268,427)</u>	<u>\$ (12,968,195)</u>

# **GROSSE ILE TOWNSHIP SCHOOLS**

## **Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2017**

### **State of Michigan Unrestricted Aid**

The State of Michigan's Foundation Payment to school districts is determined with the following variables:

- State of Michigan State Aid Act per student foundation allowance.
- Student Enrollment – Blended at 90% of the current school year's fall count and 10% of the prior school year's winter count.
- The District's Homestead and Non-Homestead tax levies.

### **Per Student Foundation Allowance**

Annually, the State of Michigan establishes the per student foundation allowance. The Grosse Ile Township Schools' foundation allowance was \$8,483 for the 2016-2017 school year. This amounted to a \$9 increase over the District's foundation allowance of \$8,474 per student in 2015-2016.

### **Student Enrollment**

The District's student enrollment for school year 2016-2017 was 1,908 students. The following summarizes the enrollments for the past five years:

	<u>Student FTE</u>	<u>FTE Increase Prior Year</u>
2016-2017	1,908	17
2015-2016	1,891	16
2014-2015	1,875	(25)
2013-2014	1,900	53
2012-2013	1,847	(12)

At year-end June 30, 2017, preliminary student enrollment counts for 2017-2018 indicate that enrollment may decrease by about 48 students from 2016-2017.

# **GROSSE ILE TOWNSHIP SCHOOLS**

## **Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2017**

### **Property Taxes Levied for General Operations (General Fund Homestead and Non-Homestead Taxes)**

In 2016-2017, the District levied 2.1560 mills on Homestead (Residential) properties and 18.0000 mills on Non-Homestead (Business) properties for General Fund operations. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's consumer price index increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the state equalized value, which theoretically, is 50 percent of the market value.

The District's Homestead and Non-Homestead property revenue for the 2016-2017 fiscal year was \$2,300,783. The Tax Levy decreased by .01 percent less than prior year.

The following summarizes the District's combined Homestead and Non-Homestead tax levies for the past five years:

<u>Fiscal Year</u>	<u>Tax Levy</u>	<u>% Increase/Decrease From Prior Year</u>
2016-2017	\$ 2,300,783	-0.01%
2015-2016	\$ 2,301,057	-0.10%
2014-2015	2,303,449	-1.43%
2013-2014	2,336,961	0.61%
2012-2013	2,322,793	1.56%

### **Debt Fund Property Taxes**

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties, both Homestead and Non-Homestead.

For 2016-2017, the District's debt millage levy was 5.2400 mills which generated revenue of \$3,042,024.

# **GROSSE ILE TOWNSHIP SCHOOLS**

## **Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2017**

### **Food Sales (School Lunch Program)**

The District's food service revenue increased by \$2,669 to \$626,364 from the prior school year. The increase was due primarily to additional lunch sales to students.

### **General Fund Budget – Actual Revenues & Expenditures**

#### General Fund Revenue – 5 Year Comparison of Budget to Actual Results

<u>Fiscal Year</u>	<u>Revenues Original Budget</u>	<u>Revenues Final Budget</u>	<u>Revenues Final Actual</u>	<u>Variance Revenues Actual vs. Original Budget</u>	<u>Variance Revenues Actual vs. Final Budget</u>
2016-2017	\$ 19,679,630	\$ 20,626,813	\$ 20,808,888	5.74%	0.88%
2015-2016	18,972,647	19,752,942	19,504,949	2.81%	-1.26%
2014-2015	19,370,733	19,154,759	18,971,528	-2.06%	-0.96%
2013-2014	18,282,549	18,810,516	18,699,375	2.28%	-0.59%
2012-2013	17,912,905	18,008,010	17,937,502	0.14%	-0.39%

# GROSSE ILE TOWNSHIP SCHOOLS

## Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2017

### General Fund Expenditures – 5 Year Comparison of Budget to Actual Results

<u>Fiscal Year</u>	<u>Expenditures Original Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Actual</u>	<u>Variance Expenditures Actual vs. Original Budget</u>	<u>Variance Expenditures Actual vs. Final Budget</u>
2016-2017	\$ 19,464,958	\$ 19,858,344	\$ 19,240,026	-1.16%	-3.11%
2015-2016	19,123,204	19,833,990	19,853,688	3.82%	0.10%
2014-2015	19,768,328	19,906,173	19,659,869	-0.55%	-1.24%
2013-2014	18,832,677	19,473,843	19,224,810	2.08%	-1.28%
2012-2013	18,548,016	18,426,915	18,404,037	-0.78%	-0.12%

### Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

The Grosse Ile Township School District amends its budget as necessary during the school year. For the fiscal year June 30, 2017, the budget was amended in November 2016, February 2017, and June 2017. The June 2017 budget amendment was the final budget for the fiscal year.

### General Fund Revenues

Total Revenues - Original Budget	\$ 19,679,630	100.00%
Total Revenues - Final Budget	<u>20,626,813</u>	<u>104.81%</u>
Increase in Budgeted Revenues	<u>\$ 947,183</u>	<u>4.81%</u>

The District's final, actual General Fund revenues differed from the final budget by \$182,075, a variance of 0.88 percent from the final budget.

# **GROSSE ILE TOWNSHIP SCHOOLS**

## **Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2017**

A significant variation between final budget and actual General Fund revenues includes:

- Interdistrict sources revenues were higher than budgeted by \$128,980.

### **General Fund Expenditures**

The District's budget for expenditures changed as follows during the year:

Total Expenditures - Original Budget	\$ 19,464,958	100.00%
Total Expenditures - Final Budget	<u>19,858,344</u>	<u>102.02%</u>
Increase in Budgeted Expenditures	<u>\$ 393,386</u>	<u>2.02%</u>

The District's final, actual General Fund expenditures differed from the final budget, by (\$618,318), a variance of (3.11) percent from the final budget.

Significant variations between final budget and actual General Fund expenditures include:

- Basic program and benefits costs were lower than budgeted.

### **Contacting the District's Financial Management**

This financial report is intended to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or would like additional information, contact the Business Office, Grosse Ile Township School District.

**Grosse Ile Township Schools**  
**Statement of Net Position**  
**June 30, 2017**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 8,852,412
Accounts receivable	45,131
Due from other governmental units	3,548,694
Inventory	6,104
Investments	2,383,908
Prepaid items	213,564
Capital assets not being depreciated	1,962,767
Capital assets - net of accumulated depreciation	<u>34,522,362</u>
 Total assets	 <u>51,534,942</u>
 <b>Deferred Outflows of Resources</b>	
Deferred amount relating to net pension liability	4,093,148
Deferred amount on debt refunding	<u>588,389</u>
 Total deferred outflows of resources	 <u>4,681,537</u>
 Total assets and deferred outflows of resources	 <u>56,216,479</u>

See Accompanying Notes to the Financial Statements

**Grosse Ile Township Schools**  
**Statement of Net Position**  
**June 30, 2017**

	Governmental Activities
<b>Liabilities</b>	
Accounts payable	\$ 1,525,551
State aid anticipation note payable	1,200,000
Due to other governmental units	234,903
Due to agency fund activities	63,986
Payroll deductions and withholdings	85,295
Accrued expenditures	885,721
Accrued salaries payable	1,110,253
Unearned revenue	49,286
Noncurrent liabilities	
Net pension liability	31,107,164
Debt due within one year	2,005,861
Debt due in more than one year	<u>26,187,831</u>
 Total liabilities	 64,455,851
<b>Deferred Inflows of Resources</b>	
Deferred amount relating to net pension liability	<u>2,029,055</u>
 Total deferred inflows of resources	 <u>2,029,055</u>
 Total liabilities and deferred inflows of resources	 <u>66,484,906</u>
<b>Net Position</b>	
Net investment in capital assets	9,516,351
Restricted for	
Debt service	486,039
Capital projects	8,167,396
Unrestricted	<u>(28,438,213)</u>
 Total net position	 <u><u>\$ (10,268,427)</u></u>

See Accompanying Notes to the Financial Statements

**Grosse Ile Township Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

	Program Revenues		Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
<b>Functions/Programs</b>			
Governmental activities			
Instruction	\$ 12,316,910	\$ 29,710	\$ 1,174,519
Supporting services	6,614,397	22,880	40,751
Athletics	572,936	205,420	-
Food services	600,322	494,061	132,303
Community services	722	-	-
Interest and fiscal charges on long-term debt	947,190	-	-
Depreciation - unallocated	1,242,279	-	-
Total governmental activities	\$ 22,294,756	\$ 752,071	\$ 1,347,573
			(20,195,112)
	General revenues		
			2,972,738
			3,038,011
			434,305
			16,129,306
			58,297
			262,223
		Total general revenues	22,894,880
		Change in net position	2,699,768
		Net position - beginning	(12,968,195)
		Net position - ending	\$ (10,268,427)

See Accompanying Notes to the Financial Statements

**Grosse Ile Township Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2017**

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 445,203	\$ -	\$ 8,253,440	\$ 153,769	\$ 8,852,412
Accounts receivable	42,405	-	-	2,726	45,131
Due from other funds	-	106,280	-	595,067	701,347
Due from other governmental units	3,548,694	-	-	-	3,548,694
Inventory	-	-	-	6,104	6,104
Investments	1,391,777	531,072	-	461,059	2,383,908
Prepaid items	213,564	-	-	-	213,564
Total assets	<u>\$ 5,641,643</u>	<u>\$ 637,352</u>	<u>\$ 8,253,440</u>	<u>\$ 1,218,725</u>	<u>\$ 15,751,160</u>
<b>Liabilities</b>					
Accounts payable	\$ 376,828	\$ -	\$ 1,113,210	\$ 35,513	\$ 1,525,551
State aid anticipation note payable	1,200,000	-	-	-	1,200,000
Due to other funds	664,091	-	1,883	99,359	765,333
Due to other governmental units	234,900	-	-	3	234,903
Payroll deductions and withholdings	85,295	-	-	-	85,295
Accrued expenditures	376,942	-	-	-	376,942
Accrued payroll and related liabilities	1,110,253	-	-	-	1,110,253
Unearned revenue	27,165	-	-	22,121	49,286
Total liabilities	<u>4,075,474</u>	<u>-</u>	<u>1,115,093</u>	<u>156,996</u>	<u>5,347,563</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue					
Enhancement millage	<u>45,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,631</u>
<b>Fund Balance</b>					
Non-spendable					
Inventory	-	-	-	6,104	6,104
Prepaid items	213,564	-	-	-	213,564
Restricted for					
Food service	-	-	-	26,576	26,576
Debt service	-	637,352	-	-	637,352
Capital projects	-	-	7,138,347	1,029,049	8,167,396
Committed for maintenance and technology	97,141	-	-	-	97,141
Unassigned	<u>1,209,833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,209,833</u>
Total fund balance	<u>1,520,538</u>	<u>637,352</u>	<u>7,138,347</u>	<u>1,061,729</u>	<u>10,357,966</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 5,641,643</u>	<u>\$ 637,352</u>	<u>\$ 8,253,440</u>	<u>\$ 1,218,725</u>	<u>\$ 15,751,160</u>

See Accompanying Notes to the Financial Statements

**Grosse Ile Township Schools**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2017**

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<b>Total fund balances for governmental funds</b>	<b>\$ 10,357,966</b>
Total net position for governmental activities in the statement of net position is different because	
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	
Unavailable revenue	45,631
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	1,962,767
Capital assets - net of accumulated depreciation	34,522,362
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(151,313)
Claims for insurance benefits	(258,674)
Incurred but not reported benefit claims	(98,792)
Long-term liabilities applicable to governmental activities are not due and payable in the current period, and, accordingly are not reported as fund liabilities.	
Net pension liability	(31,107,164)
Compensated absences	(636,525)
Bonds and capital lease payable	(27,557,167)
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	588,389
Deferred inflows of resources resulting from net pension liability	(2,029,055)
Deferred outflows of resources resulting from net pension liability	<u>4,093,148</u>
<b>Net position of governmental activities</b>	<b><u>\$(10,268,427)</u></b>

**Grosse Ile Township Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2017**

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local sources	\$ 3,500,714	\$ 3,044,124	\$ 32,273	\$ 931,305	\$ 7,508,416
State sources	16,129,306	-	-	23,000	16,152,306
Federal sources	569,940	-	-	109,303	679,243
Interdistrict sources	608,928	-	-	-	608,928
Total revenues	<u>20,808,888</u>	<u>3,044,124</u>	<u>32,273</u>	<u>1,063,608</u>	<u>24,948,893</u>
<b>Expenditures</b>					
Current					
Education					
Instruction	11,902,793	-	-	-	11,902,793
Supporting services	6,624,284	-	-	-	6,624,284
Athletics	575,867	-	-	-	575,867
Food services	-	-	-	603,393	603,393
Community services	726	-	-	-	726
Facilities acquisition	-	-	3,069,611	184,515	3,254,126
Capital outlay	136,356	-	-	-	136,356
Debt service					
Principal	-	1,810,000	-	-	1,810,000
Interest and other expenditures	-	1,014,080	9,710	-	1,023,790
Total expenditures	<u>19,240,026</u>	<u>2,824,080</u>	<u>3,079,321</u>	<u>787,908</u>	<u>25,931,335</u>
Excess (deficiency) of revenues over expenditures	<u>1,568,862</u>	<u>220,044</u>	<u>(3,047,048)</u>	<u>275,700</u>	<u>(982,442)</u>
<b>Other Financing Sources (Uses)</b>					
Capital leases	83,972	-	-	-	83,972
Transfers in	20,000	-	-	-	20,000
Transfers out	-	-	-	(20,000)	(20,000)
Total other financing sources (uses)	<u>103,972</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>83,972</u>
Net change in fund balance	1,672,834	220,044	(3,047,048)	255,700	(898,470)
Fund balance - beginning	<u>(152,296)</u>	<u>417,308</u>	<u>10,185,395</u>	<u>806,029</u>	<u>11,256,436</u>
Fund balance - ending	<u>\$ 1,520,538</u>	<u>\$ 637,352</u>	<u>\$ 7,138,347</u>	<u>\$ 1,061,729</u>	<u>\$ 10,357,966</u>

See Accompanying Notes to the Financial Statements

**Grosse Ile Township Schools**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2017**

**Net change in fund balances - Total governmental funds** \$ (898,470)

Total change in net position reported for governmental activities in the statement of activities is different because

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Enhancement millage 45,631

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (1,242,279)  
Capital outlay 2,951,818  
Loss on disposal of fixed assets (53,991)

The statement of net position reports the net pension liability and deferred outflows of resources and the deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions

Net change in net pension liability 585,720  
Net change between actual pension contributions and the cost of benefits earned net of employee contributions (485,407)

Expenses are recorded when incurred in the statement of activities.

Interest 7,425  
Benefit claims (23,832)  
Claims for insurance benefits 814  
Compensated absences 17,136

Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.

Debt issued (83,972)  
Repayments of long-term debt 1,810,000  
Amortization of premiums 112,359  
Amortization of amount on bond refunding (43,184)

**Change in net position of governmental activities** \$ 2,699,768

See Accompanying Notes to the Financial Statements

**Grosse Ile Township Schools**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2017**

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	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash	\$ 372,831	\$ -
Due from other funds	-	64,336
Investments	36,199	593,448
Total assets	<u>\$ 409,030</u>	<u>\$ 657,784</u>
<b>Liabilities</b>		
Accounts payable	1,500	\$ 102,915
Due to other funds	350	-
Due to student and other school groups	-	554,869
Total liabilities	<u>1,850</u>	<u>\$ 657,784</u>
<b>Net Position</b>		
Assets held in trust for scholarships and loans	<u>\$ 407,180</u>	

See Accompanying Notes to the Financial Statements

**Grosse Ile Township Schools**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2017**

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	<u>Private Purpose Trust Funds</u>
<b>Additions</b>	
Gifts, contributions, and interest	\$ 28,392
<b>Deductions</b>	
Scholarships awarded	<u>29,155</u>
Change in net position	(763)
Net position - beginning	<u>407,943</u>
Net position - ending	<u>\$ 407,180</u>

See Accompanying Notes to the Financial Statements

**Grosse Ile Township Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Grosse Ile Township Schools (the School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

**District-wide Financial Statements**

The School District's basic financial statements include both district-wide (reporting for the School District as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

**Fund Financial Statements**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are 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.

**Grosse Ile Township Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

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Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Debt Service Fund – The Debt Service Fund is used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Fund – The Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Fund includes the Cafeteria Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Sinking Fund – The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the disbursement of

invoices specifically for acquiring new school sites, construction or repair of school buildings.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Trust Funds are funds entrusted to the School District for scholarship awards and loans and the principal and interest of the trust may be spent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

**Assets, Liabilities and Net Position or Equity**

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2017, the rates are as follows per \$1,000 of assessed value.

General Fund	
Principal residence exemption	2.21980
Non-principal residence exemption	18.00000
Debt Service Funds	5.24000
Sinking Fund	0.74870

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School

**Grosse Ile Township Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

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District's boundaries. 100% of the School District's tax roll lies within Wayne County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by Wayne County and remitted to the School District.

Investments – Investments are stated at fair value based on a quoted market price. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are categorized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20–50 years
Site improvements	10–20 years
Equipment and furniture	5–10 years
Buses and other vehicles	5–10 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability in the following year.

Compensated Absences – The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which vacation amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**Grosse Ile Township Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

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Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

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

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the

employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education or the Business Manager. The Board of Education has granted the Business Manager the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's

**Grosse Ile Township Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

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policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**Eliminations and Reclassifications**

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

**Adoption of New Accounting Standards**

The Governmental Accounting Standards Board (“The GASB”) has issued Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

**Upcoming Accounting and Reporting Changes**

GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute

that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

The School District is evaluating the impact the above GASBs will have on its financial reporting.

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A school district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

**Grosse Ile Township Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

**Excess of Expenditures over Appropriations**

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Pupil transportation services	\$ 826,855	\$ 849,989	\$ 23,134
Athletic activities	566,049	575,867	9,818
Capital outlay	52,400	136,356	83,956

**District-Wide Deficit**

The School District has an unrestricted net position deficit for district-wide activities in the amount of \$28,438,213 as of June 30, 2017.

**Compliance – Sinking Funds**

The Capital Projects Fund records capital project activities funded with the Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

**Note 3 - Deposits and Investments**

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 8,852,412	\$ 372,831	\$ 9,225,243
Investments	2,383,908	629,647	3,013,555
	<u>\$ 11,236,320</u>	<u>\$ 1,002,478</u>	<u>\$ 12,238,798</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 9,224,493
Investments in securities, mutual funds, and similar vehicles	3,013,555
Petty cash and cash on hand	<u>750</u>
Total	<u>\$ 12,238,798</u>

**Grosse Ile Township Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

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As of year-end, the School District had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund Plus	\$ 3,013,555	6 months average	AAAm	Standard & Poors

Interest rate risk – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes and the School District’s investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers’ acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$11,306,256 of the School District’s bank balance of \$12,289,325 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 government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year-end, none of the School District’s investments were exposed to custodial credit risk.

**Note 4 - Fair Value Measurements**

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2017:

- Amounts invested in MILAF+ Portfolio of \$1.58 million. The MILAF+ Portfolio is not registered under Rule 2a-7 under the Investment Company Act of 1940. The money market securities are valued using amortized cost, which generally approximates the current fair value of the security. However, the value is not obtained from a quoted price in an active market. (Level 2 inputs).

**Grosse Ile Township Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

**Note 5 - Capital Assets**

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 1,962,767	\$ -	\$ 1,962,767
Capital assets being depreciated				
Buildings and additions	47,461,499	353,623	-	47,815,122
Site improvements	715,917	257,825	-	973,742
Equipment and furniture	13,759,976	377,603	2,114,265	12,023,314
Buses and other vehicles	1,224,521	-	157,430	1,067,091
Total capital assets being depreciated	<u>63,161,913</u>	<u>989,051</u>	<u>2,271,695</u>	<u>61,879,269</u>
Less accumulated depreciation for				
Buildings and additions	15,602,737	860,953	-	16,463,690
Site improvements	572,150	12,249	-	584,399
Equipment and furniture	10,940,924	369,077	2,061,774	9,248,227
Buses and other vehicles	1,216,521	-	155,930	1,060,591
Total accumulated depreciation	<u>28,332,332</u>	<u>1,242,279</u>	<u>2,217,704</u>	<u>27,356,907</u>
Net capital assets being depreciated	<u>34,829,581</u>	<u>(253,228)</u>	<u>53,991</u>	<u>34,522,362</u>
Net capital assets	<u>\$ 34,829,581</u>	<u>\$ 1,709,539</u>	<u>\$ 53,991</u>	<u>\$ 36,485,129</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

**Note 6 - Interfund Receivable and Payable and Transfers**

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
General fund	Debt service fund	\$ 106,280
General fund	Nonmajor fund	595,067
General fund	Fiduciary fund	64,336
Nonmajor fund	General fund	99,359
Capital projects fund	General fund	1,883
Fiduciary fund	General fund	350

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

<b>Transfers in</b>	<b>Transfers Out</b>
General Fund	Other Governmental Fund
	<u>\$ 20,000</u>

The transfer from the Food Service Fund to the General Fund was to reimburse the General Fund for indirect costs.

**Grosse Ile Township Schools**  
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**Note 7 - Unearned Revenue**

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

	Unearned
Student meal accounts	\$ 22,121
Grant and categorical aid payments received prior to meeting all eligibility requirements	27,165
<b>Total</b>	<b>\$ 49,286</b>

**Note 8 - Capital Leases**

The School District has capital leases for two copier machines. The future minimum lease payments are as follows:

**Year ending June 30,**

2018	\$ 18,861
2019	22,633
2020	22,633
2021	22,633
2022	22,667
Total minimum lease payments	\$ 109,427
Less amount representing interest	25,455
Present value of minimum lease payments	\$ 83,972
Assets	
Equipment and furniture	\$ 83,972
Less accumulated depreciation	(2,099)
<b>Total</b>	<b>\$ 81,873</b>

**Note 9 - State Aid Anticipation Note**

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30<sup>th</sup>.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$1,200,000	\$3,000,000	\$3,000,000	\$1,200,000

The state aid anticipation note agreement includes an irrevocable set-aside of \$1,800,000 at year end that is considered defeased debt and not included in the ending balance.

**Note 10 - Long-Term Debt**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

**Grosse Ile Township Schools**  
**Notes to the Financial Statements**  
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Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 27,775,000	\$ -	\$ 1,810,000	\$ 25,965,000	\$ 1,995,000
Capital lease	-	83,972	-	83,972	10,861
Compensated absences	653,661	-	17,136	636,525	-
Premium on bonds	<u>1,620,554</u>	-	<u>112,359</u>	<u>1,508,195</u>	-
<b>Total</b>	<u><b>\$ 30,049,215</b></u>	<u><b>\$ 83,972</b></u>	<u><b>\$ 1,939,495</b></u>	<u><b>\$ 28,193,692</b></u>	<u><b>\$ 2,005,861</b></u>

For governmental activities, compensated absences and the capital lease are primarily liquidated by the General Fund.

General obligation bonds payable at year end, consist of the following:

2008 refunding bond due in annual installments of \$1,225,000-\$1,310,000 through 2022, interest at 4.25%-5.00%	\$ 6,350,000
2015 refunding bond due in annual installments of \$580,000-\$605,000 through 2032, interest at 1.49%-3.03%	8,960,000
2016 school building bond due in annual installments of \$100,000-\$1,515,000 through 2028, interest at 2.00%-3.00%	<u>10,655,000</u>
<b>Total general obligation bonded debt</b>	<u><b>\$ 25,965,000</b></u>

Future principal and interest requirements for bonded debt are as follows:

	Principal	Interest	Total
<b>Year Ending June 30,</b>			
2018	\$ 1,995,000	\$ 963,882	\$ 2,958,882
2019	2,110,000	872,982	2,982,982
2020	2,165,000	783,682	2,948,682
2021	2,260,000	692,368	2,952,368
2022	2,360,000	599,598	2,959,598
2023 – 2027	10,580,000	1,913,980	12,493,980
2028 – 2032	<u>4,495,000</u>	<u>491,204</u>	<u>4,986,204</u>
<b>Total</b>	<u><b>\$ 25,965,000</b></u>	<u><b>\$ 6,317,696</b></u>	<u><b>\$ 32,282,696</b></u>

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the fund had a balance of \$637,352 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest expenditures for the fiscal year in the Debt Service Funds were \$1,014,080.

**Deferred Amount on Refunding**

The 2015 advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$690,951. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2032.

**Grosse Ile Township Schools**  
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**June 30, 2017**

Deferred amount on refunding activity is summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred amount on refunding	\$ 631,573	\$ -	\$ 43,184	\$ 588,389

**Compensated Absences**

Accrued compensated absences at year end, consist of \$151,942 of vacation hours earned and vested, \$9,338 in accrued sick time benefits, and \$475,245 in future severance pay. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

**Note 11 - Risk Management**

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

The School District is self-insured for health benefits paid on behalf of its employees. Deposits are made to the insurance administrator each month and then settled up quarterly based on actual claims and administrative fees. The plan provides a stop-loss provision of \$100,000 per family. For governmental activities, the liability for health benefits is primarily liquidated by the General Fund.

The School District's prescription drug coverage is included with the self-insured medical plan and is administered by BCBSM through Express Scripts. According to the provisions of this program, the School District pays all prescription claims, with the exception of designated co-pays. The designated co-pays for each prescription depends on whether the prescription drug is a generic, preferred (formulary) brand, or non-preferred (non-formulary) brand drug. Co-pays range from \$10-

\$160 based on brand. Deposits to plan are made to the insurance administrator each month and then settled up quarterly based on actual claims and administrative fees. For governmental activities, the liability of prescription benefits is primarily liquidated by the General Fund.

Change in estimated liabilities for claims for health and prescription benefits for the year is as follows:

Estimated liability at the beginning of the year	\$ 74,960
Estimated claims incurred including changes in estimates	1,515,992
Claim payments	<u>(1,492,160)</u>
Estimated liability end of year	<u>\$ 98,792</u>

**Note 12 - Pension Plans and Post-Employment Benefits**

**Plan Description**

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

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

**Grosse Ile Township Schools**  
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The System's financial statements are available at [www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr).

**Benefits Provided**

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for DB plan members are determined by final average compensation and years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

**Contributions and Funding Status**

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

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

valuation will be amortized over a 20 year period for the plan's 2016 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	18.95%
Member Investment Plan	3.0 - 7.0%	18.95%
Pension Plus	3.0 - 6.4%	17.73%
Defined Contribution	0.0%	14.56%

Required contributions to the pension plan from the School District were \$2,799,801 for the year ending September 30, 2016.

**Net Pension Liability**

At June 30, 2017, the School District reported a liability of \$31,107,164 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2015. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2016, the School District's proportionate share percent was .12468 percent, which was a decrease of .00507 percent since the prior measurement date.

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

For the year ended June 30, 2017, the School District recognized total pension expense of \$2,696,247. The School District's actual contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately \$2,800,000, \$2,503,000, and \$2,022,000, respectively.

**Grosse Ile Township Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 387,677	\$ (73,725)
Changes in assumptions	486,336	-
Net difference between projected and actual earnings on pension plan investments	517,001	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	44,596	(1,014,182)
Employer contributions subsequent to the measurement date	<u>2,657,538</u>	<u>(941,148)</u>
	<u>\$ 4,093,148</u>	<u>\$ (2,029,055)</u>

\$2,657,538 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. \$941,148 reported as deferred inflows of resources relating to pensions resulting from employer contributions subsequent to the measurement date are 147c revenues received that will be recognized in the year ended June 30, 2018 when the related payments reduce the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30	Amount:
2017	\$ (23,688)
2018	(64,345)
2019	481,110
2020	<u>(45,374)</u>
Total	<u>\$ 347,703</u>

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2015
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of returns:
  - MIP and Basic Plans (Non-Hybrid): 8.0%
  - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5-12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12

**Grosse Ile Township Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

- Mortality: RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA (for men, 140% of the table rates for ages 0-79, 133% of the table rates for ages 80-84, and 121.8% of the table rates for ages over 84 were used and for women, 96% of the table rates were used).

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 total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.6273 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report (CAFR) ([www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr)).

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.9
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
	100.0%	

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

**Discount Rate**

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially-determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a

**Grosse Ile Township Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
\$ 40,058,197	\$ 31,107,164	\$ 23,560,582

\*Non-university employers, the Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

**Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. See the 2015 MPSERS CAFR ([www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr)).

**Payables to the Pension Plan**

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

**Post-Employment Benefits**

In addition to the pension benefits described above, state law requires the School District to provide post-employment healthcare benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPSERS).

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes up to 2% of their salary, and receives up to a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2016 through September 30, 2016, and October 1, 2016 through June 30, 2017, the employer contribution rate ranged from 6.40% to 6.83% and 5.69% to 5.91%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately \$679,000, \$593,000, and \$534,000, respectively.

**Unfunded Accrued Liability**

During the year ending June 30, 2017, the School District had contributions in the amount of \$1,291,367 to the MPSERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 11.70% for the year ending June 30, 2017.

**Grosse Ile Township Schools**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**Note 13 - Contingent Liabilities**

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2017.

**Note 14 - Subsequent Event**

Subsequent to year end, the School District borrowed \$3,000,000 in short-term state aid anticipation notes through the Michigan Finance Authority. Proceeds from the borrowing were distributed to the School District in August of 2017.

**Grosse Ile Township Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 2,961,549	\$ 3,461,994	\$ 3,500,714	\$ 38,720
State sources	15,726,919	16,111,836	16,129,306	17,470
Federal sources	549,396	573,035	569,940	(3,095)
Interdistrict sources	441,766	479,948	608,928	128,980
Total revenues	<u>19,679,630</u>	<u>20,626,813</u>	<u>20,808,888</u>	<u>182,075</u>
<b>Expenditures</b>				
Instruction				
Basic programs	10,096,920	10,353,860	10,019,981	(333,879)
Added needs	1,857,867	2,018,944	1,882,812	(136,132)
Supporting services				
Pupil	1,119,771	1,068,181	1,058,649	(9,532)
Instructional staff	335,193	347,277	322,033	(25,244)
General administration	648,898	664,054	622,075	(41,979)
School administration	1,259,157	1,307,257	1,245,444	(61,813)
Business	430,238	405,859	405,703	(156)
Operations and maintenance	2,063,305	1,976,042	1,875,947	(100,095)
Pupil transportation services	867,757	826,855	849,989	23,134
Central	219,290	226,107	212,915	(13,192)
Athletic activities	517,623	566,049	575,867	9,818
Other	25,000	41,965	31,529	(10,436)
Community services	5,994	3,494	726	(2,768)
Capital outlay	17,945	52,400	136,356	83,956
Total expenditures	<u>19,464,958</u>	<u>19,858,344</u>	<u>19,240,026</u>	<u>(618,318)</u>
Excess (deficiency) of revenues over expenditures	<u>214,672</u>	<u>768,469</u>	<u>1,568,862</u>	<u>800,393</u>
<b>Other Financing Sources (Uses)</b>				
Capital leases	-	-	83,972	83,972
Transfers in	-	-	20,000	20,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>103,972</u>	<u>103,972</u>
Net change in fund balance	214,672	768,469	1,672,834	904,365
Fund balance - beginning	<u>(152,296)</u>	<u>(152,296)</u>	<u>(152,296)</u>	<u>-</u>
Fund balance - ending	<u>\$ 62,376</u>	<u>\$ 616,173</u>	<u>\$ 1,520,538</u>	<u>\$ 904,365</u>

**Grosse Ile Township Schools**  
**Required Supplementary Information**  
**Schedule of the School District's Proportionate Share of the Net Pension Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Measurement Date September 30th)**

	June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A. School District's proportion of net pension liability (%)	0.12468%	0.12975%	0.13019%							
B. School District's proportionate share of net pension liability	<u>\$ 31,107,164</u>	<u>\$ 31,692,884</u>	<u>\$ 28,677,053</u>							
C. School District's covered-employee payroll	<u>\$ 10,291,427</u>	<u>\$ 10,794,636</u>	<u>\$ 11,098,624</u>							
D. School District's proportionate share of net pension liability as a percentage of its covered- employee payroll	302.26%	293.60%	258.38%							
E. Plan fiduciary net position as a percentage of total pension liability	63.27%	63.17%	66.20%							

**Grosse Ile Township Schools**  
**Required Supplementary Information**  
**Schedule of the School District's Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years**

	For the Years Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A. Statutorily required contributions	\$ 2,799,801	\$ 2,503,158	\$ 2,021,981							
B. Contributions in relation to statutorily required contributions	<u>2,799,801</u>	<u>2,503,158</u>	<u>2,021,981</u>							
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
D. School District's covered- employee payroll	10,155,143	10,557,312	10,936,406							
E. Contributions as a percentage of covered-employee payroll	27.57%	23.71%	18.49%							

Notes: Benefit Changes – There were no changes of benefit terms in 2017. Changes in Assumptions – There were no changes of benefit assumptions in 2017.

**Grosse Ile Township Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2017**

	Special Revenue Fund	Sinking Fund	Total
	Cafeteria		Nonmajor Governmental Funds
<b>Assets</b>			
Cash	\$ 153,769	\$ -	\$ 153,769
Accounts receivable	2,726	-	2,726
Due from other funds	-	595,067	595,067
Inventory	6,104	-	6,104
Investments	-	461,059	461,059
	<u>162,599</u>	<u>1,056,126</u>	<u>1,218,725</u>
Total assets	<u>\$ 162,599</u>	<u>\$ 1,056,126</u>	<u>\$ 1,218,725</u>
<b>Liabilities</b>			
Accounts payable	\$ 8,436	\$ 27,077	\$ 35,513
Due to other funds	99,359	-	99,359
Due to other governmental units	3	-	3
Unearned revenue	22,121	-	22,121
	<u>129,919</u>	<u>27,077</u>	<u>156,996</u>
Total liabilities	<u>129,919</u>	<u>27,077</u>	<u>156,996</u>
<b>Fund Balance</b>			
Non-spendable			
Inventory	6,104	-	6,104
Restricted for			
Food service	26,576	-	26,576
Capital projects	-	1,029,049	1,029,049
	<u>32,680</u>	<u>1,029,049</u>	<u>1,061,729</u>
Total fund balance	<u>32,680</u>	<u>1,029,049</u>	<u>1,061,729</u>
Total liabilities and fund balance	<u>\$ 162,599</u>	<u>\$ 1,056,126</u>	<u>\$ 1,218,725</u>

**Grosse Ile Township Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2017**

	Special Revenue Fund		Total Nonmajor Governmental Funds
	Cafeteria	Sinking Fund	
<b>Revenues</b>			
Local sources	\$ 494,061	\$ 437,244	\$ 931,305
State sources	23,000	-	23,000
Federal sources	109,303	-	109,303
Total revenues	<u>626,364</u>	<u>437,244</u>	<u>1,063,608</u>
<b>Expenditures</b>			
Current			
Education			
Food services	603,393	-	603,393
Facilities acquisition	-	184,515	184,515
Total expenditures	<u>603,393</u>	<u>184,515</u>	<u>787,908</u>
Excess (deficiency) of revenues over expenditures	22,971	252,729	275,700
<b>Other Financing Sources (Uses)</b>			
Transfers out	<u>(20,000)</u>	-	<u>(20,000)</u>
Net change in fund balance	2,971	252,729	255,700
Fund balance - beginning	<u>29,709</u>	<u>776,320</u>	<u>806,029</u>
Fund balance - ending	<u>\$ 32,680</u>	<u>\$ 1,029,049</u>	<u>\$ 1,061,729</u>

**Grosse Ile Township Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Revenues Compared to Budget**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenues from local sources</b>				
Property tax levy	\$ 2,505,649	\$ 2,967,434	\$ 2,972,738	\$ 5,304
Tuition	35,000	31,000	29,710	(1,290)
Transportation fees	40,000	50,000	54,373	4,373
Earnings on investments	3,400	13,400	16,972	3,572
Athletics	201,500	205,000	205,420	420
Other local revenues	<u>176,000</u>	<u>195,160</u>	<u>221,501</u>	<u>26,341</u>
Total revenues from local sources	<u>2,961,549</u>	<u>3,461,994</u>	<u>3,500,714</u>	<u>38,720</u>
<b>Revenues from state sources</b>				
Grants - unrestricted	13,644,196	13,994,466	14,042,194	47,728
Grants - restricted	<u>2,082,723</u>	<u>2,117,370</u>	<u>2,087,112</u>	<u>(30,258)</u>
Total revenues from state sources	<u>15,726,919</u>	<u>16,111,836</u>	<u>16,129,306</u>	<u>17,470</u>
<b>Revenues from federal sources</b>				
Grants	<u>549,396</u>	<u>573,035</u>	<u>569,940</u>	<u>(3,095)</u>
<b>Interdistrict sources</b>				
ISD collected millage	20,000	60,000	153,266	93,266
Cooperative education	<u>421,766</u>	<u>419,948</u>	<u>455,662</u>	<u>35,714</u>
Total interdistrict sources	<u>441,766</u>	<u>479,948</u>	<u>608,928</u>	<u>128,980</u>
<b>Other financing sources</b>				
Capital leases	-	-	83,972	83,972
Transfers in	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>103,972</u>	<u>103,972</u>
Total revenue and other financing sources	<u>\$ 19,679,630</u>	<u>\$ 20,626,813</u>	<u>\$ 20,912,860</u>	<u>\$ 286,047</u>

**Grosse Ile Township Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Basic program - elementary</b>				
Salaries	\$ 2,948,606	\$ 2,863,441	\$ 2,852,846	\$ (10,595)
Employee benefits	1,856,452	1,948,959	1,796,932	(152,027)
Purchased services	42,500	47,800	49,979	2,179
Supplies and materials	<u>74,830</u>	<u>66,580</u>	<u>45,876</u>	<u>(20,704)</u>
Total elementary	<u>4,922,388</u>	<u>4,926,780</u>	<u>4,745,633</u>	<u>(181,147)</u>
<b>Basic program - middle school</b>				
Salaries	1,217,163	1,272,348	1,252,802	(19,546)
Employee benefits	790,076	883,552	830,336	(53,216)
Purchased services	50,700	59,600	43,012	(16,588)
Supplies and materials	30,532	29,032	28,584	(448)
Other	<u>350</u>	<u>350</u>	<u>132</u>	<u>(218)</u>
Total middle school	<u>2,088,821</u>	<u>2,244,882</u>	<u>2,154,866</u>	<u>(90,016)</u>
<b>Basic program - high school</b>				
Salaries	1,860,468	1,838,644	1,818,893	(19,751)
Employee benefits	1,076,333	1,192,415	1,153,591	(38,824)
Purchased services	106,670	112,870	97,778	(15,092)
Supplies and materials	23,920	23,470	24,855	1,385
Other	<u>7,400</u>	<u>3,900</u>	<u>5,169</u>	<u>1,269</u>
Total high school	<u>3,074,791</u>	<u>3,171,299</u>	<u>3,100,286</u>	<u>(71,013)</u>

**Grosse Ile Township Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Basic program - summer school</b>				
Salaries	\$ -	\$ -	\$ 7,313	\$ 7,313
Employee benefits	-	-	3,190	3,190
Purchased services	10,592	10,571	8,052	(2,519)
Supplies and materials	328	328	641	313
Total summer school	<u>10,920</u>	<u>10,899</u>	<u>19,196</u>	<u>8,297</u>
<b>Added needs - special education</b>				
Salaries	626,630	705,429	681,947	(23,482)
Employee benefits	386,248	405,725	378,751	(26,974)
Purchased services	11,460	11,460	11,795	335
Supplies and materials	9,250	9,250	4,167	(5,083)
Other	110,000	100,000	95,794	(4,206)
Total special education	<u>1,143,588</u>	<u>1,231,864</u>	<u>1,172,454</u>	<u>(59,410)</u>
<b>Added needs - compensatory education</b>				
Salaries	69,901	83,743	75,552	(8,191)
Employee benefits	23,767	28,122	34,029	5,907
Supplies and materials	18,000	5,000	255	(4,745)
Total compensatory education	<u>111,668</u>	<u>116,865</u>	<u>109,836</u>	<u>(7,029)</u>
<b>Added needs - career and technical education</b>				
Salaries	209,722	224,004	217,442	(6,562)
Employee benefits	124,923	158,754	144,714	(14,040)
Purchased services	99,000	104,400	102,532	(1,868)
Supplies and materials	58,966	48,057	40,926	(7,131)
Other	110,000	135,000	94,908	(40,092)
Total career and technical education	<u>602,611</u>	<u>670,215</u>	<u>600,522</u>	<u>(69,693)</u>

**Grosse Ile Township Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Pupil - guidance services</b>				
Salaries	\$ 320,922	\$ 284,061	\$ 279,928	\$ (4,133)
Employee benefits	192,514	202,003	187,263	(14,740)
Purchased services	4,595	2,625	713	(1,912)
Supplies and materials	2,500	1,000	1,006	6
Total guidance services	<u>520,531</u>	<u>489,689</u>	<u>468,910</u>	<u>(20,779)</u>
<b>Pupil - health services</b>				
Purchased services	5,000	7,200	7,422	222
Supplies and materials	1,150	1,150	859	(291)
Total health services	<u>6,150</u>	<u>8,350</u>	<u>8,281</u>	<u>(69)</u>
<b>Pupil - psychological services</b>				
Salaries	69,604	52,175	52,173	(2)
Employee benefits	31,902	26,788	20,397	(6,391)
Purchased services	2,700	36,900	36,455	(445)
Supplies and materials	1,200	-	-	-
Total psychological services	<u>105,406</u>	<u>115,863</u>	<u>109,025</u>	<u>(6,838)</u>
<b>Pupil - speech services</b>				
Salaries	152,236	118,690	118,690	-
Employee benefits	101,397	83,078	78,881	(4,197)
Purchased services	-	15,000	15,174	174
Supplies and materials	400	400	349	(51)
Total speech services	<u>254,033</u>	<u>217,168</u>	<u>213,094</u>	<u>(4,074)</u>

**Grosse Ile Township Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Pupil - social work services</b>				
Salaries	\$ 69,064	\$ 69,064	\$ 69,064	\$ -
Employee benefits	34,899	37,096	36,830	(266)
Purchased services	600	700	667	(33)
Supplies and materials	200	100	6	(94)
Total social work services	<u>104,763</u>	<u>106,960</u>	<u>106,567</u>	<u>(393)</u>
<b>Pupil - other support services</b>				
Salaries	80,180	81,180	90,263	9,083
Employee benefits	34,708	33,971	47,509	13,538
Purchased services	14,000	15,000	15,000	-
Total other support services	<u>128,888</u>	<u>130,151</u>	<u>152,772</u>	<u>22,621</u>
<b>Instructional staff - improvement of education</b>				
Salaries	69,458	66,815	63,155	(3,660)
Employee benefits	45,162	35,639	37,540	1,901
Purchased services	59,762	77,362	75,355	(2,007)
Supplies and materials	3,500	2,589	201	(2,388)
Other	500	500	60	(440)
Total improvement of education	<u>178,382</u>	<u>182,905</u>	<u>176,311</u>	<u>(6,594)</u>
<b>Instructional staff - educational media services</b>				
Salaries	87,466	95,342	82,829	(12,513)
Employee benefits	46,420	48,737	45,111	(3,626)
Purchased services	180	180	5	(175)
Supplies and materials	3,850	3,850	1,914	(1,936)
Total educational media services	<u>137,916</u>	<u>148,109</u>	<u>129,859</u>	<u>(18,250)</u>

**Grosse Ile Township Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Instructional staff - supervision and direction of instructional staff</b>				
Salaries	\$ 12,364	\$ 11,205	\$ 11,205	\$ -
Employee benefits	4,531	4,058	3,658	(400)
Supplies and materials	2,000	1,000	1,000	-
Total supervision and direction of instructional staff	<u>18,895</u>	<u>16,263</u>	<u>15,863</u>	<u>(400)</u>
<b>General administration - board of education</b>				
Purchased services	89,750	101,750	100,760	(990)
Supplies and materials	3,000	3,000	1,040	(1,960)
Other	3,700	3,700	3,524	(176)
Total board of education	<u>96,450</u>	<u>108,450</u>	<u>105,324</u>	<u>(3,126)</u>
<b>General administration - executive administration</b>				
Salaries	243,115	251,115	258,383	7,268
Employee benefits	153,183	148,739	144,737	(4,002)
Purchased services	14,400	14,600	8,610	(5,990)
Supplies and materials	129,000	128,400	92,521	(35,879)
Other	12,750	12,750	12,500	(250)
Total executive administration	<u>552,448</u>	<u>555,604</u>	<u>516,751</u>	<u>(38,853)</u>
<b>School administration - office of the principal</b>				
Salaries	719,275	702,812	722,662	19,850
Employee benefits	442,052	507,115	454,665	(52,450)
Purchased services	58,730	58,230	37,483	(20,747)
Supplies and materials	22,250	22,250	15,121	(7,129)
Other	16,850	16,850	15,513	(1,337)
Total office of the principal	<u>1,259,157</u>	<u>1,307,257</u>	<u>1,245,444</u>	<u>(61,813)</u>

**Grosse Ile Township Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Business - fiscal services</b>				
Salaries	\$ 232,050	\$ 213,946	\$ 214,393	\$ 447
Employee benefits	116,293	110,018	110,112	94
Purchased services	11,500	11,500	8,227	(3,273)
Supplies and materials	6,395	6,395	3,634	(2,761)
Other	16,800	16,800	16,166	(634)
Total fiscal services	<u>383,038</u>	<u>358,659</u>	<u>352,532</u>	<u>(6,127)</u>
<b>Business - other</b>				
Purchased services	2,400	2,400	5,153	2,753
Other	44,800	44,800	48,018	3,218
Total other business	<u>47,200</u>	<u>47,200</u>	<u>53,171</u>	<u>5,971</u>
<b>Operations and maintenance - operating building services</b>				
Salaries	610,500	612,300	639,732	27,432
Employee benefits	502,240	505,858	479,317	(26,541)
Purchased services	149,565	148,399	137,527	(10,872)
Supplies and materials	788,300	698,685	611,691	(86,994)
Total operating building services	<u>2,050,605</u>	<u>1,965,242</u>	<u>1,868,267</u>	<u>(96,975)</u>
<b>Operations and maintenance - security services</b>				
Supplies and materials	12,700	10,800	7,680	(3,120)
<b>Pupil transportation services</b>				
Salaries	431,961	405,216	400,669	(4,547)
Employee benefits	240,246	235,089	225,225	(9,864)
Purchased services	33,950	28,950	17,122	(11,828)
Supplies and materials	157,000	153,000	202,517	49,517
Other	4,600	4,600	4,456	(144)
Total transportation services	<u>867,757</u>	<u>826,855</u>	<u>849,989</u>	<u>23,134</u>

**Grosse Ile Township Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Central - staff/personnel services</b>				
Purchased services	\$ 4,000	\$ 4,000	\$ 5,260	\$ 1,260
<b>Central - support services technology</b>				
Salaries	1,000	48,750	50,818	2,068
Employee benefits	440	25,507	26,872	1,365
Purchased services	101,200	53,200	51,661	(1,539)
Supplies and materials	19,000	11,000	8,869	(2,131)
Other	48,000	38,000	25,486	(12,514)
Total support services technology	<u>169,640</u>	<u>176,457</u>	<u>163,706</u>	<u>(12,751)</u>
<b>Central - pupil accounting</b>				
Purchased services	43,550	43,550	43,586	36
Supplies and materials	2,000	2,000	363	(1,637)
Other	100	100	-	(100)
Total pupil accounting	<u>45,650</u>	<u>45,650</u>	<u>43,949</u>	<u>(1,701)</u>
<b>Athletic activities</b>				
Salaries	134,623	178,049	187,887	9,838
Employee benefits	100,000	105,000	104,742	(258)
Purchased services	215,000	215,000	215,987	987
Supplies and materials	25,000	25,000	24,647	(353)
Other	43,000	43,000	42,604	(396)
Total athletic activities	<u>517,623</u>	<u>566,049</u>	<u>575,867</u>	<u>9,818</u>

**Grosse Ile Township Schools**  
**Other Supplementary Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Other supporting services</b>				
Purchased services	\$ 20,000	\$ 15,000	\$ 11,747	\$ (3,253)
Supplies and materials	5,000	26,965	19,782	(7,183)
Total other supporting services	<u>25,000</u>	<u>41,965</u>	<u>31,529</u>	<u>(10,436)</u>
<b>Community services - community activities</b>				
Salaries	742	742	542	(200)
Employee benefits	252	252	184	(68)
Purchased services	1,000	1,000	-	(1,000)
Supplies and materials	4,000	1,500	-	(1,500)
Total community activities	<u>5,994</u>	<u>3,494</u>	<u>726</u>	<u>(2,768)</u>
<b>Capital outlay</b>				
Basic program - elementary	1,000	1,000	85,144	84,144
Pupil - guidance services	500	250	-	(250)
Business - fiscal services	945	1,000	-	(1,000)
Operations and maintenance - operating building services	1,000	1,000	-	(1,000)
Central - support services technology	14,500	49,150	51,212	2,062
Total capital outlay	<u>17,945</u>	<u>52,400</u>	<u>136,356</u>	<u>83,956</u>
Total expenditures and financing uses	<u>\$ 19,464,958</u>	<u>\$ 19,858,344</u>	<u>\$ 19,240,026</u>	<u>\$ (618,318)</u>

**Grosse Ile Township Schools**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2017**

Year Ending June 30,	2008 Refunding Bonds	2015 Refunding Bonds	2016 Building and Site Bonds	Total
2018	\$ 1,310,000	\$ 585,000	\$ 100,000	\$ 1,995,000
2019	1,300,000	595,000	215,000	2,110,000
2020	1,270,000	595,000	300,000	2,165,000
2021	1,245,000	600,000	415,000	2,260,000
2022	1,225,000	600,000	535,000	2,360,000
2023	-	600,000	1,515,000	2,115,000
2024	-	600,000	1,515,000	2,115,000
2025	-	600,000	1,515,000	2,115,000
2026	-	600,000	1,515,000	2,115,000
2027	-	605,000	1,515,000	2,120,000
2028	-	600,000	1,515,000	2,115,000
2029	-	600,000	-	600,000
2030	-	595,000	-	595,000
2031	-	595,000	-	595,000
2032	-	590,000	-	590,000
Total	<u>\$ 6,350,000</u>	<u>\$ 8,960,000</u>	<u>\$ 10,655,000</u>	<u>\$ 25,965,000</u>
Principal payments due the first day of	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	
Interest rate	4.250%-5.000%	0.149%-3.030%	2.000%-3.000%	
Original issue	<u>\$ 18,725,000</u>	<u>\$ 9,440,000</u>	<u>\$ 10,655,000</u>	



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## **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***

### **Independent Auditors' Report**

Management and the Board of Education  
Grosse Ile Township Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grosse Ile Township Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Grosse Ile Township Schools' basic financial statements, and have issued our report thereon dated October 19, 2017.

#### **Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grosse Ile Township Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

Yeo & Yeo, P.C.

Ann Arbor, MI  
October 19, 2017

**Grosse Ile Township Schools  
Schedule of Findings and Responses  
June 30, 2017**

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There were no audit findings for the year ended June 30, 2017.

**Grosse Ile Township Schools**  
**Schedule of Prior Audit Findings**  
**June 30, 2017**

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**2016-001      Operating Deficit**

**Finding Type** – Material Weakness, Material Noncompliance with Certain Provisions of Laws, Regulations, Contracts and Grant Agreements

**Criteria** – In accordance with Public Act 621 of 1978, no fund shall have a deficit fund balance.

**Condition** – As of June 30, 2016, the General Fund has an operating deficit of \$152,296.

**Cause** – Due to an operating deficit incurred in the General Fund during the year ended June 30, 2016, the School District has a cumulative deficit in the General Fund of \$152,296 as of June 30, 2016.

**Effect** –The School District is in violation of Public Act 621.

**Recommendation** – In accordance with Public Act 621 of 1978, the Deficit Elimination Plan should be implemented and followed. Cost cutting and revenue enhancement alternatives must be considered going forward to reduce the deficit and meet the goals of the School District's Deficit Elimination Plan.

**2016-001** Finding was corrected in the current year.

October 19, 2017

Management and the Board of Education  
Grosse Ile Township Schools  
23276 E. River Rd.  
Grosse Ile Township, MI

We have completed our audit of the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Grosse Ile Township Schools as of and for the year ended June 30, 2017, and have issued our report dated October 19, 2017. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 31, 2017. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. The School District has adopted Government Accounting Standards Board Statement (GASB) No. 77, *Tax Abatement Disclosures*, effective July 1, 2016. The Statement requires disclosures of tax abatement information. We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 School District's financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Incurred but not reported benefit claims are an estimate. The estimate is based on historical claims and information provided by the School District. There is no indication of possible management bias regarding this estimate.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

Disclosures in the financial statements are neutral, consistent and clear.

### *Accounting Standards and Regulatory Updates*

#### Accounting Standards

The Governmental Accounting Standards Board has released the following Statements:

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

The School District is evaluating the impact the above pronouncements will have on its financial reporting.

#### Regulatory and Other Updates

##### Cybersecurity Posture

Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. A recent study showed as many as four out of five U.S. companies have suffered from an attack. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached.

Risk assessment is a first step in mitigating cybersecurity risks and improving your School District's overall cybersecurity posture. The National Institute of Standards and Technology published *Framework for Improving Critical Infrastructure Cybersecurity*, which "enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving the security and resilience of critical infrastructure." The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at [www.nist.gov](http://www.nist.gov).

Placing significant emphasis on evaluating your School District's cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat, and help lessen the impact of a breach.

##### Audit and FID Submission Deadline

The deadline to submit the Financial Information Database (FID) and school district financial audits will be November 1<sup>st</sup>. This will continue to be the deadline for future fiscal years as it is now State Law.

### Uniform Grant Guidance (Super Circular)

In December 2013, the Federal Office of Management and Budget (OMB) issued final guidance on administrative requirements. The Guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102 and A-133 and the guidance in Circular A-50 on Single Audit Act follow-up. School districts implemented the new administrative requirements and Cost Principles for all new federal grants awarded after December 26, 2014, and to additional funding to existing awards (referred to as funding increments) made after that date. EDGAR is the source for guidance that school districts will follow. Additional information and resources are available at the following websites:

- OMB [http://www.whitehouse.gov/omb/grants\\_docs](http://www.whitehouse.gov/omb/grants_docs)
- Council on Federal Assistance Reform (COFAR) <https://cfo.gov/cofar/>
- US Department of Education <http://1.usa.gov/1rzFswz>
- EDGAR <http://1.usa.gov/1pOUq2p>
- MDE [http://www.michigan.gov/mde/0,4615,7-140-5236\\_76204---,00.html](http://www.michigan.gov/mde/0,4615,7-140-5236_76204---,00.html)

### Implementation of Federal Grant Procurement Standards is Delayed

In May 2017, the federal government granted an additional one-year delay for implementation of the procurement standards under the Uniform Guidance. The grace period now extends through December 25, 2017. Therefore entities with fiscal years beginning on or after December 26, 2017 must have procurement standards, for federal expenditures, that meet the more stringent requirements of 2 CFR 200.317 to 326. For school districts, it will apply to fiscal year 2019 and therefore, must be in place starting July 1, 2018. If your School District did not previously adopt and implement procurement policies and procedures in accordance with 2 CFR 200 you should go through the appropriate channels to elect and document usage of the additional grace period year. The grace period decision and documentation should go through the same process as the adoptions of procurement policies. It is imperative that your procurement policies – whatever they are documented as – be followed. The Uniform Guidance and the old guidance in the OMB Circulars provide minimum requirements that must be covered by an entity's procurement policies. If an entity's policies are stricter than the federal rules, the entity policies still must be followed. As you adopt new procurement policies, we also recommend that you consider separate policies for federal and non-federal expenditures to ease the administrative burden of certain federal requirements.

### Fiscal Year (FY) 2018 School Aid

The School Aid budget for FY 2018 was not signed until late July. Following are some significant highlights of the bill:

- The per pupil Foundation Grants for FY 2018 will increase by a range of \$60 to \$120 using the "2X formula." The increase will be added to the FY 2017 foundation grant resulting in the lowest foundation for FY 2018 being \$7,631 and the maximum state guaranteed foundation being \$8,289.
- The Pupil Membership Blend will remain at 90% of the current school year October count and 10% of the prior school year February count.
- The Section 31a At-Risk funding is increased by \$120,011,800 to \$499,000,000. Eligibility is expanded from free lunch eligible pupils to include pupils eligible for reduced price lunch, TANF, SNAP, or migrant, homeless, or pupils in foster care. Hold Harmless and Out of Formula districts are now eligible, but will be capped at 30% of the per pupil allowance. Districts that are currently eligible would receive approximately \$777 per pupil and newly eligible districts would receive approximately \$233 per pupil.
- The per pupil funding under Sections 20f(2) and 20f(4) will be equal to the per pupil funding under those Sections in 2016-17.
- Section 147c is reduced by approximately \$22.0 million to reflect higher rates of return on investments.
- ISD General Operation funding under Section 81 will remain at \$67.1 million.
- Shared Time Instruction for Nonpublic and Homeschool Pupils Section 23f caps the maximum FTE for which a nonpublic school pupil may be counted in a shared-time program at 0.75 FTE per pupil.

Boilerplate changes include:

- A New Section 160 has been added which requires districts seeking a waiver to begin the school year before Labor Day to hold a public hearing with the MDE in the district before the waiver can be granted.
- A New Section 164g has been added which imposes a penalty on any district using State Aid funds to pay expenses related to legal action against the state.
- A New Section 164h has been added to state that there will be a state school aid penalty for a district or ISD that enters into a collective bargaining agreement that fails to comply with requirements including prohibitions on the automatic deduction of union dues from payroll and racial or religious preferences in hiring.

### Early Warning

Pursuant to Public Act 109 of 2015, each school district and public school academy that has a General Fund balance less than 5% of total unrestricted general revenue for either of the 2014-2015 or 2015-2016 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI). The budget assumption data collection period begins June 1, 2017 and is open through July 7, 2017. The Department of Treasury will not declare potential fiscal stress based solely on a school district's or public school academy's budget assumption data.

### Uniform Budgeting and Accounting Act (UBAA)

The UBAA establishes budget and accounting requirements for local governments and school districts, including public school academies. It also establishes oversight requirements for MDE as well as the Michigan Attorney General. Material violations of the UBAA, including but not limited to General Fund deficits, should be reported as financial statement findings in the audit report. UBAA states that if it becomes apparent during the year that the probable revenues will be less than the budgeted revenues, the fiscal officer shall present recommendations to the legislative body which, if fiscal adopted, would prevent expenditures from exceeding available revenues for the fiscal year. UBAA states that an officer of the School District shall not incur expenditures against an appropriation account in excess of the amount appropriated by the board. Noncompliance includes, but is not limited to, over-expending the budget authorized by the board. MDE is analyzing the General Fund only, and at the total revenues, expenditures and financing sources (uses) levels, rather than at the line item level. MDE has stated a 0% tolerance for UBAA noncompliance.

### Sinking Fund

Effective March 29, 2017, Public Act 319 amended Section 1212 of the School Code (MCL § 380.1212) to allow additional uses for sinking fund proceeds. This amendment applies only to sinking fund millage authorized after this effective date. The new amendment expanded the definition of permissible expenditures that previously did not allow for the purchase of equipment and furnishings. Under the new authorization, such items may be purchased with sinking fund resources, if they are for the following purposes: 1. School security improvements (including any capital improvement or purchase that is designed to act as a deterrent to unauthorized entry of persons or items onto school premises or to otherwise promote security, including, but not limited to, metal detectors, locks, doors, lighting, cameras, and enhancements to entryways) 2. Acquisition and upgrading of technology (including hardware and communication devices that transmit, receive, or compute information for pupil instructional purposes; the initial purchase of operating system software or customized application software, or both, accompanying the purchase of hardware and communication devices under subdivision; and the costs of design and installation of the hardware, communication devices, and initial operating system software or customized application software).

### Unclaimed Property

Beginning in 2018, the State of Michigan will require the filing of zero balance reports for businesses and governmental agencies who hold property on behalf of others, such as uncashed payroll or vendor checks and other items comprising unclaimed property. This is a revision from the most recent change

in 2012, which only encouraged, but did not require, reporting of zero unclaimed property situations. Under the negative attestation requirement, businesses and governmental agencies must ensure they are filing even in situations where entities have no unclaimed property.

Current rules require unclaimed property to be identified as of March 31<sup>st</sup> of each year and reported to the State on or before July 1. Property that has reached its applicable dormancy period (generally one year or three years) as of March 31 must be remitted with and reported on Michigan State Form 2011, *Michigan Holder Transmittal for Annual Report of Unclaimed Property* and the appropriate annual reporting form (there are separate forms for cash & safe deposit boxes and for securities). If the holder (business or government entity) has more than ten items to report, they must use electronic media for the annual report. The due date for this filing is July 1 (or the next work day if the 1<sup>st</sup> is on a weekend).

These rules remain unchanged, except that beginning in 2018, the negative attestation requirement will go into effect. Free software is available on the State of Michigan web site at <http://www.michigan.gov/treasury/>. The web site is a valuable resource for information regarding the law, filing requirements and related penalties, including the 33 page *Manual for Reporting Unclaimed Property*.

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

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

#### *Corrected and Uncorrected Misstatements*

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

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.

There were no uncorrected misstatements that were more than trivial.

#### *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 auditors' report. We are pleased to report we had no disagreements with management during the audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

#### *Management's Consultations with Other 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 School District'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.

### *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 School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### *Other Reports*

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and the Schedule of Findings and Responses. Please read all information included in those reports to ensure you are aware of relevant information.

### *Report on Required Supplementary Information*

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's contributions, and budgetary comparison information, we 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 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.

### *Report on Other Supplementary Information*

With respect to the other supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We discussed these matters with various personnel in the School District during the audit and have already met with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Education, and others within the School District, and are not intended to be and should not be used by anyone other than those specified parties.

*Yeo & Yeo, P.C.*

Ann Arbor, Michigan