



**GODFREY-LEE PUBLIC SCHOOLS**  
**WYOMING, MICHIGAN**

FINANCIAL STATEMENTS  
and  
SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2014



*Vredeveld Haefner LLC*

*CPA's*

# GODFREY-LEE PUBLIC SCHOOLS

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## INDEPENDENT AUDITORS' REPORT

August 19, 2014

Members of the Board of Education  
Godfrey-Lee Public Schools  
Wyoming, 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 Godfrey-Lee Public Schools, Wyoming, Michigan, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Godfrey-Lee Public Schools as of June 30, 2014, 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 on pages 3 through 11 and the general fund budgetary comparison schedule on page 33 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 the District's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are 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 August 19, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Uredaxold Haefner LLC*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**GODFREY-LEE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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As management of the Godfrey-Lee Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

**Overview of the Financial Statements**

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Position and the Statement of Activities, are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
  - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

**District-wide Statements**

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position, and how it has changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base and the condition of school buildings and other facilities.



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In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

**Condensed District-Wide Financial Information**

The Statement of Net Position provides financial information on the District as a whole.

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Current assets	\$5,741,885	\$6,568,563
Net capital assets	<u>18,109,040</u>	<u>18,203,282</u>
<b>Total Assets</b>	<b><u>23,850,925</u></b>	<b><u>24,771,845</u></b>
<b>Deferred Outflows of Resources</b>	347,439	374,165
<b>Liabilities</b>		
Current liabilities	3,288,836	3,378,584
Long-term liabilities	<u>18,136,402</u>	<u>18,905,558</u>
<b>Total Liabilities</b>	<b><u>21,425,238</u></b>	<b><u>22,284,142</u></b>
<b>Net Position</b>		
Net investment in capital assets	124,725	960,239
Restricted	75,938	(30,884)
Unrestricted	<u>2,572,463</u>	<u>1,932,513</u>
<b>Total Net Position</b>	<b><u>\$2,773,126</u></b>	<b><u>\$2,861,868</u></b>



**GODFREY-LEE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2014**

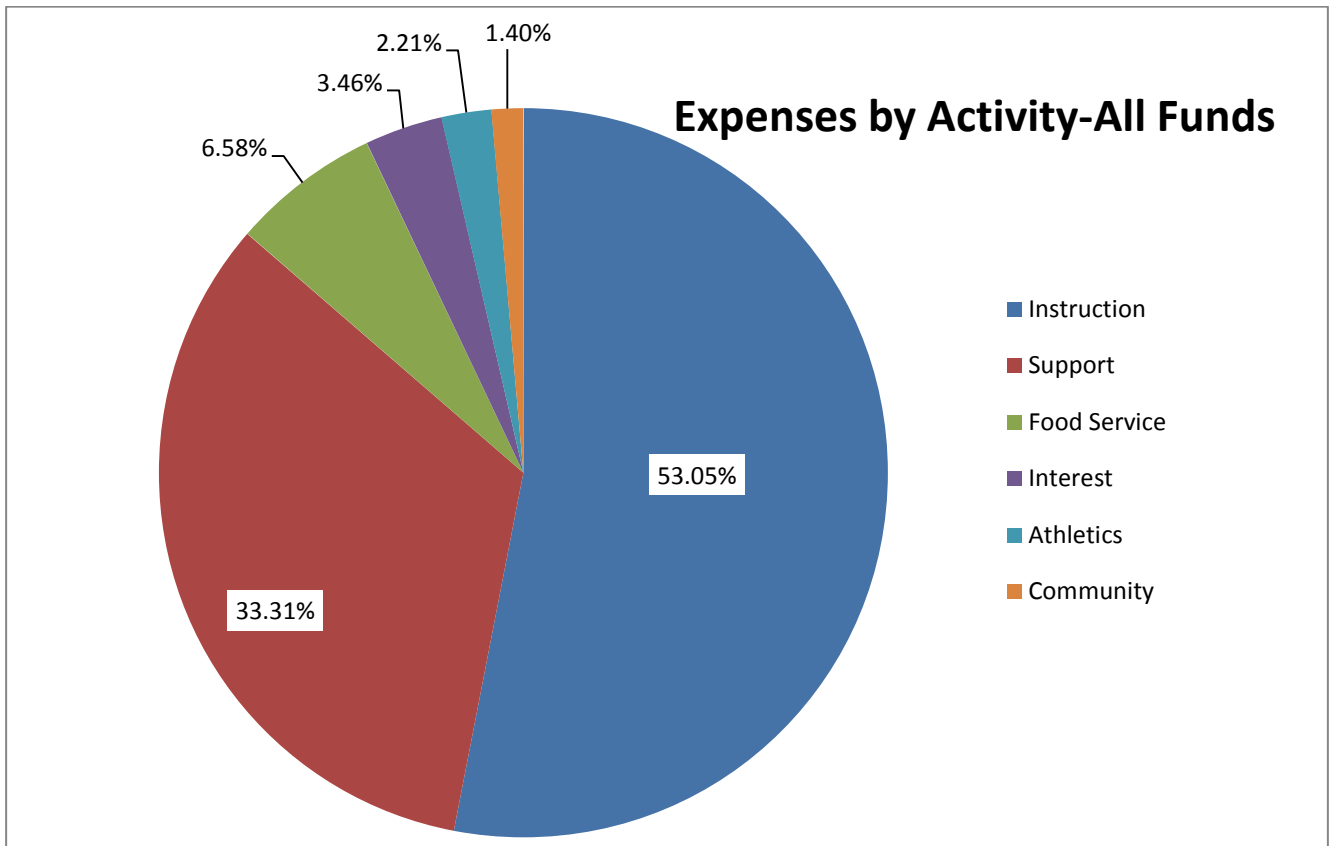
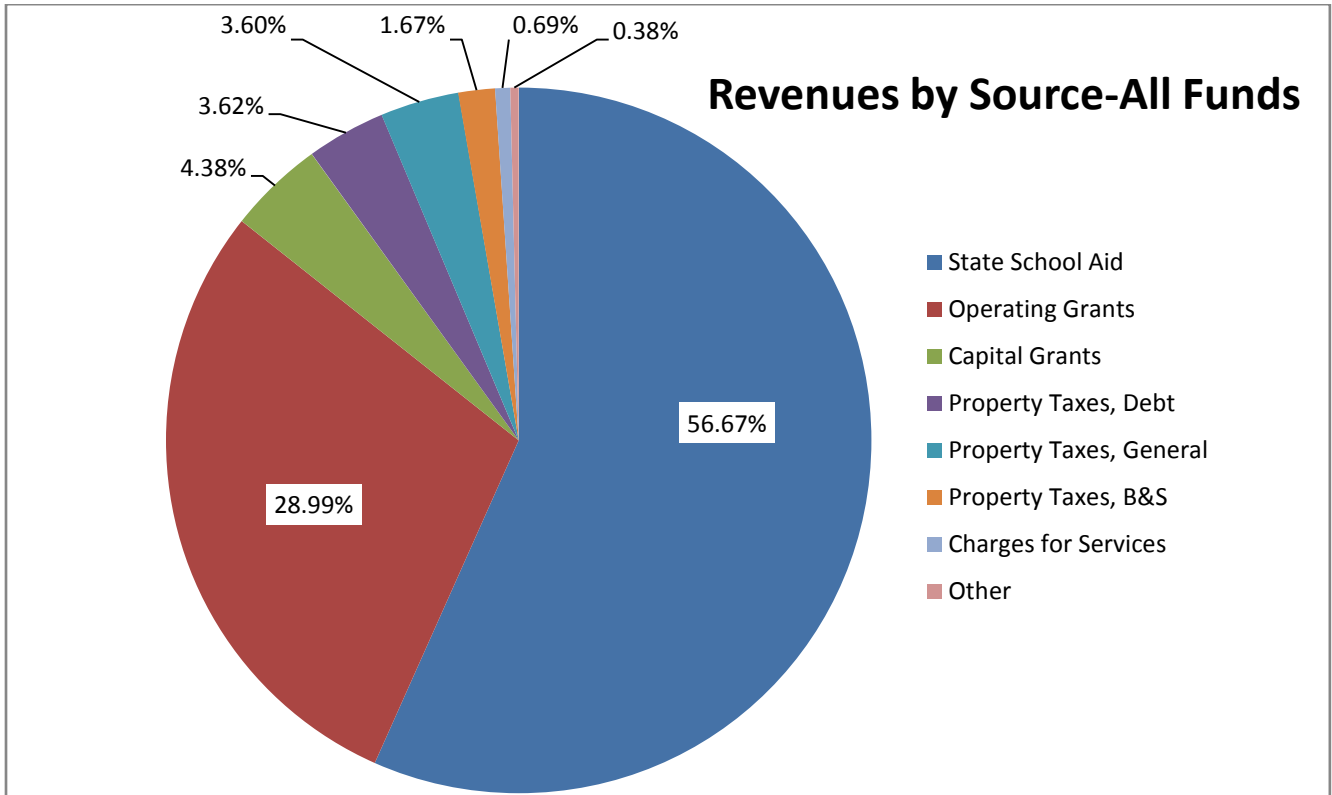
The Statement of Activities presents changes in net position from operating results:

	<u>2014</u>	<u>2013</u>
<b>Program Revenues</b>		
Charges for services	\$155,909	\$369,394
Operating grants	6,546,383	6,126,341
Capital grants	988,865	-
<b>General Revenues</b>		
Property taxes	2,006,048	2,178,253
State school aid, unrestricted	12,796,092	12,417,176
Interest earnings	764	1,983
Other	86,233	59,139
<b>Total Revenues</b>	<u>22,580,294</u>	<u>21,152,286</u>
<b>Expenses</b>		
Instruction	12,025,113	12,057,733
Supporting services	7,550,113	7,852,750
Community services	317,526	373,424
Food service	1,491,886	1,303,933
Athletics	501,043	-
Other	-	111,777
Interest on long-term debt	783,355	757,086
<b>Total Expenses</b>	<u>22,669,036</u>	<u>22,456,703</u>
Increase (decrease) in net position	(88,742)	(1,304,417)
<b>Net Position - Beginning of Year</b>	<u>2,861,868</u>	<u>4,166,285</u>
<b>Net Position - End of Year</b>	<u><u>\$2,773,126</u></u>	<u><u>\$2,861,868</u></u>





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Management's Discussion and Analysis  
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**Financial Analysis of the District as a Whole**

The District's financial position is the product of many factors. Growth during the year in grants, categorical funding and student count were significant contributors to revenue increases.

The District's total revenues increased by \$1,428,008 (6.8%) to \$22.580 million from 2013. Unrestricted State Aid accounted for 56.7% of the revenues, while property taxes amounted to 8.9% of the revenues. Another 33.4% came from state and federal aid for specific programs, (including \$1,117,237 of School Improvement Grant) and the remainder 1% from miscellaneous sources.

The total cost of all programs and services increased by \$212,333 (1%) to \$22.669 million from 2013. The District's expenses are predominantly related to instructional services which amount to 53% of the total. Salaries decreased \$357,043 or 3.8% mainly due to a decrease of teaching and paraprofessional staffing through grant funding and retirements. Retirement costs increased by 7%, or \$171,317, due to the increase in the retirement rates. Of note is a decrease in insurance costs of \$188,696 or 9.5% due to district-wide insurance caps in effect for all staff.

Total expenses surpassed revenues, decreasing net position by \$88,742 on the Statement of Activities.

The recent decrease of the District's net position can be attributed mostly due to an increase in overall costs while maintaining steady revenues. The demographics of the District's neighborhood is a factor that contributes to increasing counts for free lunch students, which helps the District qualify for greater categorical assistance for at-risk students at all levels.

- Budgets for 2013-14 were created with no change in student fall count from the prior year which produced a 90/10 blend of 1,804.99 full-time equivalent students for budget purposes. Actual blended count for the year was 1,923.80 which brought an increase in State school aid revenue over the original budgeted amount of over \$900,000.
- Categoricals and other grants were budgeted at prior year amounts but most increased slightly from the previous year. The District staff worked very hard to identify as many free lunch qualifiers as possible which resulted in increases in some categorical. Of particular note in this regard was a net increase in Federal funds of \$306,751 including an increase of ARRA SIG funding from \$798,737 to \$1,126,785 or \$328,048 from 2013.
- Collaboration with the surrounding districts continued to occur to help reduce expenditures in many areas. The six school districts in the southwest region of Kent County continued to work on ways to combine services where possible. All six districts joined the effort to transport special education and technical center students together and to work on combined trips where possible in other areas. There are also collaborative efforts working to reduce costs on bus maintenance, storage and fuel.
- The \$22.669 million of governmental activities was financed with \$2.0 million in property taxes, \$12.8 million of unrestricted state aid based on the state-wide education aid formula, and State and Federal grant funding totaling over \$7.5 million.
- The administration will continue working with other districts in collaboration efforts for 2014-15.



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**Fund Financial Statements**

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

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds' statements provide a detailed, short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

**Financial Analysis of the District's Funds**

The District uses funds to record and analyze financial information. Godfrey-Lee Public Schools' funds are described as follows:

**Major Funds**

General Fund

The General Fund is the primary operating fund. The General Fund had total revenues of \$20,019,628, total expenditures of \$19,296,576, and total other financing uses of \$76,370. It ended the fiscal year with a fund balance of \$2,591,249, up from \$1,944,567 as of June 30, 2013 for an increase of \$646,682.

2013 Construction Capital Projects Fund

The district issued bonds in the amount of \$2,200,000 in the spring of 2013 to be used for the technology, buses, athletic facility upgrades, and other remodeling and furnishing throughout the district. The funds were received on June 25, 2013. The 2013 Construction Capital Project Fund had total revenue of \$582 and total expenditures of \$1,206,130 during 2014. It ended the fiscal year with a fund balance of \$950,992. The projects are expected to continue through the summer of 2015.

**Nonmajor Funds**

Special Revenue Funds

The District operates one Special Revenue Fund, the Food Service Fund. Total revenues of the Special Revenue Fund were \$1,366,404 plus total transfers in of \$13,870 with total expenditures of \$1,403,711. The ending fund balance was \$410,937, a decrease of \$23,437.

Debt Service Funds

The District operates five Debt Service Funds. Total revenues were \$985,932, with total financing sources (loan proceeds and transfers in) of \$674,971 and total expenditures of \$1,656,153. The ending fund balances in the



**GODFREY-LEE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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Debt Service Funds total \$75,064.

Capital Projects Fund

The District operates a Capital Project Fund, the Building and Site Sinking Fund. This fund had total revenues of \$207,748 and total other financing sources of \$61,000 with total expenditures of \$293 and total other financing uses of \$272,455 resulting in a fund balance of \$874 at June 30, 2014, down from \$4,874 at June 30, 2013. For the next five years, these funds will be utilized primarily to pay the bond payments of the Energy Conservation Improvement bonds issued during the 2009-10 school year.

Fiduciary Funds

The Student Activities Fund is operated as a Trust and Agency Fund of the District. The assets of this fund are being held for the benefit of the District's students. Balances on hand at June 30, 2014 totaled \$77,545.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget two times. These budget amendments fall into two categories:

- Changes made in the fall to account for the final student enrollment that determines how much foundation grant state school aid will be received during the fiscal year and other grant related revenue changes.
- Expenditure changes due to updated staffing from the June budget estimate, classroom expenditure needs, technology upgrades and others.

Although the District's final budget for the General Fund anticipated that revenues would exceed expenditures by \$433,952, the actual results for the year show a \$646,682 increase in fund balance which is \$212,730 better than projected.

- Actual revenues were \$257,522 less than expected mainly due to Federal and State grant funds of \$397,746 carried over to 2014-15 netted with an unexpected increase in local medicaid funds of \$111,236.
- Actual expenditures were \$470,252 less than expected. This was due to the unspent Federal and State grant funds of \$397,746 and unspent miscellaneous line items.

**Capital Asset and Debt Administration**

Capital Assets

By the end of 2014, the District had \$27,225,768 invested in a broad range of capital assets, including school buildings, athletic facilities, computer equipment and software, and administrative offices. (More detailed information about capital assets can be found in Note 4 in the Notes to Basic Financial Statements.)

At June 30, 2014, the District's investment in capital assets (net of accumulated depreciation) was \$18,109,040. Capital asset purchases totaled \$597,637 for the fiscal year with accumulated depreciation increasing \$691,879, leaving a net decrease in the book value of capital assets of \$94,242.



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**Management's Discussion and Analysis**  
**June 30, 2014**

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**Capital Asset and Debt Administration (cont'd)**

Land	\$ 618,754
Construction in progress	-
Land improvements	469,300
Buildings and additions	16,301,538
Furniture and equipment	426,311
Vehicles	208,497
Assets under capital leases	<u>84,640</u>
<b>Total Capital Assets</b>	<b><u><u>\$18,109,040</u></u></b>

Long-Term Debt

At year end, the District had \$19.604 million in general obligation bonds and other long-term debt outstanding.

- The District continued to pay down its debt from the 2005, 2006, 2009 and 2010 bond issues, and capital lease agreements.
- The District borrowed \$402,516 from the State School Bond Loan Program to supplement local tax levies for bond debt service payments this year. This is an increase of \$19,879 from the prior year mainly due to reduced property values in the district.

The District's bond rating for General Obligation, Unlimited Tax debt is "A+". The District's other obligations include staff related retirement incentives, capital leases payable and school bond loan fund. There is more detailed information about long-term liabilities in the Notes to Basic Financial Statements.

**Factors Bearing on the District's Future**

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

- The District's proximity between Grand Rapids and Wyoming makes it a totally market driven district which must have the breadth of program and updated infrastructure to compete in this age of choice in schools. Statewide pupil counts are indicating a decrease in students for the 2014-2015 school year.
- The State of Michigan adopted a budget for the School Aid Fund in June 2014 for the 2014-2015 school year. The district will receive \$175 more per pupil for the 2014-15 school year. This will help offset a projected decrease in student counts for the District.
- Cost increases exceeding the general rate of inflation continue to be expected for the District relative to pension contribution obligations in 2014-15 and beyond. These costs represent a significant portion of the District's budget and their rate of increase is a concern to management.



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**Management's Discussion and Analysis**  
**June 30, 2014**

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**Factors Bearing on the District's Future (cont'd)**

- The State of Michigan is slowly moving out of a decade-long economic slump but this has not yet translated into more higher-wage, full-time jobs. At this time that slump appears to be on the verge of leveling out. State school aid funding and property and sales tax collections that help to subsidize the State school aid fund for K-12 schools are sensitive to trends in economic growth in Michigan. Weak economic performance in Michigan generally means little or no growth in the State foundation grant (State school aid) to K-12 schools. The persistent weakness of the state economy along with an across the board weakening of real estate values in Michigan is a growing concern. The outlook for further increases in per pupil funding in the future and the State's ability to fund them continue to be more questionable now than at any time in recent memory. Growth in property tax valuations or assessments is expected to be noticeably less than historical rates of increase or may even be flat in some cases next year. Delinquency rates on property taxes are also increasing. These factors may lead to less or even reduced property tax collections by the State and local school districts resulting in an increase in borrowing for operating and debt expenditures.
- The governor and legislature did approve a small increase in the foundation grant but much of the increase continues to be eaten up by unfunded liabilities in the teacher pension plan. At the same time, funding for traditional community-based public schools continues to be diluted by legislation allowing for additional brick-and-mortar charter public schools and on-line "cyber" schools.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Godfrey-Lee Public Schools, 1324 Burton St. SW, Wyoming, MI, 49509. Contact by e-mail: [mprovost@godfrey-lee.org](mailto:mprovost@godfrey-lee.org).

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## **BASIC FINANCIAL STATEMENTS**



# GODFREY-LEE PUBLIC SCHOOLS

## STATEMENT OF NET POSITION

JUNE 30, 2014

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	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and investments	\$ 2,367,365
Accounts receivable	26,614
Due from other governments	3,295,783
Prepaid items	33,721
Inventory	18,402
Capital assets, net	
Land	618,754
Land improvements, buildings, furniture and equipment, vehicles	<u>17,490,286</u>
<b>Total assets</b>	<u>23,850,925</u>
<b>Deferred outflows of resources</b>	
Loss on advance bond refunding, net	<u>347,439</u>
<b>Liabilities</b>	
Accounts payable	303,565
Accrued payroll	838,705
Due to other governments	499,013
Unearned revenue	179,479
Noncurrent liabilities	
Compensated absences	178,931
Bond premium	53,608
Due within one year	1,235,535
Due in more than one year	<u>18,136,402</u>
<b>Total liabilities</b>	<u>21,425,238</u>
<b>Net position</b>	
Net investment in capital assets	124,725
Restricted for	
Capital projects	874
Debt service	75,064
Unrestricted	<u>2,572,463</u>
<b>Total net position</b>	<u>\$ 2,773,126</u>

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

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# GODFREY-LEE PUBLIC SCHOOLS

## STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED JUNE 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges</u>	<u>Operating</u>	<u>Capital</u>	
		<u>for Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Revenue</u>
			<u>Contributions</u>	<u>Contributions</u>	
<b>Primary government</b>					
Governmental activities					
Instruction	\$ 12,025,113	\$ 1,075	\$ 4,699,810	\$ -	\$ (7,324,228)
Support services	7,550,113	59,257	575,784	988,865	(5,926,207)
Community services	317,526	-	-	-	(317,526)
Food service	1,491,886	95,577	1,270,789	-	(125,520)
Athletic	501,043	-	-	-	(501,043)
Interest on long-term debt	<u>783,355</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(783,355)</u>
 Total governmental activities	 <u>\$ 22,669,036</u>	 <u>\$ 155,909</u>	 <u>\$ 6,546,383</u>	 <u>\$ 988,865</u>	 <u>(14,977,879)</u>
 General revenues					
Property taxes					
Operating					812,512
Debt					816,591
Capital improvements					376,945
Unrestricted grants and contributions					12,796,092
Interest earnings					764
Other					<u>86,233</u>
 Total general revenues					 <u>14,889,137</u>
 Change in net position					 (88,742)
 <b>Net position, beginning of year</b>					 <u>2,861,868</u>
 <b>Net position, end of year</b>					 <u>\$ 2,773,126</u>

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

# GODFREY-LEE PUBLIC SCHOOLS

## GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2014

	<u>General</u>	<u>2013 Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash and investments	\$ 829,800	\$ 1,066,115	\$ 471,450	\$ 2,367,365
Accounts receivable	26,614	-	-	26,614
Due from other governments	3,248,888	-	46,895	3,295,783
Prepaid items	33,721	-	-	33,721
Inventory	-	-	18,402	18,402
<b>Total assets</b>	<u>\$ 4,139,023</u>	<u>\$ 1,066,115</u>	<u>\$ 536,747</u>	<u>\$ 5,741,885</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 30,577	\$ 115,123	\$ 49,872	\$ 195,572
Due to other governments	499,013	-	-	499,013
Salaries payable	838,705	-	-	838,705
Unearned revenue	179,479	-	-	179,479
<b>Total liabilities</b>	<u>1,547,774</u>	<u>115,123</u>	<u>49,872</u>	<u>1,712,769</u>
<b>Fund balances</b>				
Non-spendable				
Inventory	-	-	18,402	18,402
Prepaid items	33,721	-	-	33,721
Restricted				
Food service	-	-	392,535	392,535
Assigned				
Capital projects	-	950,992	874	951,866
Debt service	-	-	75,064	75,064
Unassigned	2,557,528	-	-	2,557,528
<b>Total fund balances</b>	<u>2,591,249</u>	<u>950,992</u>	<u>486,875</u>	<u>4,029,116</u>
<b>Total liabilities and fund balances</b>	<u>\$ 4,139,023</u>	<u>\$ 1,066,115</u>	<u>\$ 536,747</u>	<u>\$ 5,741,885</u>

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

# GODFREY-LEE PUBLIC SCHOOLS

## RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

JUNE 30, 2014

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<b>Fund balances - total governmental funds</b>	<b>\$ 4,029,116</b>
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	18,109,040
Bond refunding losses are not expensed but are amortized over the life of the new bond issue.	
Add - loss on advance bond refundings, net	347,439
Certain liabilities, such as bonds and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(178,931)
Deduct - debt payable	(19,371,937)
Deduct - unamortized bond premium	(53,608)
Deduct - accrued interest on bonds	<u>(107,993)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 2,773,126</u></b>

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

# GODFREY-LEE PUBLIC SCHOOLS

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>2013 Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>				
Local sources	\$ 959,077	\$ 582	\$ 1,289,295	\$ 2,248,954
State sources	15,257,300	-	43,667	15,300,967
Federal sources	2,528,906	-	1,227,122	3,756,028
Interdistrict sources	<u>1,274,345</u>	<u>-</u>	<u>-</u>	<u>1,274,345</u>
<b>Total revenues</b>	<u>20,019,628</u>	<u>582</u>	<u>2,560,084</u>	<u>22,580,294</u>
<b>Expenditures</b>				
Current				
Instruction	11,119,404	-	-	11,119,404
Support services	7,816,789	32	-	7,816,821
Community services	263,319	-	-	263,319
Food service	-	-	1,403,711	1,403,711
Capital outlay	-	1,206,098	293	1,206,391
Debt service				
Principal	92,689	-	1,020,000	1,112,689
Interest	<u>4,375</u>	<u>-</u>	<u>636,153</u>	<u>640,528</u>
<b>Total expenditures</b>	<u>19,296,576</u>	<u>1,206,130</u>	<u>3,060,157</u>	<u>23,562,863</u>
Revenues over (under) expenditures	<u>723,052</u>	<u>(1,205,548)</u>	<u>(500,073)</u>	<u>(982,569)</u>
<b>Other financing sources (uses)</b>				
Leases/loans issued	-	-	402,516	402,516
Transfers in	-	-	347,325	347,325
Transfers out	(74,870)	-	(272,455)	(347,325)
Other transactions	<u>(1,500)</u>	<u>-</u>	<u>-</u>	<u>(1,500)</u>
<b>Total other financing sources (uses)</b>	<u>(76,370)</u>	<u>-</u>	<u>477,386</u>	<u>401,016</u>
Net changes in fund balances	646,682	(1,205,548)	(22,687)	(581,553)
<b>Fund balances, beginning of year</b>	<u>1,944,567</u>	<u>2,156,540</u>	<u>509,562</u>	<u>4,610,669</u>
<b>Fund balances, end of year</b>	<u>\$ 2,591,249</u>	<u>\$ 950,992</u>	<u>\$ 486,875</u>	<u>\$ 4,029,116</u>

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

# GODFREY-LEE PUBLIC 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, 2014

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<b>Net changes in fund balances - total governmental funds</b>	<b>\$ (581,553)</b>
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Amounts reported for *governmental activities* in the statement of activities are different because

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

Add - capital outlay	597,637
Deduct - depreciation expense	(691,879)

Long-term debt provides current financial resources to governmental funds in the period issued, but issuing long-term debt increases long-term liabilities in the statement of net position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Deduct - State school bond loan issued	(547,069)
Deduct - equipment leases issued	(89,094)
Add - principal payment on bonds	1,020,000
Add - principal payments on capital leases	106,160

Some delinquent personal property taxes will not be collected for several years and are not considered "available" revenues in the governmental funds.

Deduct - change in unearned tax revenues	(4,134)
--	---------

Losses on advanced bond refundings are amortized over the life of the new bond issue.

Deduct - amortization of loss on advanced bond refunding	(26,726)
--	----------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in compensated absences	(2,016)
Add - decrease in early retirement incentive	125,000
Add - decrease in accrued interest payable	1,726
Add - amortization of bond premium	3,206
	<u>3,206</u>

<b>Change in net position of governmental activities</b>	<b><u>\$ (88,742)</u></b>
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The accompanying notes are an integral part of these financial statements.

**GODFREY-LEE PUBLIC SCHOOLS**  
**FIDUCIARY FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**

**JUNE 30, 2014**

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	<b>Agency Fund</b>
<b>Assets</b>	
Cash and investments	\$ <u>77,545</u>
<b>Total assets</b>	\$ <u><u>77,545</u></u>
<b>Liabilities</b>	
Due to student groups	\$ <u>77,545</u>
<b>Total liabilities</b>	\$ <u><u>77,545</u></u>

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



# GODFREY-LEE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Godfrey-Lee Public Schools, Wyoming, Michigan (the "District") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

#### ***Reporting Entity***

The District is located in the County of Kent. The District provides education and related services to approximately 1,900 students in grades kindergarten through 12th and preschool. The District is governed by a seven member School Board elected by District residents and is administered by a superintendent appointed by the School Board.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of Godfrey-Lee Public Schools. There are no component units to be included. The criteria for including a component unit includes significant operational or financial relationships with the District.

#### ***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues are reported in total. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Major governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *2013 Construction Capital Projects Fund* is used to account for the accumulation and disbursement of resources for the acquisition of technology, buses, athletic facility upgrades and other remodeling and furnishings throughout the District.

# GODFREY-LEE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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Additionally, the District reports the following fund types:

The *Special Revenue Fund* is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* are used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs of governmental funds.

The *Capital Projects Fund* accounts for the accumulation and disbursement of resources for the construction of capital projects.

The *Agency Fund* is used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments. The District maintains one agency fund.

### **Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund also uses the *accrual basis of accounting*, but does not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use one year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on long-term debt, claims and judgments, and compensated absences which are recognized when due.

All governmental funds are accounted for on a spending or "flow of current financial resources" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available, spendable resources".

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Accordingly, they are said to present a summary of sources and uses of "available, spendable resources" during a period.

### **Budgets and Budgetary Accounting**

Comparisons to budget are adopted for General and Special Revenue funds. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

# **GODFREY-LEE PUBLIC SCHOOLS**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2014**

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1. Prior to June 1, District administrative personnel and department heads work with the Superintendent and Business Manager to establish a proposed operating budget for the fiscal year commencing the following July 1 and submits the budget to the Board of Education.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution. The operating budget is adopted by activity.
4. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue funds.
5. Budgets for the General and Special Revenue funds are adopted on a basis consistent with generally accepted accounting principles.
6. Adoption and amendments of all budgets used by the District are governed by Michigan Law. The appropriation ordinances are based on the projected expenditures budget of the various activities of the District. Any amendment to the original budget must meet the requirements of Michigan Law. Any revisions that alter the total expenditures of any activity must be approved by the School Board. The District amended its budget during the current fiscal year.

### ***Cash and Investments***

Michigan law and District policy authorizes the District to invest in:

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

### ***Due to and Due from Other Funds***

Interfund receivables and payables are short-term borrowings that arise from interfund transactions which are recorded by all funds affected in the period in which transactions are executed.

# GODFREY-LEE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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### **Inventory**

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Food Service fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time the inventory is consumed.

### **Capital Assets**

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

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

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	10-20
Buildings and improvements	40-50
Furniture and equipment	3-10
Vehicles	5-10

### **Unavailable Revenue**

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

### **Long-Term Obligations**

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

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs during the year of issuance. The face amount of debt issued and any premiums received are reported as other financing sources. Discounts on debt issuances are reported as an other financing use. Issuance costs are reported as expenditures.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not*

# **GODFREY-LEE PUBLIC SCHOOLS**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2014**

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be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has no items that qualify for reporting in this category.

### ***Compensated Absences***

Liabilities related to vested sick pay are not recorded in the fund financial statements but are recorded in the statement of net position because they are not expected to be liquidated with expendable available financial resources.

### ***Early Retirement Incentive***

Eligible District employees who select early retirement are entitled to a termination leave benefit based on their age and years of service.

### ***State Aid Revenue***

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by the State of Michigan School Aid Appropriation Act. State funding accounted for approximately 76% of the General fund revenue for the year. A certain portion of State Aid received by the District is restricted to cover specified expenses of the District, including special education costs. The unrestricted portion is for use in the general operations of the District.

### ***Property Taxes***

The District levies its property taxes July 1 which are due 75 days after the levy date. Taxes are collected and paid to the District by the City of Wyoming. Real property taxes not collected as of March 1 are turned over to the County for collection, which advances the District 100% for the delinquent real taxes. Collection of delinquent personal property taxes remains the responsibility of the City.

### ***Interfund Transactions***

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

### ***Risk Management***

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and medical benefits to employees.

# **GODFREY-LEE PUBLIC SCHOOLS**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2014**

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The District is a member of the West Michigan Risk Management Trust (the "Trust"), a self-insurance program with districts pooling together to insure property, liability and auto exposure. Premiums from members of the Trust are determined through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$250,000 and \$1,295,405. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained.

The District is also a member of the West Michigan Workers' Compensation Fund (the WMWCF), a self-insurance program with districts pooling together to insure workers' compensation or employers' liability exposures. The WMWCF pays the first \$450,000 of any workers' compensation or employers' liability loss out of a \$2,130,907 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2014 there were no material pending claims against the District.

The District carries commercial insurance for health, life and other employee insurance. The District has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

### ***Fund Equity***

Governmental funds report fund balance in the following five categories:

1. Non-spendable – the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted – the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed – the related assets can only be spent for a specific purpose identified by formal resolution of the entity's governing board.
4. Assigned – the related assets can only be spent for a specific purpose identified by management as authorized by the entity's governing board.
5. Unassigned – is the residual classification and includes all spendable amounts not contained in the other classifications.

Fund Balance can only be committed by resolution of the District's Board. The District Superintendent or his designee may assign fund balance as provided for by the Board. The District will maintain a minimum unassigned fund balance in its General fund ranging from 10 to 15% of the previous year's budgeted expenditures and outgoing transfers. If the fund balance falls below the minimum 10%, the District will reduce recurring expenditures to eliminate any structural deficit, increase revenues or pursue other funding sources to replenish the funding deficiency.

### ***Net Position and Fund Balance Flow Assumptions***

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

# GODFREY-LEE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2014

#### 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

State law provides that the District shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the District's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the activity level. The approved budgets of the District for these budgetary funds were adopted at the activity level. During the year ended June 30, 2014, the District incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated.

	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>	<u>Percent of Budget</u>
<b>General Fund</b>				
Basic programs	\$8,550,741	\$8,557,967	\$ (7,226)	0.1%
General administrative services	317,242	321,055	(3,813)	1.2%
Athletics	338,640	348,928	(10,288)	3.0%

#### 3. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and investments are as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and investments	\$2,367,365	\$77,545	\$2,444,910

These deposits and investments are in two financial institution located in Michigan. All accounts are in the name of the District and a specific fund or common account. They are recorded in District records at fair value.

#### ***Investment and Deposit Risk***

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. As of year-end, \$2,602,908 of the District's bank balance of \$3,102,908 was exposed to custodial credit risk because it was uninsured and uncollateralized.

# GODFREY-LEE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2014**

### 4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<b>Balance July 1, <u>2013</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b>Balance June 30, <u>2014</u></b>
<b>Governmental activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 618,754	\$ -	\$ -	\$ 618,754
Construction in progress	63,945	-	63,945	-
Total capital assets, not being depreciated	682,699	-	63,945	618,754
<b>Capital assets, being depreciated</b>				
Land improvements	1,743,050	-	-	1,743,050
Building and improvements	22,799,755	280,601	-	23,080,356
Furniture and equipment	1,832,241	76,458	-	1,908,699
Vehicles	252,517	215,429	87,672	380,274
Equipment under capital leases	67,905	89,094	43,610	113,389
Total capital assets, being depreciated	26,695,468	661,582	131,282	27,225,768
Less accumulated depreciation for				
Land improvements	1,195,128	78,621	-	1,273,749
Building and improvements	6,307,019	471,799	-	6,778,818
Furniture and equipment	1,383,246	99,142	-	1,482,388
Vehicles	229,315	30,134	87,672	171,777
Equipment under capital leases	60,177	12,183	43,610	28,750
Total accumulated depreciation	9,174,885	691,879	131,282	9,735,482
<b>Net capital assets, being depreciated</b>	<b>17,520,583</b>	<b>(30,297)</b>	<b>-</b>	<b>17,490,286</b>
<b>Governmental activities capital assets, net</b>	<b>\$18,203,282</b>	<b>\$(30,297)</b>	<b>\$ 63,945</b>	<b>\$18,109,040</b>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental activities</b>	
Instruction	\$469,558
Supporting services	75,705
Community services	26,987
Food service	43,898
Athletic	75,731
<b>Total depreciation expense - governmental activities</b>	<b>\$691,879</b>



# GODFREY-LEE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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### 5. DEFINED BENEFIT PENSION PLAN

#### *Plan Description*

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909.

#### *Funding Policy*

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired between January 1, 1990 and June 30, 2008 contribute at the following graduated fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008 or later contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

The District is required to contribute the full actuarially determined contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis. The total contribution rate was 20.96% to 24.79% of annual covered payroll for the year ended June 30, 2014. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPERS for the years ended June 30, 2014, 2013 and 2012 were \$2,597,989, \$2,426,672, and \$2,053,505, respectively, and were equal to the required contributions for each year.

#### *Other Post-Employment Benefits*

Retirees have the option of health coverage which is funded on a pay-as-you-go basis by the plan. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension. Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

# GODFREY-LEE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2014**

### 6. DEBT

#### Long-term Debt

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
\$11,505,000 2005 General Obligation Refunding Bonds; due in annual installments of \$580,000 to \$590,000 through 2027; interest payable at 4.00% to 5.00%	\$ 8,235,000	\$ -	\$585,000	\$7,650,000	\$585,000
\$3,325,000 2006 Building and Site Bonds due in annual installments of \$105,000 to \$215,000 through 2030; interest payable at 3.50% to 4.25%	2,805,000	-	105,000	2,700,000	120,000
\$875,000 2009 General Obligation Refunding Bonds; due in annual installments of \$35,000 to \$60,000 through 2029; interest payable at 3.75% to 5.00%	765,000	-	35,000	730,000	35,000
\$1,990,000 2010 General Obligation Refunding Bonds; due in annual installments of \$215,000 to \$255,000 through 2019; interest payable at 4.08%	1,410,000	-	215,000	1,195,000	225,000
\$2,200,000 2013 Building and Site Bonds; due in annual installments of \$80,000 to \$145,000 through 2033; interest payable at 2.00% to 4.00%	2,200,000	-	80,000	2,120,000	80,000
	15,415,000	-	1,020,000	14,395,000	1,045,000
Unamortized premium	56,814	-	3,206	53,608	-
State school bond loan	4,023,722	547,069	-	4,570,791	-
Leases and other obligations	278,212	89,094	106,160	261,146	105,535
Early retirement incentive	270,000	25,000	150,000	145,000	85,000
Compensated absences	176,915	23,622	21,606	178,931	-
<b>Total Long-term Debt</b>	<b>\$20,220,663</b>	<b>\$684,785</b>	<b>\$1,300,972</b>	<b>\$19,604,476</b>	<b>\$1,235,535</b>

# GODFREY-LEE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2014

The District is required to obtain loans from the Michigan School Bond Loan Fund (the MSBLF) for the payment of the annual maturities of its general obligation bonds. There is no fixed maturity schedule for the repayment of these loans. Instead, the principal and interest are payable when taxes levied for debt service are no longer needed to retire bonded debt. During the year the District borrowed \$402,516 from the MSBLF and \$144,553 of accrued interest was added to the District's liability to the MSBLF.

The annual requirements to pay principal and interest on long-term bonds and capital leases outstanding as of June 30, 2014 are as follows:

	<u>Principal</u>	<u>Interest</u>	
2015	\$1,150,535	\$602,552	
2016	1,156,610	555,350	
2017	1,092,819	513,164	
2018	1,102,819	471,732	
2019	1,128,363	428,958	
2020-2024	4,540,000	1,559,672	
2025-2029	3,700,000	575,778	
2030-2033	785,000	66,538	
<b>Total</b>	<b>\$14,656,146</b>	<b>\$4,773,744</b>	

Compensated absences are expected to be liquidated with general fund resources.

#### 7. LEASES

The District conducts a portion of its operations with leased equipment.

A capital lease for copiers requires monthly payments of \$1,485 through February 2019. Copiers held under this capitalized lease are included in the statement of net position with a cost of \$89,094 and with accumulated depreciation of \$4,455.

The District also utilizes various equipment under other arrangements that require monthly payments ranging from \$600 to \$7,539 and expire in 2016.

Total expense under these obligations was \$111,134 for 2014.

The following is a schedule of annual future minimum lease payments required under capitalized leases and under operating leases with initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2014:

<u>Year</u>	<u>Capitalized Lease</u>	<u>Other Obligations</u>	<u>Less Interest</u>	<u>Total</u>
2015	\$17,819	\$ 91,064	\$(3,348)	\$105,535
2016	17,819	90,464	(1,673)	106,610
2017	17,819	-	-	17,819
2018	17,819	-	-	17,819
2019	13,363	-	-	13,363
<b>Total minimum payments due</b>	<b>\$84,639</b>	<b>\$181,528</b>	<b>\$(5,021)</b>	<b>\$261,146</b>

# GODFREY-LEE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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### 8. INTERFUND TRANSACTIONS

Transfers are used to (1) move unrestricted revenues collected in the General fund to finance debt service accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them. Transfers in and out for the year ended June 30, 2014 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 74,870
Nonmajor governmental funds	347,325	272,455
	<u>\$347,325</u>	<u>\$347,325</u>

### 9. CONTINGENCIES

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement to the grantor or regulatory agencies. However, management believes such disallowances, if any, will not be material to the financial position of the District.

### 10. COMMITMENTS

At year-end the District had outstanding construction commitments of approximately \$667,000.

### 11. UPCOMING ACCOUNTING PRONOUNCEMENT

The Governmental Accounting Standards Board issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which will be effective for the fiscal year beginning after June 15, 2014. This Statement requires governments providing defined benefit pensions to recognize their net pension liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. The net pension liability that will be recorded on the government-wide statements will be computed differently than the current unfunded actuarial accrued liability using specific parameters set forth by the GASB. The impact this Statement will have on the financial statements when adopted is currently not determinable.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# GODFREY-LEE PUBLIC SCHOOLS

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 926,220	\$ 944,981	\$ 959,077	\$ 14,096
State sources	14,028,393	15,400,753	15,257,300	(143,453)
Federal sources	2,328,024	2,760,488	2,528,906	(231,582)
Interdistrict sources	<u>1,097,272</u>	<u>1,170,928</u>	<u>1,274,345</u>	<u>103,417</u>
<b>Total revenues</b>	<u>18,379,909</u>	<u>20,277,150</u>	<u>20,019,628</u>	<u>(257,522)</u>
<b>Expenditures</b>				
Current				
Instruction				
Basic programs	8,146,580	8,550,741	8,557,967	(7,226)
Added needs	2,663,061	2,639,678	2,435,691	203,987
Adult education services	<u>115,285</u>	<u>126,028</u>	<u>125,746</u>	<u>282</u>
	<u>10,924,926</u>	<u>11,316,447</u>	<u>11,119,404</u>	<u>197,043</u>
Support services				
Pupil services	1,335,481	1,444,439	1,434,552	9,887
Instructional staff services	1,796,157	2,090,100	1,946,438	143,662
General administrative services	369,687	317,242	321,055	(3,813)
School administrative services	1,082,499	1,055,487	1,030,578	24,909
Business services	287,406	271,031	263,666	7,365
Operation and maintenance	1,193,480	1,315,996	1,305,812	10,184
Pupil transportation	508,404	551,556	547,244	4,312
Central services	428,106	664,663	618,516	46,147
Athletics	<u>276,633</u>	<u>338,640</u>	<u>348,928</u>	<u>(10,288)</u>
	<u>7,277,853</u>	<u>8,049,154</u>	<u>7,816,789</u>	<u>232,365</u>
Community services	281,978	304,163	263,319	40,844
Debt service	<u>97,064</u>	<u>97,064</u>	<u>97,064</u>	<u>-</u>
<b>Total expenditures</b>	<u>18,581,821</u>	<u>19,766,828</u>	<u>19,296,576</u>	<u>470,252</u>
Revenues over (under) expenditures	<u>(201,912)</u>	<u>510,322</u>	<u>723,052</u>	<u>212,730</u>
<b>Other financing sources (uses)</b>				
Transfers out	(48,870)	(74,870)	(74,870)	-
Other transactions	<u>(3,000)</u>	<u>(1,500)</u>	<u>(1,500)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>(51,870)</u>	<u>(76,370)</u>	<u>(76,370)</u>	<u>-</u>
Net changes in fund balance	(253,782)	433,952	646,682	212,730
<b>Fund balance, beginning of year</b>	<u>1,944,567</u>	<u>1,944,567</u>	<u>1,944,567</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,690,785</u>	<u>\$ 2,378,519</u>	<u>\$ 2,591,249</u>	<u>\$ 212,730</u>

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**



# GODFREY-LEE PUBLIC SCHOOLS

## GENERAL FUND SCHEDULE OF REVENUES

FOR THE YEAR ENDED JUNE 30, 2014

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<b>Revenues</b>	
Local sources	
Property taxes	\$ 812,512
Universal service funding	49,463
Donations	28,982
Athletic events	9,794
Other	<u>58,326</u>
Total local sources	<u>959,077</u>
State sources	
State aid	14,807,687
Special education - itinerants	163,798
Special education - transportation	264,255
CTE transportation reimbursement	<u>21,560</u>
Total state sources	<u>15,257,300</u>
Federal sources	
School improvement grant	1,117,237
Title I	643,861
Title IIA	116,591
Title III	75,910
Adult basic education	46,720
I.D.E.A. program	354,013
Medicaid - school based	3,054
Team 21 grant	23,120
Safe and supportive schools	131,867
Learn and serve grant	14,940
McKinney Vento homeless grant	1,002
WMU achievement centered leadership grant	<u>591</u>
Total federal sources	<u>2,528,906</u>
Interdistrict sources	
Special education - county	1,063,109
Medicaid fee for service	<u>211,236</u>
Total interdistrict sources	<u>1,274,345</u>
<b>Total revenues</b>	<b><u>\$ 20,019,628</u></b>

# GODFREY-LEE PUBLIC SCHOOLS

## GENERAL FUND SCHEDULE OF EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2014

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### Expenditures

#### Current

##### Instruction

##### Basic programs

Elementary	\$ 4,074,453
Middle school	1,637,450
High school	2,769,585
Summer school	<u>76,479</u>

Total basic programs 8,557,967

##### Added needs

Special education	1,382,433
Compensatory education	1,037,244
Career and technology education	<u>16,014</u>

Total added needs 2,435,691

Adult education services 125,746

Total instruction 11,119,404

##### Support services

##### Pupil services

Attendance services	122,025
Guidance services	360,091
Health services	131,644
Psychological services	60,892
Speech pathology services	310,860
Social worker services	222,524
Teacher consultant services	14,681
Other pupil services	<u>211,835</u>

Total pupil services 1,434,552

##### Instructional staff services

Improvement of instruction	731,717
Educational media services	135,911
Educational television	2,102
Instruction related technology	870,029
Supervision and direction of instruction	192,064
Testing support	13,605
Shared time services	<u>1,010</u>

Total instructional staff services 1,946,438

##### General administrative services

Board of education	67,685
Executive administration	<u>253,370</u>

Total general administrative services 321,055

(Continued)

# GODFREY-LEE PUBLIC SCHOOLS

## GENERAL FUND SCHEDULE OF EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2014

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School administrative services	
Office of the principal	\$ 1,030,578
Business services	
Fiscal services	242,138
Other business services	<u>21,528</u>
Total business services	<u>263,666</u>
Operation and maintenance	
Operation and maintenance	1,239,390
Security	<u>66,422</u>
Total operation and maintenance	<u>1,305,812</u>
Pupil transportation	<u>547,244</u>
Central services	
Staff/personnel services	80,188
Technology services	428,435
Pupil accounting	69,648
Other central services	<u>40,245</u>
Total central services	<u>618,516</u>
Athletics	<u>348,928</u>
Total support services	<u>7,816,789</u>
Community services	<u>263,319</u>
Debt service	
Principal	92,689
Interest	<u>4,375</u>
Total debt service	<u>97,064</u>
<b>Total expenditures</b>	<b><u>\$ 19,296,576</u></b>

(Concluded)

**GODFREY-LEE PUBLIC SCHOOLS**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

**JUNE 30, 2014**

	<u>Special Revenue Food Service</u>	<u>2005-A</u>	<u>2005-B</u>
<b>Assets</b>			
Cash and investments	\$ 395,512	\$ 39,306	\$ 7,213
Due from other governments	46,895	-	-
Inventory	<u>18,402</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 460,809</u>	<u>\$ 39,306</u>	<u>\$ 7,213</u>
<b>Liabilities and fund balance</b>			
<b>Liabilities</b>			
Accounts payable	<u>\$ 49,872</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balances</b>			
Non-spendable			
Inventory	18,402	-	-
Restricted			
Food service	392,535	-	-
Assigned	<u>-</u>	<u>39,306</u>	<u>7,213</u>
<b>Total fund balances</b>	<u>410,937</u>	<u>39,306</u>	<u>7,213</u>
<b>Total liabilities and fund balances</b>	<u>\$ 460,809</u>	<u>\$ 39,306</u>	<u>\$ 7,213</u>

<u>Debt Service</u>			<u>Capital Projects Building and Site</u>		
<u>2009</u>	<u>2010 Energy Conservation</u>	<u>2013</u>			<u>Total</u>
\$ 1,580	\$ -	\$ 26,965	\$ 874	\$	471,450
-	-	-	-		46,895
-	-	-	-		18,402
<u>\$ 1,580</u>	<u>\$ -</u>	<u>\$ 26,965</u>	<u>\$ 874</u>	<u>\$</u>	<u>536,747</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>	<u>49,872</u>
-	-	-	-		18,402
-	-	-	-		392,535
<u>1,580</u>	<u>-</u>	<u>26,965</u>	<u>874</u>		<u>75,938</u>
<u>1,580</u>	<u>-</u>	<u>26,965</u>	<u>874</u>		<u>486,875</u>
<u>\$ 1,580</u>	<u>\$ -</u>	<u>\$ 26,965</u>	<u>\$ 874</u>	<u>\$</u>	<u>536,747</u>

**GODFREY-LEE PUBLIC SCHOOLS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Special Revenue</u>		
	<u>Food Service</u>	<u>2005-A</u>	<u>2005-B</u>
<b>Revenues</b>			
Local sources	\$ 95,615	\$ 663,067	\$ 116,495
State sources	43,667	-	-
Federal sources	<u>1,227,122</u>	<u>-</u>	<u>-</u>
<b>Total revenues</b>	<u>1,366,404</u>	<u>663,067</u>	<u>116,495</u>
<b>Expenditures</b>			
Current			
Food service	1,403,711	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	585,000	105,000
Interest	<u>-</u>	<u>366,962</u>	<u>114,051</u>
<b>Total expenditures</b>	<u>1,403,711</u>	<u>951,962</u>	<u>219,051</u>
Revenues over (under) expenditures	(37,307)	(288,895)	(102,556)
Other financing sources (uses)			
Loans issued	-	269,677	100,769
Transfers in	13,870	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>13,870</u>	<u>269,677</u>	<u>100,769</u>
Net changes in fund balances	(23,437)	(19,218)	(1,787)
<b>Fund balances, beginning of year</b>	<u>434,374</u>	<u>58,524</u>	<u>9,000</u>
<b>Fund balances, end of year</b>	<u>\$ 410,937</u>	<u>\$ 39,306</u>	<u>\$ 7,213</u>

<u>Debt Service</u>			<u>Capital Projects</u>	
<u>2009</u>	<u>2010 Energy Conservation</u>	<u>2013</u>	<u>Building and Site</u>	<u>Total</u>
\$ 37,151	\$ -	\$ 169,219	\$ 207,748	\$ 1,289,295
-	-	-	-	43,667
-	-	-	-	1,227,122
<u>37,151</u>	<u>-</u>	<u>169,219</u>	<u>207,748</u>	<u>2,560,084</u>
-	-	-	-	1,403,711
-	-	-	293	293
35,000	215,000	80,000	-	1,020,000
<u>35,431</u>	<u>57,455</u>	<u>62,254</u>	<u>-</u>	<u>636,153</u>
<u>70,431</u>	<u>272,455</u>	<u>142,254</u>	<u>293</u>	<u>3,060,157</u>
(33,280)	(272,455)	26,965	207,455	(500,073)
32,070	-	-	-	402,516
-	272,455	-	61,000	347,325
-	-	-	(272,455)	(272,455)
<u>32,070</u>	<u>272,455</u>	<u>-</u>	<u>(211,455)</u>	<u>477,386</u>
(1,210)	-	26,965	(4,000)	(22,687)
<u>2,790</u>	<u>-</u>	<u>-</u>	<u>4,874</u>	<u>509,562</u>
<u>\$ 1,580</u>	<u>\$ -</u>	<u>\$ 26,965</u>	<u>\$ 874</u>	<u>\$ 486,875</u>

# GODFREY-LEE PUBLIC SCHOOLS

## FOOD SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Local sources	\$ 40,837	\$ 96,407	\$ 95,615	\$ (792)
State sources	38,000	43,666	43,667	1
Federal sources	<u>996,229</u>	<u>1,171,517</u>	<u>1,227,122</u>	<u>55,605</u>
<b>Total revenues</b>	<u>1,075,066</u>	<u>1,311,590</u>	<u>1,366,404</u>	<u>54,814</u>
<b>Expenditures</b>				
Current				
Supplies			62,346	
Food supplies			593,170	
Contracted services			517,404	
Other			<u>230,791</u>	
<b>Total expenditures</b>	<u>1,171,411</u>	<u>1,430,719</u>	<u>1,403,711</u>	<u>27,008</u>
Revenues over (under) expenditures	(96,345)	(119,129)	(37,307)	81,822
<b>Other financing sources</b>				
Transfers in	<u>13,870</u>	<u>13,870</u>	<u>13,870</u>	<u>-</u>
Net changes in fund balance	(82,475)	(105,259)	(23,437)	81,822
<b>Fund balance, beginning of year</b>	<u>434,374</u>	<u>434,374</u>	<u>434,374</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 351,899</u>	<u>\$ 329,115</u>	<u>\$ 410,937</u>	<u>\$ 81,822</u>



**GODFREY-LEE PUBLIC SCHOOLS**

**AGENCY FUNDS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

**FOR THE YEAR ENDED JUNE 30, 2014**

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	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Assets</b>				
Cash and investments	<u>\$ 78,793</u>	<u>\$ 197,563</u>	<u>\$ 198,811</u>	<u>\$ 77,545</u>
<b>Liabilities</b>				
Due to student groups	<u>\$ 78,793</u>	<u>\$ 197,563</u>	<u>\$ 198,811</u>	<u>\$ 77,545</u>

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## **SINGLE AUDIT SECTION**



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

August 19, 2014

Members of the Board of Education  
Godfrey-Lee Public Schools  
Wyoming, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Godfrey-Lee Public Schools, Wyoming, Michigan (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 19, 2014.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133**

August 19, 2014

Members of the Board of Education  
Godfrey-Lee Public Schools  
Wyoming, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited Godfrey-Lee Public Schools, Wyoming, Michigan's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Uredaxeld Haefner LLC*

**GODFREY-LEE PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue at July 1, 2013	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue at June 30, 2014
<b>U.S. Department of Education</b>							
<b>Passed through Michigan Department of Education</b>							
Federal Adult Ed English							
141120 145347	84.002	\$ 25,000	\$ -	\$ -	\$ 25,000	\$ 14,357	\$ 10,643
141130 141347	84.002	22,000	-	-	21,720	14,357	7,363
Total Federal Adult Ed English		47,000	-	-	46,720	28,714	18,006
Title I							
131530 1213	84.010	726,269	176,104	558,057	62,265	238,369	-
141530 1314	84.010	710,322	-	-	580,999	429,253	151,746
Total Title I		1,436,591	176,104	558,057	643,264	667,622	151,746
Title II/A							
130520 1213	84.367	118,346	681	44,458	9,714	10,395	-
140520 1314	84.367	132,858	-	-	106,877	88,774	18,103
Total Title II/A		251,204	681	44,458	116,591	99,169	18,103
Title III							
130580 1213	84.365	175,014	58,070	136,686	4,993	63,063	-
140580 1314	84.365	127,771	-	-	70,917	44,189	26,728
Total Title III		302,785	58,070	136,686	75,910	107,252	26,728
School Improvement Grant							
101760 1213	84.377	522,826	22,375	22,375	500,451	522,826	-
121760 1213	84.377	549,625	119,595	185,689	363,936	483,531	-
Total School Improvement Grant		1,072,451	141,970	208,064	864,387	1,006,357	-
School Improvement Grant, ARRA							
101765 1213	84.388	861,298	205,002	608,446	252,850	457,852	-
Safe and Supportive Schools							
132790 SSS2013	84.184	152,339	7,665	131,347	7,421	15,086	-
142790 SSS2014	84.184	125,500	-	-	124,446	96,413	28,033
Total Safe and Supportive Schools		277,839	7,665	131,347	131,867	111,499	28,033
<b>Total passed through Michigan Department of Education</b>		<b>4,249,168</b>	<b>589,492</b>	<b>1,687,058</b>	<b>2,131,589</b>	<b>2,478,465</b>	<b>242,616</b>
<b>Passed through Wyoming Public Schools</b>							
21st Century Community Learning Centers							
1213	84.287	52,769	11,278	52,769	-	11,278	-
1314	84.287	23,344	-	-	23,120	21,590	1,530
Total 21st Century Community Learning Centers		76,113	11,278	52,769	23,120	32,868	1,530
Title I							
131530 1213	84.010	597	-	-	597	597	-
<b>Total passed through Wyoming Public Schools</b>		<b>76,710</b>	<b>11,278</b>	<b>52,769</b>	<b>23,717</b>	<b>33,465</b>	<b>1,530</b>
<b>Passed through Kent Intermediate School District</b>							
IDEA Grants to States							
130450 1213	84.027	291,083	64,186	291,083	-	64,186	-
140450 1314	84.027	334,088	-	-	333,941	262,664	71,277
Total IDEA Grants to States		625,171	64,186	291,083	333,941	326,850	71,277
IDEA Preschool							
130460 1213	84.173	14,577	3,738	14,577	-	3,738	-
140460 1314	84.173	20,072	-	-	20,072	16,043	4,029
Total IDEA Preschool		34,649	3,738	14,577	20,072	19,781	4,029
Education for Homeless Children and Youth							
13-14 McKinney-Vento Homeless Grant	84.196	1,113	-	-	1,002	1,002	-
<b>Total passed through Kent Intermediate School District</b>		<b>660,933</b>	<b>67,924</b>	<b>305,660</b>	<b>355,015</b>	<b>347,633</b>	<b>75,306</b>
<b>Passed through Western Michigan University</b>							
School Leadership Program	84.363	6,700	-	-	591	-	591
<b>Total U.S. Department of Education</b>		<b>4,993,511</b>	<b>668,694</b>	<b>2,045,487</b>	<b>2,510,912</b>	<b>2,859,563</b>	<b>320,043</b>



**GODFREY-LEE PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue at July 1, 2013	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue at June 30, 2014
<b>U.S. Department of Health and Human Services</b>							
<b>Passed through Kent Intermediate School District</b>							
Medical Assistance Program							
1314 Medicaid	93.778	\$ 3,054	\$ -	\$ -	\$ 3,054	\$ 3,054	\$ -
<b>Corporation for National and Community Service</b>							
<b>Passed through Kent Intermediate School District</b>							
Learn and Serve America School and Community							
12LYNM1002 1213	94.018	52,856	27,128	52,856	-	27,128	-
13LYNM1002 1314	94.018	16,000	-	-	14,940	14,940	-
Total Learn and Serve America School and Community		<u>68,856</u>	<u>27,128</u>	<u>52,856</u>	<u>14,940</u>	<u>42,068</u>	<u>-</u>
<b>U.S. Department of Agriculture</b>							
<b>Passed through Michigan Department of Education</b>							
Nutrition Cluster							
Non-Cash Assistance (USDA Commodities)							
Entitlement Commodities	10.555	<u>79,472</u>	<u>-</u>	<u>-</u>	<u>79,472</u>	<u>79,472</u>	<u>-</u>
Cash Assistance							
Lunch Program							
1213	10.555	703,957	22,820	703,957	-	22,820	-
1314	10.555	<u>774,878</u>	<u>-</u>	<u>-</u>	<u>774,878</u>	<u>747,706</u>	<u>27,172</u>
Total Lunch Program		<u>1,478,835</u>	<u>22,820</u>	<u>703,957</u>	<u>774,878</u>	<u>770,526</u>	<u>27,172</u>
Breakfast Program							
1213	10.553	284,936	10,745	284,936	-	10,745	-
1314	10.553	<u>325,904</u>	<u>-</u>	<u>-</u>	<u>325,904</u>	<u>312,699</u>	<u>13,205</u>
Total Breakfast Program		<u>610,840</u>	<u>10,745</u>	<u>284,936</u>	<u>325,904</u>	<u>323,444</u>	<u>13,205</u>
Total Cash Assistance		<u>2,089,675</u>	<u>33,565</u>	<u>988,893</u>	<u>1,100,782</u>	<u>1,093,970</u>	<u>40,377</u>
Total Nutrition Cluster		<u>2,169,147</u>	<u>33,565</u>	<u>988,893</u>	<u>1,180,254</u>	<u>1,173,442</u>	<u>40,377</u>
Child Care Food Program	10.558	<u>22,458</u>	<u>-</u>	<u>-</u>	<u>22,458</u>	<u>22,458</u>	<u>-</u>
Fresh Fruit and Vegetable Program	10.582	<u>24,410</u>	<u>-</u>	<u>-</u>	<u>24,410</u>	<u>24,410</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>		<u><b>2,216,015</b></u>	<u><b>33,565</b></u>	<u><b>988,893</b></u>	<u><b>1,227,122</b></u>	<u><b>1,220,310</b></u>	<u><b>40,377</b></u>
<b>Total Federal Financial Assistance</b>		<u><b>\$ 7,281,436</b></u>	<u><b>\$ 729,387</b></u>	<u><b>\$ 3,087,236</b></u>	<u><b>\$ 3,756,028</b></u>	<u><b>\$ 4,124,995</b></u>	<u><b>\$ 360,420</b></u>

**GODFREY-LEE PUBLIC SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	<u>  X  </u> no
Significant deficiency(ies) identified?	_____ yes	<u>  X  </u> none reported
Noncompliance material to financial statements noted?	_____ yes	<u>  X  </u> no

**Federal Awards**

Internal control over major programs:		
Material weakness(es) identified?	_____ yes	<u>  X  </u> no
Significant deficiency(ies) identified?	_____ yes	<u>  X  </u> none reported
Type of auditors' report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	_____ yes	<u>  X  </u> no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.377, 84.388	School Improvement Grants

Dollar threshold used to distinguish between Type A and B programs:	<u>  \$300,000  </u>
Auditee qualified as low-risk auditee?	<u>  X  </u> yes      _____ no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None noted

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS**

None noted

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