



GODFREY-LEE PUBLIC SCHOOLS
WYOMING, MICHIGAN

FINANCIAL STATEMENTS
and
SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2015



Vredeveld Haefner LLC

CPA's

GODFREY-LEE PUBLIC SCHOOLS

TABLE OF CONTENTS

FINANCIAL SECTION	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-12
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	16
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Position of Governmental Activities on the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Assets and Liabilities - Fiduciary Fund	20
Notes to Financial Statements	21-38
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	39
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Food Service Fund	40
Defined Benefit Pension Plan	
Schedule of Schedule of District's Proportionate Share of Net Pension Liability	41
Schedule of Employer Contributions	42
Combining and Individual Fund Statements and Schedules	
General Fund	
Schedule of Revenues	43
Schedule of Expenditures	44-45
Nonmajor Governmental Funds	
Combining Balance Sheet	46-47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	48-49
Agency Fund	
Statement of Changes in Assets and Liabilities	50
SINGLE AUDIT SECTION	
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 <i>Government Auditing Standards</i>	51-52
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	53-54
Schedule of Expenditures of Federal Awards	55-56
Notes to Schedule of Expenditures of Federal Awards	57
Schedule of Findings and Questioned Costs	58



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INDEPENDENT AUDITORS' REPORT

October 21, 2015

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, 2015, 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, 2015, 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 12 and the schedules on pages 39 through 42 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 October 21, 2015, 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.

Uredaxeld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2015

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, 2015. 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.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2015

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>2015</u>	<u>2014</u>
Assets		
Current assets	\$4,880,175	\$5,741,885
Net capital assets	<u>18,217,046</u>	<u>18,109,040</u>
Total Assets	<u>23,097,221</u>	<u>23,850,925</u>
Deferred Outflows of Resources	<u>2,819,213</u>	<u>347,439</u>
Liabilities		
Current liabilities	3,219,038	3,056,297
Long-term liabilities	<u>40,290,715</u>	<u>18,368,941</u>
Total Liabilities	<u>43,509,753</u>	<u>21,425,238</u>
Deferred Inflows of Resources	<u>2,500,775</u>	<u>-</u>
Net Position		
Net investment in capital assets	1,710	124,725
Restricted	724,236	75,938
Unrestricted	<u>(20,820,040)</u>	<u>2,572,463</u>
Total Net Position	<u>(20,094,094)</u>	<u>\$2,773,126</u>

Net position of the District decreased from \$2,773,126 to \$(20,094,094) at June 30, 2014 and 2015, respectively. The primary reason is the District's adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, in 2015.



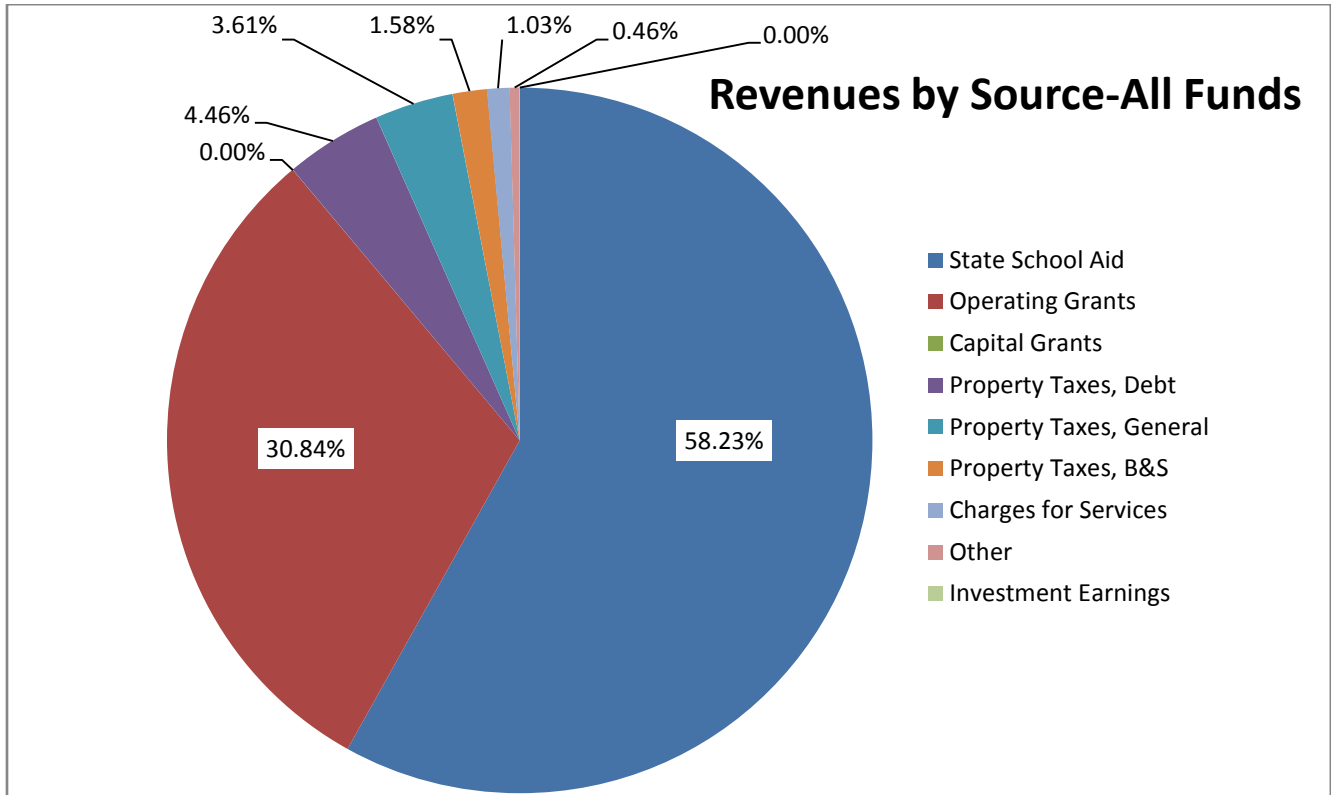
GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2015

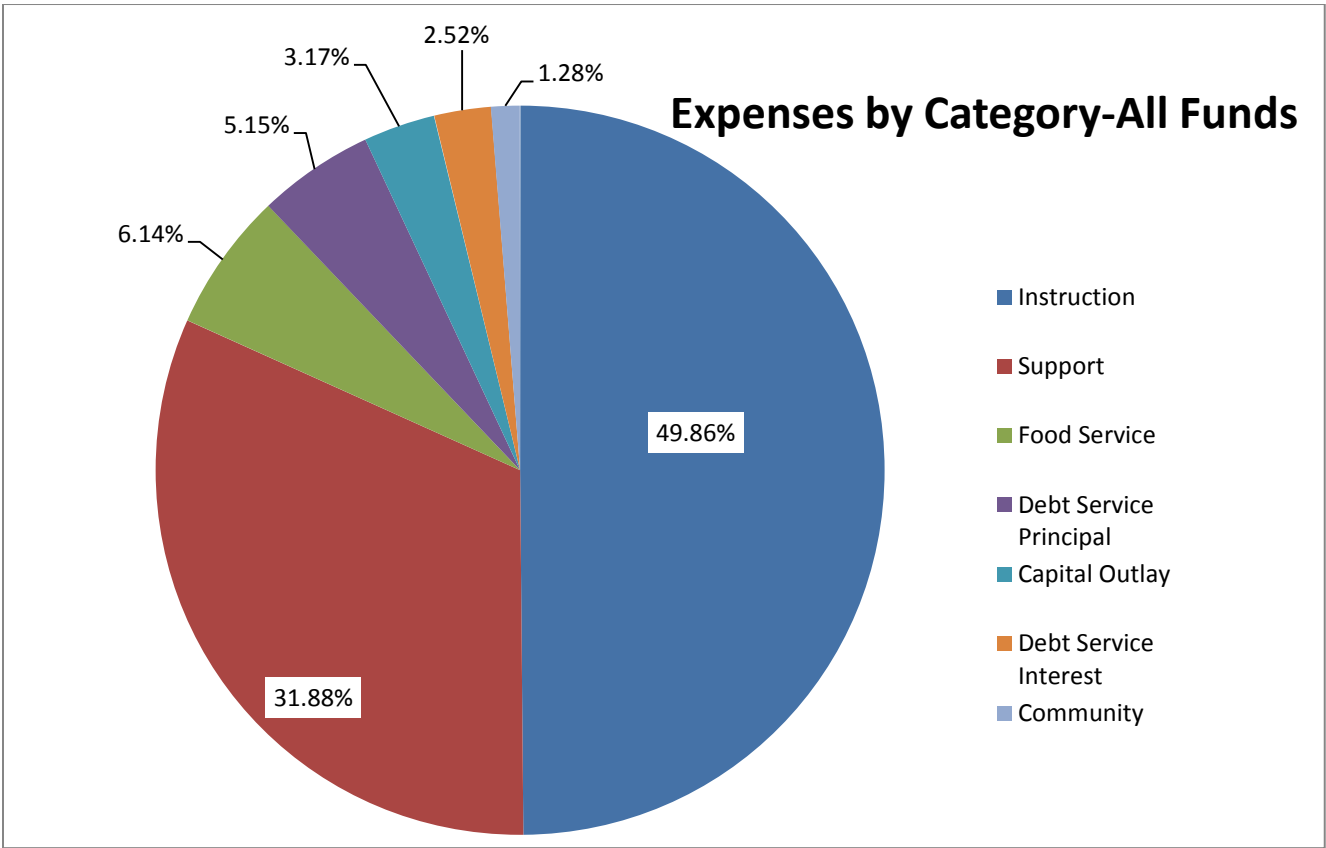
The Statement of Activities presents changes in net position from operating results:

	<u>2015</u>	<u>2014</u>
Program Revenues		
Charges for services	\$ 231,561	\$155,909
Operating grants	6,959,093	6,546,382
Capital grants	-	988,865
General Revenues		
Property taxes	2,176,669	2,006,048
Unrestricted grants and contributions	13,138,874	12,796,092
Interest earnings	301	764
Other	103,720	86,233
Total Revenues	<u>22,610,218</u>	<u>22,580,294</u>
Expenses		
Instruction	12,403,196	12,025,113
Supporting services	7,311,297	7,550,113
Community services	330,895	317,526
Food service	1,534,841	1,491,886
Athletics	393,922	501,043
Interest on long-term debt	758,319	783,355
Total Expenses	<u>22,732,470</u>	<u>22,669,036</u>
Change in net position	(122,252)	(88,742)
Net Position - Beginning of year, as restated	<u>(19,971,842)</u>	<u>2,861,868</u>
Net Position - End of year	<u><u>\$(20,094,094)</u></u>	<u><u>\$2,773,126</u></u>



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2015







GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2015

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 \$29,924 (0.13%) to \$22.610 million. Unrestricted grants and contributions accounted for 58.2% of the revenues, while property taxes amounted to 9.7% of the revenues. Another 30.8% came from state specific programs while the remainder from miscellaneous sources.

The total cost of all programs and services increased by \$63,434 (0.28%) to \$22.732 million. The District's expenses are predominantly related to instructional services which amount to 54.6% of the total. Salaries increased \$502,871 or 5.6% mainly due to an overall increase in staffing to accommodate the needs of our student population along with a cost sharing agreement with our teaching staff. Retirement costs increased by 25%, or \$652,303, due to the increase in the retirement rates, increase in staffing, and cost sharing agreement among the GLEA. Of note is an increase in insurance costs of \$162,739 or 9% due to district-wide insurance caps in effect for all staff along with an overall increase in staffing levels.

Total expenses surpassed revenues, decreasing net position by \$122,252 on the Statement of Activities.

The recent decrease of the District's net position can be attributed mostly to additional staffing along with increased costs for retirement and health insurance. 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 2014-15 were originally created with with an estimated enrollment count of 1875 as compared to the prior year which produced a 90/10 blend of 1,923.78 full-time equivalent students for budget purposes. Actual blended count for the year was 1,957.01 which brought an increase in State school aid revenue over the original budgeted amount of over \$240,000 from prior year.
- 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.
- 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 related costs.
- The \$22.732 million of governmental activities was financed with \$2.2 million in property taxes and \$13.1 million of unrestricted grants and contributions which was primarily state aid based on the statewide education aid formula. State and Federal grant funding totaled nearly \$7.0 million.
- The administration will continue working with other districts in collaboration efforts for 2015-16.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2015

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 School's funds are described as follows:

Major Funds

General Fund

The General Fund is the primary operating fund. The General Fund had total revenues of \$19,717,575, total expenditures of \$20,282,635 and net other financing sources of \$236,503. It ended the fiscal year with a fund balance of \$2,262,692, down from \$2,591,249 as of June 30, 2014 for an decrease of \$328,557.

Food Service Fund

The District operates one Special Revenue Fund, the Food Service Fund. Total revenues of the Food Service Fund were \$1,529,967 with total expenditures of \$1,485,585. The ending fund balance was \$455,319, an increase of \$44,382.

Nonmajor Funds

Debt Service Funds

The District operates five Debt Service Funds. Total revenues were \$1,153,067, with total financing sources (loan proceeds and transfers in) of \$500,580 and total expenditures of \$1,648,357. The ending fund balances in the Debt Service Funds total \$80,354.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2015

Capital Projects Fund

The District operates two Capital Project Funds, the 2013 Construction Fund and the Building and Site Fund. These funds had total revenues of \$209,609 and total other financing sources of \$67,328 with total expenditures of \$766,586 and total other financing uses of \$273,654 resulting in a fund balance of \$188,563 at June 30, 2015, down from \$951,866 at June 30, 2014.

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, 2015 totaled \$94,511.

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 expenditures would exceed revenues by \$444,500, the actual results for the year show a \$328,557 decrease in fund balance which is \$115,943 better than projected.

- Actual revenues were \$303,768 less than expected. While some funding sources came in over as expected, others came in low mainly due to Federal and State grant funds not used which will be carried forward to the 2015-16 school year.
- Actual expenditures were \$101,009 less than expected. This was due mainly to the unspent Federal and State grant funds along with unspent miscellaneous line items.

Capital Asset and Debt Administration

Capital Assets

By the end of 2015, the District had \$28,041,431 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 5 in the Notes to Basic Financial Statements.)

At June 30, 2015, the District's investment in capital assets (net of accumulated depreciation) was \$18,217,046. Capital asset purchases totaled \$839,907 for the fiscal year with accumulated depreciation increasing \$731,901, leaving a net increase in the book value of capital assets of \$108,006.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2015

Capital Asset and Debt Administration (cont'd)

Land	\$ 618,754
Construction in progress	24,244
Land improvements	963,830
Buildings and additions	15,866,546
Furniture and equipment	427,188
Vehicles	217,851
Assets under capital leases	<u>98,633</u>
Total Capital Assets	<u><u>\$18,217,046</u></u>

Long-Term Debt

At year end, the District had \$41.518 million in general obligation bonds, net pension liability and other long-term debt outstanding.

- The District continued to pay down its debt from the 2005, 2009, 2010 and 2013 bond issues and capital lease agreements.
- The District borrowed \$386,034 from the State School Bond Loan Program to supplement local tax levies for bond debt service payments this year. This is an decrease of \$161,035 from the prior year mainly due to increasing the millage rates in order to meet the mandatory loan repayment date.

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 2015-2016 school year.
- The State of Michigan adopted a budget for the School Aid Fund in June 2015 for the 2015-2016 school year. The district will receive at total of \$60 and \$85 within unrestricted and restricted funds respectfully more per pupil for the 2015-16 school year. This will help offset a projected slight 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 2015-16 and beyond. These costs represent a significant portion of the District's budget and their rate of increase is a concern to management.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2015

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.

BASIC FINANCIAL STATEMENTS

GODFREY-LEE PUBLIC SCHOOLS

STATEMENT OF NET POSITION

JUNE 30, 2015

	<u>Governmental Activities</u>
Assets	
Cash	\$ 1,363,215
Accounts receivable	78,137
Due from other governments	3,390,621
Prepaid items	33,698
Inventory	14,504
Capital assets, net	
Land	618,754
Construction in progress	24,244
Land improvements, buildings, furniture and equipment, vehicles	<u>17,574,048</u>
Total assets	<u>23,097,221</u>
Deferred outflows of resources	
Loss on bond refunding	320,713
Deferred outflows related to pension	<u>2,498,500</u>
Total deferred outflows of resources	<u>2,819,213</u>
Liabilities	
Accounts payable	265,180
Accrued payroll	918,935
Due to other governments	657,883
Unearned revenue	150,121
Noncurrent liabilities	
Compensated absences	181,539
Bond premium	50,402
Net pension liability	22,548,668
Due within one year	1,226,919
Due in more than one year	<u>17,510,106</u>
Total liabilities	<u>43,509,753</u>
Deferred inflows of resources	
Deferred inflows related to pensions	<u>2,500,775</u>
Net position	
Net investment in capital assets	1,710
Restricted for	
Food service	455,319
Capital projects	188,563
Debt service	80,354
Unrestricted	<u>(20,820,040)</u>
Total net position	<u>\$ (20,094,094)</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, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u> <u>Revenue</u>
		<u>Charges</u> <u>for Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	
Primary government				
Governmental activities				
Instruction	\$ 12,403,196	\$ 1,919	\$ 5,131,441	\$ (7,269,836)
Support services	7,311,297	56,612	470,715	(6,783,970)
Community services	330,895	-	-	(330,895)
Food service	1,534,841	173,030	1,356,937	(4,874)
Athletic	393,922	-	-	(393,922)
Interest on long-term debt	758,319	-	-	(758,319)
	<u>\$ 22,732,470</u>	<u>\$ 231,561</u>	<u>\$ 6,959,093</u>	<u>(15,541,816)</u>
Total governmental activities				
General revenues				
Property taxes				
Operating				814,294
Debt				1,005,611
Capital improvements				356,764
Unrestricted grants and contributions				13,138,874
Interest earnings				301
Other				103,720
				<u>15,419,564</u>
Total general revenues				
Change in net position				(122,252)
Net position, beginning of year, as restated				<u>(19,971,842)</u>
Net position, end of year				<u>\$ (20,094,094)</u>

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

GODFREY-LEE PUBLIC SCHOOLS

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2015

	<u>General</u>	<u>Food Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash	\$ 604,586	\$ 417,675	\$ 340,954	\$ 1,363,215
Accounts receivable	47,934	30,203	-	78,137
Due from other governments	3,338,501	52,120	-	3,390,621
Prepaid items	33,698	-	-	33,698
Inventory	-	14,504	-	14,504
Total assets	<u>\$ 4,024,719</u>	<u>\$ 514,502</u>	<u>\$ 340,954</u>	<u>\$ 4,880,175</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 35,088	\$ 59,183	\$ 72,037	\$ 166,308
Due to other governments	657,883	-	-	657,883
Accrued payroll	918,935	-	-	918,935
Unearned revenue	150,121	-	-	150,121
Total liabilities	<u>1,762,027</u>	<u>59,183</u>	<u>72,037</u>	<u>1,893,247</u>
Fund balances				
Non-spendable				
Inventory	-	14,504	-	14,504
Prepaid items	33,698	-	-	33,698
Restricted				
Food service	-	440,815	-	440,815
Debt service	-	-	80,354	80,354
Capital projects	-	-	188,563	188,563
Assigned				
Subsequent year expenditures	565,615	-	-	565,615
Unassigned	1,663,379	-	-	1,663,379
Total fund balances	<u>2,262,692</u>	<u>455,319</u>	<u>268,917</u>	<u>2,986,928</u>
Total liabilities and fund balances	<u>\$ 4,024,719</u>	<u>\$ 514,502</u>	<u>\$ 340,954</u>	<u>\$ 4,880,175</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, 2015

Fund balances - total governmental funds	\$ 2,986,928
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)	18,217,046
Bond refunding losses are not expensed but are amortized over the life of the new bond issue.	
Add - loss on bond refundings	320,713
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	(181,539)
Deduct - debt payable	(18,737,025)
Deduct - net pension liability	(22,548,668)
Deduct - deferred inflows related to pensions	(2,500,775)
Add - deferred outflows related to pensions	2,498,500
Deduct - unamortized bond premium	(50,402)
Deduct - accrued interest on bonds	<u>(98,872)</u>
Net position of governmental activities	<u>\$ (20,094,094)</u>

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, 2015

	<u>General</u>	<u>Food Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Local sources	\$ 976,545	\$ 173,030	\$ 1,362,676	\$ 2,512,251
State sources	15,901,052	37,101	-	15,938,153
Federal sources	1,538,856	1,319,836	-	2,858,692
Interdistrict sources	<u>1,301,122</u>	<u>-</u>	<u>-</u>	<u>1,301,122</u>
Total revenues	<u>19,717,575</u>	<u>1,529,967</u>	<u>1,362,676</u>	<u>22,610,218</u>
Expenditures				
Current				
Instruction	12,057,882	-	-	12,057,882
Support services	7,709,440	-	-	7,709,440
Community services	309,561	-	-	309,561
Food service	-	1,485,585	-	1,485,585
Capital outlay	-	-	766,586	766,586
Debt service				
Principal	200,777	-	1,045,000	1,245,777
Interest	<u>4,975</u>	<u>-</u>	<u>603,357</u>	<u>608,332</u>
Total expenditures	<u>20,282,635</u>	<u>1,485,585</u>	<u>2,414,943</u>	<u>24,183,163</u>
Revenues over (under) expenditures	<u>(565,060)</u>	<u>44,382</u>	<u>(1,052,267)</u>	<u>(1,572,945)</u>
Other financing sources (uses)				
Capital leases/loans issued	304,831	-	226,926	531,757
Transfers in	-	-	340,982	340,982
Transfers out	(67,328)	-	(273,654)	(340,982)
Other transactions	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>
Total other financing sources (uses)	<u>236,503</u>	<u>-</u>	<u>294,254</u>	<u>530,757</u>
Net changes in fund balances	(328,557)	44,382	(758,013)	(1,042,188)
Fund balances, beginning of year	<u>2,591,249</u>	<u>410,937</u>	<u>1,026,930</u>	<u>4,029,116</u>
Fund balances, end of year	<u>\$ 2,262,692</u>	<u>\$ 455,319</u>	<u>\$ 268,917</u>	<u>\$ 2,986,928</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, 2015

Net changes in fund balances - total governmental funds	\$ (1,042,188)
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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	839,907
Deduct - depreciation expense	(731,901)

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	(386,034)
Deduct - capital leases issued	(304,831)
Add - principal payment on bonds	1,045,000
Add - principal payments on capital leases	200,777

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

Deduct - amortization of loss on bond refunding	(26,726)
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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	(2,608)
Add - increase in deferred outflows related to pensions	1,256,320
Add - decrease in net pension liability	1,438,480
Deduct - decrease in deferred inflows related to pensions	(2,500,775)
Add - decrease in early retirement incentive	80,000
Add - decrease in accrued interest payable	9,121
Add - amortization of bond premium	3,206

Change in net position of governmental activities	<u>\$ (122,252)</u>
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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, 2015

	Agency Fund
Assets	
Cash	\$ <u>94,511</u>
Total assets	\$ <u>94,511</u>
Liabilities	
Due to student groups	\$ <u>94,511</u>
Total liabilities	\$ <u>94,511</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, 2015

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 *Food Service Special Revenue Fund* is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for the food service program.

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Additionally, the District reports the following fund types:

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.

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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:

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.

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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.

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.

Unearned Revenue

Funds report *unearned revenue* in connection with 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.

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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* be recognized as an outflow of resources (expense/expenditure) until then. The government has several items that qualify 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. The government also has items that qualify for reporting in this category relating to pension as itemized in Note 5.

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 items that qualify for reporting in this category relating to pension as itemized in Note 5.

Pension

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

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 78% 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.

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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.

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, 2015 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.

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Net Position and Fund Balance Reporting

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.

2. DEFICIT FUND BALANCE/NET POSITION

At year-end the District reported a deficit net position of \$20,820,040.

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

3. 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>
General Fund			
Basic programs	\$8,961,688	\$9,058,158	\$ (96,470)
Central services	706,585	849,360	(142,775)
Debt service	114,649	205,752	(91,103)

Budget overages in the general fund were primarily related to the effect of MPSERS UAAL rate stabilization pass-through funding and lease proceeds and refinancing that were not included in the budget. The District has modified its budgeting procedures to include these types of transactions in the future.

4. CASH

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

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash	\$1,363,215	\$94,511	\$1,457,726

These deposits 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 the District's records at fair value.

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, \$2,033,812 of the District's bank balance of \$1,533,812 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, 2015

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 618,754	\$ -	\$ -	\$ 618,754
Construction in progress	-	24,244	-	24,244
Total capital assets, not being depreciated	618,754	24,244	-	642,998
Capital assets, being depreciated				
Land improvements	1,743,050	600,852	-	2,343,902
Building and improvements	23,080,356	32,046	-	23,112,402
Furniture and equipment	1,908,699	102,183	-	2,010,882
Vehicles	380,274	43,875	-	424,149
Equipment under capital leases	113,389	36,707	-	150,096
Total capital assets, being depreciated	27,225,768	815,663	-	28,041,431
Less accumulated depreciation for				
Land improvements	1,273,749	106,323	-	1,380,072
Building and improvements	6,778,818	467,038	-	7,245,856
Furniture and equipment	1,482,388	101,306	-	1,583,694
Vehicles	171,777	34,521	-	206,298
Equipment under capital leases	28,750	22,713	-	51,463
Total accumulated depreciation	9,735,482	731,901	-	10,467,383
Net capital assets, being depreciated	17,490,286	83,762	-	17,574,048
Governmental activities capital assets, net	\$18,109,040	\$108,006	\$ -	\$18,217,046

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
Instruction	\$545,686
Supporting services	92,920
Community services	25,865
Food service	54,740
Athletic	12,690
Total depreciation expense - governmental activities	\$731,901

6. PENSION PLAN

Defined Benefit 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.

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

Benefits Provided

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

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

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (September 30, 2014):

Active plan members	210,777
Inactive employees or beneficiaries currently receiving benefits	204,512
Inactive employees entitled but not yet receiving benefits	<u>16,979</u>
Total	<u><u>432,268</u></u>

Member Contributions

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently 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 including Pension Plus Plan members, 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.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Their options are described in detail under Pension Reform 2012 beginning on page 23. Members who elected to increase their

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

Employer Contributions

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits. 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.

Contributions

The majority of the members currently participate on a contributory basis, as described above. Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2014 valuation will be amortized over a 22 year period for the 2014 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2014.

Benefit Structure	Member	Employer
Basic	0.0-4.0%	18.34-19.61%
Member Investment Plan	3.0-7.0	18.34-19.61
Pension Plus	3.0-6.4	18.11
Defined Contribution	0.00	15.44-16.61

Net Pension Liability

The plan's net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

MPSERS (Plan) Net Pension Liability—Non-University

As of September 30, 2014

Total pension liability	\$65,160,887,182
Plan fiduciary net position	43,134,384,072
Net pension liability	\$22,026,503,110

Plan fiduciary net position as a percentage of total pension liability	66.20%
Net pension liability as a percentage of covered-employee payroll	250.11%

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Year 1 MPSERS GASB 68 implementation recognizes a 0.00% change in the reporting unit's proportionate share between beginning net pension liability and ending net pension liability.

MPSERS (Plan) Net Pension Liability—Non-University

As of October 1, 2013

Total pension liability	\$62,859,499,994
Plan fiduciary net position	39,427,686,072
Net pension liability	<u><u>\$23,431,813,922</u></u>

Proportionate Share of Reporting Unit's Net Pension Liability

At September 30, 2014, the Reporting Unit reported a liability of \$22,548,668 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The Reporting Unit's proportionate share of the net pension liability was based on statutorily required contributions in relation to all reporting units' statutorily required contributions for the measurement period. At September 30, 2014, the Reporting Unit's proportionate share percent was .10237 percent.

Long-Term Expected Return on Plan Assets

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity Pools	28.0%	4.8%
Alternative Investment Pools	18.0%	8.5%
International Equity	16.0%	6.1%
Fixed Income Pools	10.5%	1.5%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	15.5%	6.3%
Short Term Investment Pools	<u>2.0%</u>	(.2%)
	100%	

* Long-term rate of return does not include 2.5% inflation

Rate of Return

For the fiscal year ended September 30, 2014, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 12.58%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Discount Rate

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As required by GASB Statement No. 68, the following presents the reporting unit's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the reporting unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
\$29,728,455	\$22,548,668	\$16,499,591

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed every year. If the actuarial valuation is not calculated as of the plan's fiscal year-end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan's fiscal year-end.

The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures.

Actuarial Valuations and Assumptions

Actuarial valuations for the pension plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions

Wage Inflation Rate:	3.5%
Investment Rate of Return	
- MIP and Basic Plans (Non-Hybrid):	8.0%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate:	8.5% Year 1 graded to 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.8457
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2014 MPSERS Comprehensive Annual Financial Report.

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

For the year ended June 30, 2015 the employer recognized pension expense of \$1,824,422. The District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows Of <u>Resources</u>	Deferred Inflows Of <u>Resources</u>
Differences in experience	\$ -	\$ -
Differences in assumptions	831,998	-
Excess (deficit) investment returns	-	2,492,764
Change in proportionate share of contributions	-	8,011
Contributions subsequent to the measurement date *	1,666,502	-
Total	\$2,498,500	\$2,500,775

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending 2016.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2016	\$ (408,929)
2017	(408,929)
2018	(408,929)
2019	(441,990)
2020	-
Thereafter	-
Total	<u><u>\$(1,668,777)</u></u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

Defined Contribution Plan Description

Public Act 75 of 2010 established the Pension Plus Plan which provides all individuals hired on or after July 1, 2010, with a combined Defined Benefit and Defined Contribution benefit structure. Any member of MPERS who became a member of MPERS on or after July 1, 2010 is a Pension Plus member.

Employees under the Pension Plus Plan are automatically enrolled in the defined contribution component of the plan with a default employee contribution rate of 2 percent of the employee's pay. Employees may increase their personal contribution up to the annual IRS limit or can elect out of contributing. The District is required to match 50 percent of the employee contribution up to 1 percent of the employee's pay. For the year ended June 30, 2015, District and employee contributions were \$82,990 and \$17,033, respectively.

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, 2015

7. DEBT

Long-term Debt

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2015:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Governmental Activities					
\$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%	\$ 7,650,000	\$ -	\$585,000	\$7,065,000	\$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%	2,700,000	-	120,000	2,580,000	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%	730,000	-	35,000	695,000	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%	1,195,000	-	225,000	970,000	230,000
\$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%	2,120,000	-	80,000	2,040,000	80,000
	14,395,000	-	1,045,000	13,350,000	1,050,000
Unamortized premium	53,608	-	3,206	50,402	-
State school bond loan	4,570,791	386,034	-	4,956,825	-
Capital leases and other obligations	261,146	304,831	200,777	365,200	111,919
Early retirement incentive	145,000	-	80,000	65,000	65,000
Compensated absences	178,931	21,662	19,054	181,539	-
Total Long-term Debt	\$19,604,476	\$712,527	\$1,348,037	\$18,968,966	\$1,226,919

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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 \$226,926 from the MSBLF and \$159,108 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, 2015 are as follows:

	<u>Principal</u>	<u>Interest</u>
2016	\$1,161,919	\$560,899
2017	1,189,398	518,054
2018	1,201,946	474,210
2019	1,135,742	428,958
2020	881,195	385,156
2021-2025	4,610,000	1,369,642
2026-2030	3,105,000	412,590
2031-2033	430,000	34,600
Total	<u>\$13,715,200</u>	<u>\$4,184,109</u>

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

8. LEASES

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

Capital leases for copiers require monthly payments ranging from \$299 to \$1,485 through September 2020. Additionally the District leases equipment which requires annual payments of \$4,064. Copiers and equipment held under this capitalized leases are included in the statement of net position with a cost of \$125,801 and with accumulated depreciation of \$27,169.

The District also utilizes various equipment under other arrangements that require monthly payments of \$7,854 and expire in July 2017.

Total expense under these obligations was \$87,116 for 2015.

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, 2015:

<u>Year</u>	<u>Capitalized Lease</u>	<u>Other Obligations</u>	<u>Less Interest</u>	<u>Total</u>
2016	\$24,915	\$ 94,243	\$(7,239)	\$111,919
2017	25,045	94,243	(4,890)	114,398
2018	25,180	94,244	(2,477)	116,947
2019	20,741	-	-	20,741
2020	1,195	-	-	1,195
Total minimum payments due	<u>\$97,076</u>	<u>\$282,730</u>	<u>\$(14,606)</u>	<u>\$365,200</u>

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

9. 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, 2015 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 67,328
Nonmajor governmental funds	340,982	273,654
	<u>\$340,982</u>	<u>\$340,982</u>

10. 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.

11. DEFICIT NET POSITION

At year-end the District reported a deficit net position of \$20,094,094 in the governmental activities.

12. SUBSEQUENT EVENTS

State Aid Anticipation Note

In August 2015, the District approved a \$995,000 State of Michigan school aid anticipation note. The note is not subject to redemption prior to its maturity in August 2016 and bears interest at the rate of 4 percent per annum. The District pledged for payment of the note payable, the amount of state school aid to be received plus the full faith, credit, and resources of the District.

Bond Refunding

In August 2015, the School District approved the 2015 refunding bonds which will refund the 2005 refunding bonds and the 2006 school building and site bonds. The amount of the bonds is not to exceed \$9,000,000 with interest not to exceed 4.5 percent per annum.

13. PRIOR PERIOD ADJUSTMENT

Beginning net position of the District was decreased by \$23,987,148 to record the net pension liability in accordance with the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

Beginning net position of the District was increased by \$1,242,180 to record deferred outflows in accordance with the implementation of Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

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, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 913,462	\$ 972,640	\$ 976,545	\$ 3,905
State sources	15,112,647	16,033,779	15,901,052	(132,727)
Federal sources	1,279,173	1,726,112	1,538,856	(187,256)
Interdistrict sources	1,100,000	1,288,812	1,301,122	12,310
Total revenues	<u>18,405,282</u>	<u>20,021,343</u>	<u>19,717,575</u>	<u>(303,768)</u>
Expenditures				
Current				
Instruction				
Basic programs	8,596,541	8,961,688	9,058,158	(96,470)
Added needs	2,594,344	3,031,578	2,870,126	161,452
Adult education services	119,704	154,889	129,598	25,291
	<u>11,310,589</u>	<u>12,148,155</u>	<u>12,057,882</u>	<u>90,273</u>
Support services				
Pupil services	1,591,200	1,684,902	1,659,478	25,424
Instructional staff services	1,149,655	1,334,333	1,231,331	103,002
General administrative services	332,471	338,645	336,172	2,473
School administrative services	1,021,244	1,079,512	1,048,962	30,550
Business services	248,052	307,422	303,121	4,301
Operation and maintenance	1,285,864	1,417,441	1,400,239	17,202
Pupil transportation	535,742	519,397	494,393	25,004
Central services	719,189	706,585	849,360	(142,775)
Athletics	383,793	393,290	386,384	6,906
	<u>7,267,210</u>	<u>7,781,527</u>	<u>7,709,440</u>	<u>72,087</u>
Community services	274,564	339,313	309,561	29,752
Debt service	13,922	114,649	205,752	(91,103)
Total expenditures	<u>18,866,285</u>	<u>20,383,644</u>	<u>20,282,635</u>	<u>101,009</u>
Revenues over (under) expenditures	<u>(461,003)</u>	<u>(362,301)</u>	<u>(565,060)</u>	<u>(202,759)</u>
Other financing sources (uses)				
Capital lease issued	-	-	304,831	304,831
Transfers out	(78,870)	(81,199)	(67,328)	13,871
Other transactions	(1,000)	(1,000)	(1,000)	-
Total other financing sources (uses)	<u>(79,870)</u>	<u>(82,199)</u>	<u>236,503</u>	<u>318,702</u>
Net changes in fund balance	(540,873)	(444,500)	(328,557)	115,943
Fund balance, beginning of year	<u>2,591,249</u>	<u>2,591,249</u>	<u>2,591,249</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,050,376</u>	<u>\$ 2,146,749</u>	<u>\$ 2,262,692</u>	<u>\$ 115,943</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, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 33,829	\$ 176,350	\$ 173,030	\$ (3,320)
State sources	40,830	37,101	37,101	-
Federal sources	<u>1,237,819</u>	<u>1,308,663</u>	<u>1,319,836</u>	<u>11,173</u>
Total revenues	<u>1,312,478</u>	<u>1,522,114</u>	<u>1,529,967</u>	<u>7,853</u>
Expenditures				
Current				
Supplies	62,000	68,150	66,580	
Food supplies	509,000	713,163	692,250	
Contracted services	526,826	590,500	584,782	
Other	<u>227,637</u>	<u>184,050</u>	<u>141,973</u>	
Total expenditures	<u>1,325,463</u>	<u>1,555,863</u>	<u>1,485,585</u>	<u>70,278</u>
Revenues over (under) expenditures	(12,985)	(33,749)	44,382	78,131
Other financing sources				
Transfers in	<u>13,870</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	885	(33,749)	44,382	78,131
Fund balance, beginning of year	<u>410,937</u>	<u>410,937</u>	<u>410,937</u>	<u>-</u>
Fund balance, end of year	<u>\$ 411,822</u>	<u>\$ 377,188</u>	<u>\$ 455,319</u>	<u>\$ 78,131</u>

GODFREY-LEE PUBLIC SCHOOLS

DEFINED BENEFIT PENSION PLAN SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

FOR THE YEAR ENDED JUNE 30, 2015

	<u>2014</u>
District's proportion of the net pension liability	0.10237%
District's proportionate share of the net pension liability	\$ 22,548,668
Covered employee payroll	\$ 9,590,248
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	235.12%
Plan fiduciary net position as a percentage of total pension liability	66.20%

Notes to schedule:

Above dates are based on a measurement date of September 30, 2014.

GODFREY-LEE PUBLIC SCHOOLS
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>
Actuarial determined contributions	\$ 2,014,199
Contributions in relation to the actuarially determined contribution	<u>2,014,199</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 9,590,248
Contributions as a percentage of covered employee payroll	21.0%

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

GODFREY-LEE PUBLIC SCHOOLS

GENERAL FUND SCHEDULE OF REVENUES

FOR THE YEAR ENDED JUNE 30, 2015

Revenues	
Local sources	
Property taxes	\$ 814,294
Universal service funding	46,355
Donations	3,898
Athletic events	10,257
Other	<u>101,741</u>
Total local sources	<u>976,545</u>
State sources	
State aid	15,361,885
Special education - itinerants	77,832
Special education - transportation	337,145
CTE transportation reimbursement	27,940
Adult education	88,720
Other	<u>7,530</u>
Total state sources	<u>15,901,052</u>
Federal sources	
Title I	772,815
Title IIA	49,299
Title III	130,027
Adult basic education	36,108
I.D.E.A. program	398,819
Medicaid - school based	2,765
Team 21 grant	45,115
Safe and supportive schools	95,927
McKinney Vento homeless grant	1,132
WMU achievement centered leadership grant	<u>6,849</u>
Total federal sources	<u>1,538,856</u>
Interdistrict sources	
Special education - county	1,090,672
Medicaid fee for service	<u>210,450</u>
Total interdistrict sources	<u>1,301,122</u>
Total revenues	<u>\$ 19,717,575</u>

GODFREY-LEE PUBLIC SCHOOLS

GENERAL FUND SCHEDULE OF EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2015

Expenditures

Current

Instruction

Basic programs

Elementary	\$ 4,375,974
Middle school	1,820,390
High school	2,813,102
Summer school	<u>48,692</u>

Total basic programs 9,058,158

Added needs

Special education	1,629,768
Compensatory education	1,222,104
Career and technology education	<u>18,254</u>

Total added needs 2,870,126

Adult education services 129,598

Total instruction 12,057,882

Support services

Pupil services

Attendance services	126,781
Guidance services	375,131
Health services	173,892
Psychological services	79,905
Speech pathology services	386,769
Social worker services	257,317
Teacher consultant services	15,896
Other pupil services	<u>243,787</u>

Total pupil services 1,659,478

Instructional staff services

Improvement of instruction	692,922
Educational media services	171,578
Educational television	2,183
Instruction related technology	144,193
Supervision and direction of instruction	201,833
Testing support	18,622

Total instructional staff services 1,231,331

General administrative services

Board of education	55,876
Executive administration	<u>280,296</u>

Total general administrative services 336,172

(Continued)

GODFREY-LEE PUBLIC SCHOOLS

GENERAL FUND SCHEDULE OF EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2015

School administrative services	
Office of the principal	\$ 1,048,962
Business services	
Fiscal services	258,146
Other business services	<u>44,975</u>
Total business services	<u>303,121</u>
Operation and maintenance	
Operation and maintenance	1,310,303
Security	<u>89,936</u>
Total operation and maintenance	<u>1,400,239</u>
Pupil transportation	<u>494,393</u>
Central services	
Staff/personnel services	119,951
Technology services	600,997
Pupil accounting	70,383
Other central services	<u>58,029</u>
Total central services	<u>849,360</u>
Athletics	<u>386,384</u>
Total support services	<u>7,709,440</u>
Community services	<u>309,561</u>
Debt service	
Principal	200,777
Interest	<u>4,975</u>
Total debt service	<u>205,752</u>
Total expenditures	<u>\$ 20,282,635</u>

(Concluded)

GODFREY-LEE PUBLIC SCHOOLS

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2015

	<u>Debt Service</u>		
	<u>2005-A</u>	<u>2005-B</u>	<u>2009</u>
Assets			
Cash	\$ 43,338	\$ 10,984	\$ 3,281
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Fund balances			
Restricted			
Debt service	43,338	10,984	3,281
Capital projects	-	-	-
Total fund balances	<u>43,338</u>	<u>10,984</u>	<u>3,281</u>
Total liabilities and fund balances	<u>\$ 43,338</u>	<u>\$ 10,984</u>	<u>\$ 3,281</u>

<u>2010 Energy Conservation</u>	<u>2013</u>	<u>Capital Projects</u>		<u>Total</u>
		<u>2013 Construction</u>	<u>Building and Site</u>	
\$ -	\$ 22,751	\$ 259,600	\$ 1,000	\$ 340,954
\$ -	\$ -	\$ 72,037	\$ -	\$ 72,037
-	22,751	-	-	80,354
-	-	187,563	1,000	188,563
-	22,751	187,563	1,000	268,917
<u>\$ -</u>	<u>\$ 22,751</u>	<u>\$ 259,600</u>	<u>\$ 1,000</u>	<u>\$ 340,954</u>

GODFREY-LEE PUBLIC SCHOOLS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Debt Service</u>		
	<u>2005-A</u>	<u>2005-B</u>	<u>2009</u>
Revenues			
Local sources	\$ 754,663	\$ 193,295	\$ 57,718
Expenditures			
Capital outlay	-	-	-
Debt service			
Principal	585,000	120,000	35,000
Interest	336,541	112,069	34,488
Total expenditures	<u>921,541</u>	<u>232,069</u>	<u>69,488</u>
Revenues over (under) expenditures	(166,878)	(38,774)	(11,770)
Other financing sources (uses)			
Loans issued	170,910	42,545	13,471
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>170,910</u>	<u>42,545</u>	<u>13,471</u>
Net changes in fund balances	4,032	3,771	1,701
Fund balances, beginning of year	<u>39,306</u>	<u>7,213</u>	<u>1,580</u>
Fund balances, end of year	<u>\$ 43,338</u>	<u>\$ 10,984</u>	<u>\$ 3,281</u>

<u>2010 Energy Conservation</u>	<u>2013</u>	<u>Capital Projects</u>		<u>Total</u>
		<u>2013 Construction</u>	<u>Building and Site</u>	
\$ -	\$ 147,391	\$ 214	\$ 209,395	\$ 1,362,676
-	-	763,643	2,943	766,586
225,000	80,000	-	-	1,045,000
48,654	71,605	-	-	603,357
<u>273,654</u>	<u>151,605</u>	<u>763,643</u>	<u>2,943</u>	<u>2,414,943</u>
(273,654)	(4,214)	(763,429)	206,452	(1,052,267)
-	-	-	-	226,926
273,654	-	-	67,328	340,982
-	-	-	(273,654)	(273,654)
<u>273,654</u>	<u>-</u>	<u>-</u>	<u>(206,326)</u>	<u>294,254</u>
-	(4,214)	(763,429)	126	(758,013)
-	26,965	950,992	874	1,026,930
<u>\$ -</u>	<u>\$ 22,751</u>	<u>\$ 187,563</u>	<u>\$ 1,000</u>	<u>\$ 268,917</u>

GODFREY-LEE PUBLIC SCHOOLS

AGENCY FUNDS STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Assets				
Cash	\$ <u>77,545</u>	\$ <u>272,890</u>	\$ <u>255,924</u>	\$ <u>94,511</u>
Liabilities				
Due to student groups	\$ <u>77,545</u>	\$ <u>272,890</u>	\$ <u>255,924</u>	\$ <u>94,511</u>

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

October 21, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2015.

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*.

Specializing in services to governmental and nonprofit entities

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.

Ordebold Haefner LLC



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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**

October 21, 2015

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, 2015. 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, 2015.

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.

Uredewald Haefner LLC

GODFREY-LEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue at July 1, 2014	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue at July 1, 2015
U.S. Department of Education							
Passed through Michigan Department of Education							
Federal Adult Ed English							
141120 145347	84.002	\$ 25,000	\$ 10,643	\$ 25,000	\$ -	\$ 10,643	\$ -
141130 141347	84.002	22,000	7,363	21,720	-	7,363	-
151120 155347	84.002	20,000	-	-	20,000	14,191	5,809
151130 151347	84.002	22,000	-	-	16,108	14,191	1,917
Total Federal Adult Ed English		<u>89,000</u>	<u>18,006</u>	<u>46,720</u>	<u>36,108</u>	<u>46,388</u>	<u>7,726</u>
Title I							
141530 1314	84.010	710,322	151,746	580,999	54,491	206,237	-
151520 1415	84.010	6,000	-	-	1,105	1,102	3
151530 1415	84.010	726,425	-	-	677,525	582,351	95,174
Total Title I		<u>1,442,747</u>	<u>151,746</u>	<u>580,999</u>	<u>733,121</u>	<u>789,690</u>	<u>95,177</u>
Title II/A							
140520 1314	84.367	132,858	18,103	106,877	-	18,103	-
150520 1415	84.367	99,180	-	-	49,299	43,262	6,037
Total Title II/A		<u>232,038</u>	<u>18,103</u>	<u>106,877</u>	<u>49,299</u>	<u>61,365</u>	<u>6,037</u>
Title III							
140580 1314	84.365	127,771	26,728	70,917	-	26,728	-
150580 1415	84.365	162,840	-	-	126,330	118,224	8,106
Total Title III		<u>290,611</u>	<u>26,728</u>	<u>70,917</u>	<u>126,330</u>	<u>144,952</u>	<u>8,106</u>
Safe and Supportive Schools							
142790 SSS2014	84.184	125,500	28,033	124,446	-	28,033	-
152790 SSS2015	84.184	100,400	-	-	95,927	95,927	-
Total Safe and Supportive Schools		<u>225,900</u>	<u>28,033</u>	<u>124,446</u>	<u>95,927</u>	<u>123,960</u>	<u>-</u>
Total passed through Michigan Department of Education		<u>2,280,296</u>	<u>242,616</u>	<u>929,959</u>	<u>1,040,785</u>	<u>1,166,355</u>	<u>117,046</u>
Passed through Wyoming Public Schools							
21st Century Community Learning Centers							
1314	84.287	23,344	1,530	23,120	-	1,530	-
1415	84.287	56,544	-	-	45,115	39,002	6,113
Total 21st Century Community Learning Centers		<u>79,888</u>	<u>1,530</u>	<u>23,120</u>	<u>45,115</u>	<u>40,532</u>	<u>6,113</u>
Passed through Kent Intermediate School District							
Special Education Cluster							
IDEA Grants to States							
140450 1314	84.027A	334,088	71,277	333,941	-	71,277	-
150450 1415	84.027A	382,793	-	-	382,793	311,172	71,621
Total IDEA Grants to States		<u>716,881</u>	<u>71,277</u>	<u>333,941</u>	<u>382,793</u>	<u>382,449</u>	<u>71,621</u>
IDEA Preschool							
140460 1314	84.173A	20,072	4,029	20,072	-	4,029	-
150460 1415	84.173A	16,026	-	-	16,026	13,037	2,989
Total IDEA Preschool		<u>36,098</u>	<u>4,029</u>	<u>20,072</u>	<u>16,026</u>	<u>17,066</u>	<u>2,989</u>
Total Special Education Cluster		<u>752,979</u>	<u>75,306</u>	<u>354,013</u>	<u>398,819</u>	<u>399,515</u>	<u>74,610</u>
Passed through Western Michigan University							
School Leadership Program							
1314	84.363	6,700	591	591	-	591	-
1415	84.363	10,809	-	-	6,849	4,565	2,284
Total School Leadership Program		<u>17,509</u>	<u>591</u>	<u>591</u>	<u>6,849</u>	<u>5,156</u>	<u>2,284</u>
Total U.S. Department of Education		<u>3,130,672</u>	<u>320,043</u>	<u>1,307,683</u>	<u>1,491,568</u>	<u>1,611,558</u>	<u>200,053</u>
U.S. Department of Health and Human Services							
Passed through Kent Intermediate School District							
Medical Assistance Program							
1415 Medicaid	93.778	2,765	-	-	2,765	2,765	-

(continued)

GODFREY-LEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue at July 1, 2014	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue at July 1, 2015
U.S. Department of Agriculture							
Passed through Michigan Department of Education							
Nutrition Cluster							
Non-Cash Assistance (USDA Commodities)							
Entitlement Commodities							
	10.555	78,700	-	-	78,700	78,700	-
Cash Assistance							
Lunch Program							
	10.555	774,878	27,172	774,878	-	27,172	-
	10.555	816,124	-	-	816,124	784,910	31,214
		<u>1,591,002</u>	<u>27,172</u>	<u>774,878</u>	<u>816,124</u>	<u>812,082</u>	<u>31,214</u>
Total Lunch Program							
Breakfast Program							
	10.553	325,904	13,205	325,904	-	13,205	-
	10.553	338,708	-	-	338,708	324,268	14,440
		<u>664,612</u>	<u>13,205</u>	<u>325,904</u>	<u>338,708</u>	<u>337,473</u>	<u>14,440</u>
Total Breakfast Program							
Total Cash Assistance							
		<u>2,255,614</u>	<u>40,377</u>	<u>1,100,782</u>	<u>1,154,832</u>	<u>1,149,555</u>	<u>45,654</u>
Total Nutrition Cluster							
		<u>2,334,314</u>	<u>40,377</u>	<u>1,100,782</u>	<u>1,233,532</u>	<u>1,228,255</u>	<u>45,654</u>
Child Care Food Program							
	10.558	64,038	-	-	64,038	64,038	-
Fresh Fruits and Vegetables Program							
	10.582	22,266	-	-	22,266	22,266	-
Total U.S. Department of Agriculture							
		<u>2,420,618</u>	<u>40,377</u>	<u>1,100,782</u>	<u>1,319,836</u>	<u>1,314,559</u>	<u>45,654</u>
Total Federal Financial Assistance							
		<u>\$ 5,554,055</u>	<u>\$ 360,420</u>	<u>\$ 2,408,465</u>	<u>\$ 2,814,169</u>	<u>\$ 2,928,882</u>	<u>\$ 245,707</u>

(concluded)

See notes to schedule of expenditures of federal awards.

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

1. The Schedule of Expenditures of Federal Awards is prepared in accordance with the modified accrual basis of accounting.
2. Management has utilized the CMS Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.
3. Reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per the Schedule of Expenditures of Federal Awards.

Revenues from federal sources per June 30, 2015 governmental funds financial statements	\$ 2,858,692
Federal revenues not included on the Schedule of Expenditures of Federal Awards as the District is a vendor not a subrecipient of the pass through entity	<u>(44,523)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 2,814,169</u></u>

GODFREY-LEE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> 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?	<u> </u> yes	<u> X </u> no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Nutrition Cluster

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 <u> </u> 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