



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

FINANCIAL STATEMENTS  
and  
SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2016



*Vredeveld Haefner LLC*

*CPA's*

# GODFREY-LEE PUBLIC SCHOOLS

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## INDEPENDENT AUDITORS' REPORT

October 3, 2016

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, 2016, 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, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 and the schedules on pages 37 through 40 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 3, 2016, 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.

*Wendell Haefner LLC*

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



**GODFREY-LEE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2016**

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As management of the Godfrey-Lee Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. 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, 2016**

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>2016</u>	<u>2015</u>
<b>Assets</b>		
Current assets	\$6,288,691	\$4,880,175
Net capital assets	<u>17,797,388</u>	<u>18,217,046</u>
<b>Total Assets</b>	<b><u>24,086,079</u></b>	<b><u>23,097,221</u></b>
<b>Deferred Outflows of Resources</b>	<b><u>4,120,486</u></b>	<b><u>2,819,213</u></b>
<b>Liabilities</b>		
Current liabilities	4,293,991	3,219,038
Long-term liabilities	<u>43,926,232</u>	<u>40,290,715</u>
<b>Total Liabilities</b>	<b><u>48,220,223</u></b>	<b><u>43,509,753</u></b>
<b>Deferred Inflows of Resources</b>	<b><u>98,026</u></b>	<b><u>2,500,775</u></b>
<b>Net Position</b>		
Net investment in capital assets	256,425	1,710
Restricted	747,819	724,236
Unrestricted	<u>(21,115,928)</u>	<u>(20,820,040)</u>
<b>Total Net Position</b>	<b><u>(20,111,684)</u></b>	<b><u>(20,094,094)</u></b>

Net position of the District decreased from \$(20,094,094) to \$(20,111,684) at June 30, 2015 and 2016, respectively. The primary reason is due to additional staffing along with increased costs for retirement and health insurance.



**GODFREY-LEE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2016**

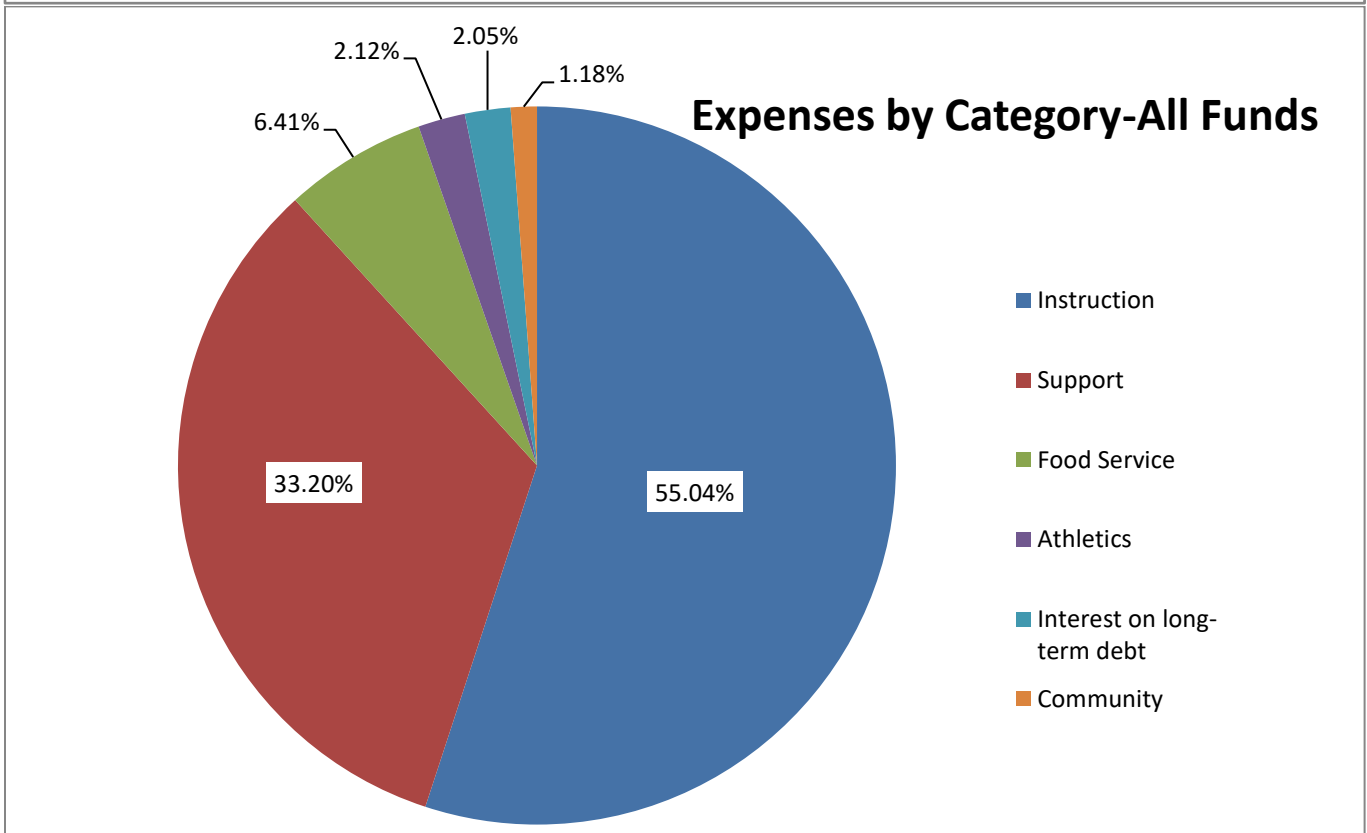
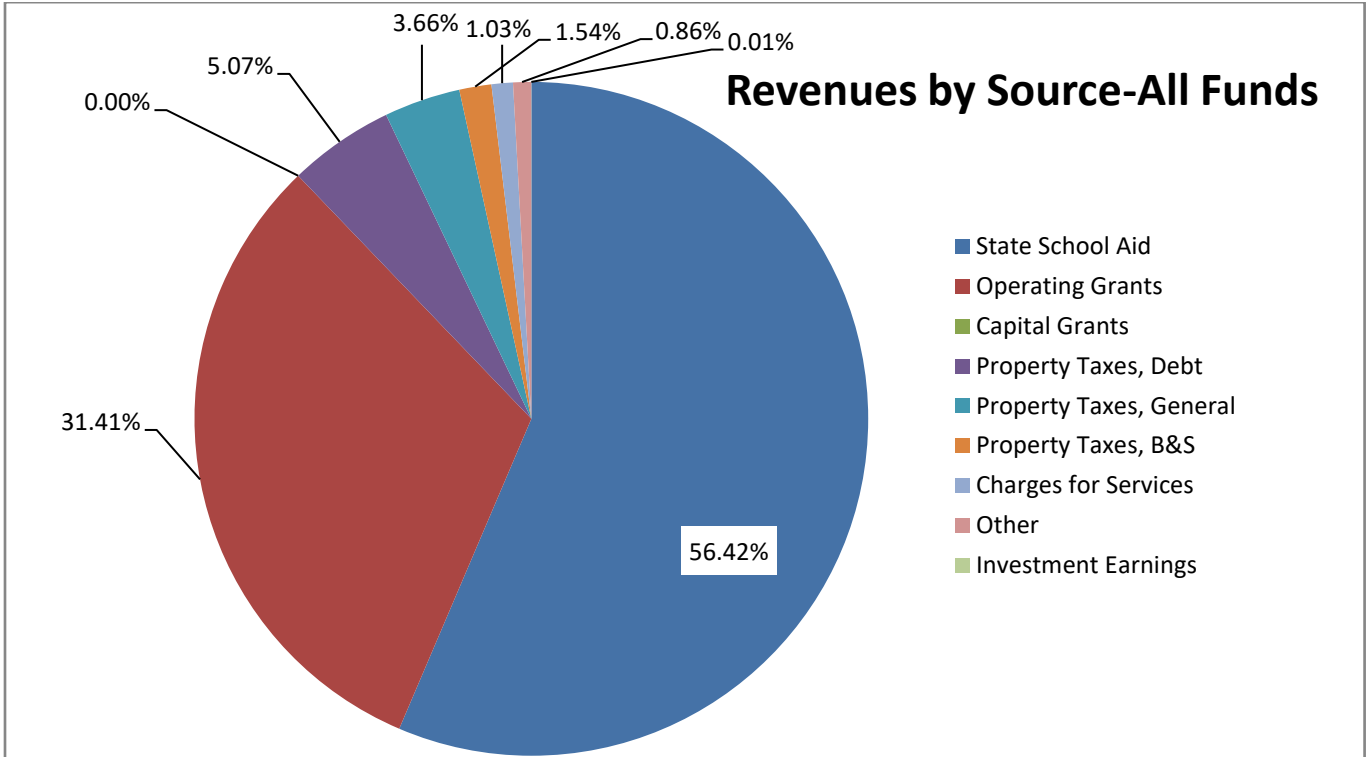
The Statement of Activities presents changes in net position from operating results:

	<u>2016</u>	<u>2015</u>
<b>Program Revenues</b>		
Charges for services	\$ 243,060	\$ 231,561
Operating grants	7,445,439	6,959,093
<b>General Revenues</b>		
Property taxes	2,436,119	2,176,669
Unrestricted grants and contributions	13,373,352	13,138,874
Interest earnings	1,714	301
Other	204,610	103,720
<b>Total Revenues</b>	<u>23,704,294</u>	<u>22,610,218</u>
<b>Expenses</b>		
Instruction	13,055,594	12,403,196
Supporting services	7,875,736	7,311,297
Community services	278,761	330,895
Food service	1,521,561	1,534,841
Athletics	503,295	393,922
Interest on long-term debt	486,937	758,319
<b>Total Expenses</b>	<u>23,721,884</u>	<u>22,732,470</u>
Change in net position	(17,590)	(122,252)
<b>Net Position - Beginning of year</b>	<u>(20,094,094)</u>	<u>(19,971,842)</u>
<b>Net Position - End of year</b>	<u><b>\$(20,111,684)</b></u>	<u><b>\$(20,094,094)</b></u>





**GODFREY-LEE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2016**





**GODFREY-LEE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2016**

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**Financial Analysis of the District as a Whole**

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

The District's total revenues increased by \$1,094,076 (4.84%) to \$23.704 million. Unrestricted grants and contributions accounted for 56.4% of the revenues, while property taxes amounted to 10.3% of the revenues. Another 31.4% came from state and federal programs while the remainder from miscellaneous sources.

The total cost of all programs and services increased by \$989,414 (4.35%) to \$23.722 million. The District's expenses are predominantly related to instructional services which amount to 55.0% of the total. Salaries decreased \$72,725 or -0.76% mainly due to a decrease of our cost sharing agreement with our teaching staff based on prior year fund balance. Retirement costs increased by 5.2%, or \$169,697, mostly due to the increase in the overall retirement rates. Of note is an increase in insurance costs of \$55,861 or 2.8% due to district-wide insurance caps in effect for all full-time staff.

Total expenses surpassed revenues, decreasing net position by \$17,590 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 2015-16 were originally created with with an estimated enrollment count of 1950 as compared to the prior year which produced a 90/10 blend of 1,957.01 full-time equivalent students for budget purposes. Actual blended count for the year was 1,968.44 which brought an increase in State school aid revenue over the original budgeted amount of over \$136,000 from prior year.
- Categoricals and other grants were budgeted as balanced grants based on preliminary estimates received by MDE. The District staff worked very hard to identify as many free lunch qualifiers as possible which resulted in increases in some categoricals such as 31a – at risk funding.
- 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 \$23.722 million of governmental activities was financed with \$2.4 million in property taxes and \$13.4 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 \$7.4 million.
- The administration will continue working with other districts in collaboration efforts for 2016-17.



**GODFREY-LEE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2016**

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**Fund Financial Statements**

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

The District utilizes two kinds of funds:

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

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

The District uses funds to record and analyze financial information. Godfrey-Lee Public 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 \$20,524,238, total expenditures of \$20,120,143 and net other financing uses of \$55,561. It ended the fiscal year with a fund balance of \$2,611,146, up from \$2,262,692 as of June 30, 2015 for an increase of \$348,454.

Food Service Fund

The District operates one Special Revenue Fund, the Food Service Fund. Total revenues of the Food Service Fund were \$1,603,890 with total expenditures of \$1,473,229. The ending fund balance was \$585,980, an increase of \$130,661.

**Nonmajor Funds**

Debt Service Funds

The District operates six Debt Service Funds. Total revenues were \$1,361,364, with net other financing sources/uses of \$122,409 and total expenditures of \$1,404,232. The ending fund balances in the Debt Service Funds total \$159,895.



**GODFREY-LEE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2016**

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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 \$214,802, total other financing sources of \$55,641, total expenditures of \$187,616 and total other financing uses of \$269,446 resulting in a fund balance of \$1,944 at June 30, 2016, down from \$188,563 at June 30, 2015.

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, 2016 totaled \$100,620.

**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 including financing uses would exceed revenues by \$75,581, the actual results for the year show a \$348,454 increase in fund balance which is \$424,035 better than projected.

- Actual revenues were \$303,544 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 2016-17 school year.
- Actual expenditures were \$727,580 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 2016, the District had \$28,343,334 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 Financial Statements.)

At June 30, 2016, the District's investment in capital assets (net of accumulated depreciation) was \$17,797,388. Net capital asset purchases and deletions totaled \$309,593 for the fiscal year with net accumulated depreciation increasing \$729,251, leaving a net decrease in the book value of capital assets of \$(371,170).



**GODFREY-LEE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2016**

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

Land	\$ 618,754
Construction in progress	31,934
Land improvements	863,521
Buildings and additions	15,467,815
Furniture and equipment	558,316
Vehicles	183,330
Assets under capital leases	<u>73,718</u>
<b>Total Capital Assets</b>	<b><u><u>\$17,797,388</u></u></b>

Long-Term Debt

At year end, the District had \$45.236 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. A 2016 debt refunding was completed during the fiscal year to refund the 2005 debt which will allow the district greater flexibility in the future and the ability to pay down debt at a faster rate due to the reduced interest rate received.
- The District was able to meet their debt fund obligations without the need to borrow from the State School Bond Loan Program. A major reason for this was due to an increase on debt millage levy along with an increase in taxable value from the prior fiscal year.
- The District's bond rating for General Obligation, Unlimited Tax debt through Standard & Poor's Corp. is AA- (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 Note 7 in the Notes to 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. The additional of new charters in recent years will also possibly impact student enrollment going forward.
- The State of Michigan approved a budget for the School Aid Fund in June 2016 for the 2016-2017 school year. The district will receive an increase of \$120 per pupil within unrestricted funds though the foundation allowance for the 2016-17 school year. This will help offset a projected slight decrease in student count for the district.



**GODFREY-LEE PUBLIC SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2016**

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

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

**Contacting the District's Financial Management**

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

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## **BASIC FINANCIAL STATEMENTS**



# GODFREY-LEE PUBLIC SCHOOLS

## STATEMENT OF NET POSITION

JUNE 30, 2016

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	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Cash	\$ 2,664,574
Accounts receivable	63,328
Due from other governments	3,503,314
Prepaid items	45,311
Inventory	12,164
Capital assets, net	
Land	618,754
Construction in progress	31,934
Land improvements, buildings, furniture and equipment, vehicles	<u>17,146,700</u>
<b>Total assets</b>	<u>24,086,079</u>
<b>Deferred outflows of resources</b>	
Loss on bond refunding	192,038
Deferred outflows related to pension	<u>3,928,448</u>
<b>Total deferred outflows of resources</b>	<u>4,120,486</u>
<b>Liabilities</b>	
Accounts payable	202,973
Accrued payroll	993,088
Due to other governments	638,162
State aid note	995,000
Unearned revenue	155,370
Noncurrent liabilities	
Compensated absences	203,529
Bond premium	33,798
Net pension liability	27,269,277
Due within one year	1,309,398
Due in more than one year	<u>16,419,628</u>
<b>Total liabilities</b>	<u>48,220,223</u>
<b>Deferred inflows of resources</b>	
Deferred inflows related to pensions	<u>98,026</u>
<b>Net position</b>	
Net investment in capital assets	256,425
Restricted for	
Food service	585,980
Capital projects	1,944
Debt service	159,895
Unrestricted deficit	<u>(21,115,928)</u>
<b>Total net position</b>	<u>\$ (20,111,684)</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, 2016**

<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>	
<b>Primary government</b>				
Governmental activities				
Instruction	\$ 13,055,594	\$ 800	\$ 5,715,184	\$ (7,339,610)
Support services	7,875,736	59,200	310,144	(7,506,392)
Community services	278,761	-	-	(278,761)
Food service	1,521,561	183,060	1,420,111	81,610
Athletic	503,295	-	-	(503,295)
Interest on long-term debt	486,937	-	-	(486,937)
Total governmental activities	<b>\$ 23,721,884</b>	<b>\$ 243,060</b>	<b>\$ 7,445,439</b>	<b>(16,033,385)</b>
General revenues				
Property taxes				
Operating				868,530
Debt				1,202,476
Capital improvements				365,113
Unrestricted grants and contributions				13,373,352
Interest earnings				1,714
Other				204,610
Total general revenues				16,015,795
Change in net position				(17,590)
<b>Net position, beginning of year</b>				<b>(20,094,094)</b>
<b>Net position, end of year</b>				<b>\$ (20,111,684)</b>

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

# GODFREY-LEE PUBLIC SCHOOLS

## GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2016

	<u>General</u>	<u>Food Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash	\$ 1,980,546	\$ 543,966	\$ 140,062	\$ 2,664,574
Accounts receivable	36,382	19,364	7,582	63,328
Due from other funds	-	-	14,195	14,195
Due from other governments	3,431,138	72,176	-	3,503,314
Prepaid items	45,311	-	-	45,311
Inventory	-	12,164	-	12,164
<b>Total assets</b>	<u>\$ 5,493,377</u>	<u>\$ 647,670</u>	<u>\$ 161,839</u>	<u>\$ 6,302,886</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 86,416	\$ 61,690	\$ -	\$ 148,106
Due to other governments	638,162	-	-	638,162
Accrued payroll	993,088	-	-	993,088
Due to other funds	14,195	-	-	14,195
State aid note	995,000	-	-	995,000
Unearned revenue	155,370	-	-	155,370
<b>Total liabilities</b>	<u>2,882,231</u>	<u>61,690</u>	<u>-</u>	<u>2,943,921</u>
<b>Fund balances</b>				
Non-spendable				
Inventory	-	12,164	-	12,164
Prepaid items	45,311	-	-	45,311
Restricted				
Food service	-	573,816	-	573,816
Debt service	-	-	159,895	159,895
Capital projects	-	-	1,944	1,944
Assigned				
Subsequent year expenditures	402,950	-	-	402,950
Unassigned	2,162,885	-	-	2,162,885
<b>Total fund balances</b>	<u>2,611,146</u>	<u>585,980</u>	<u>161,839</u>	<u>3,358,965</u>
<b>Total liabilities and fund balances</b>	<u>\$ 5,493,377</u>	<u>\$ 647,670</u>	<u>\$ 161,839</u>	<u>\$ 6,302,886</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, 2016

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<b>Fund balances - total governmental funds</b>	\$ 3,358,965
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)	17,797,388
Bond refunding losses are not expensed but are amortized over the life of the new bond issue.	
Add - loss on bond refundings	192,038
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	(203,529)
Deduct - debt payable	(17,729,026)
Deduct - net pension liability	(27,269,277)
Deduct - deferred inflows related to pensions	(98,026)
Add - deferred outflows related to pensions	3,928,448
Deduct - unamortized bond premium	(33,798)
Deduct - accrued interest on bonds	<u>(54,867)</u>
<b>Net position of governmental activities</b>	<b><u>\$ (20,111,684)</u></b>

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

# GODFREY-LEE PUBLIC SCHOOLS

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

FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Food Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>				
Local sources	\$ 1,125,558	\$ 183,779	\$ 1,576,166	\$ 2,885,503
State sources	16,645,839	46,977	-	16,692,816
Federal sources	1,353,218	1,373,134	-	2,726,352
Interdistrict sources	1,399,623	-	-	1,399,623
<b>Total revenues</b>	<u>20,524,238</u>	<u>1,603,890</u>	<u>1,576,166</u>	<u>23,704,294</u>
<b>Expenditures</b>				
Current				
Instruction	11,836,538	-	-	11,836,538
Support services	7,923,387	-	-	7,923,387
Community services	247,738	-	-	247,738
Food service	-	1,473,229	-	1,473,229
Capital outlay	-	-	187,616	187,616
Debt service				
Bond issuance costs	-	-	83,963	83,963
Principal	104,690	-	1,050,000	1,154,690
Interest	7,790	-	270,269	278,059
<b>Total expenditures</b>	<u>20,120,143</u>	<u>1,473,229</u>	<u>1,591,848</u>	<u>23,185,220</u>
Revenues over (under) expenditures	<u>404,095</u>	<u>130,661</u>	<u>(15,682)</u>	<u>519,074</u>
<b>Other financing sources (uses)</b>				
Bonds issued	-	-	8,985,000	8,985,000
Payment to escrow	-	-	(9,132,037)	(9,132,037)
Transfers in	-	-	325,087	325,087
Transfers out	(55,641)	-	(269,446)	(325,087)
<b>Total other financing sources (uses)</b>	<u>(55,641)</u>	<u>-</u>	<u>(91,396)</u>	<u>(147,037)</u>
Net changes in fund balances	348,454	130,661	(107,078)	372,037
<b>Fund balances, beginning of year</b>	<u>2,262,692</u>	<u>455,319</u>	<u>268,917</u>	<u>2,986,928</u>
<b>Fund balances, end of year</b>	<u>\$ 2,611,146</u>	<u>\$ 585,980</u>	<u>\$ 161,839</u>	<u>\$ 3,358,965</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, 2016

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<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 372,037</b>
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Amounts reported for *governmental activities* in the statement of activities are different because

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

Add - capital outlay	328,593
Deduct - depreciation expense	(748,251)

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	(168,920)
Deduct - Bonds issued	(8,985,000)
Add - payment to escrow	9,132,037
Add - principal payment on bonds	1,050,000
Add - principal payments on capital leases	111,919

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

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

Deduct - amortization of loss on bond refunding	(320,712)
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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	(21,990)
Add - increase in deferred outflows related to pensions	1,429,948
Deduct - increase in net pension liability	(4,720,609)
Add - decrease in deferred inflows related to pensions	2,402,749
Add - decrease in early retirement incentive	60,000
Add - decrease in accrued interest payable	44,005
Add - amortization of bond premium	16,604

<b>Change in net position of governmental activities</b>	<b>\$ <u>(17,590)</u></b>
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The accompanying notes are an integral part of these financial statements.

**GODFREY-LEE PUBLIC SCHOOLS**  
**AGENCY FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**JUNE 30, 2016**

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<b>Assets</b>	
Cash	<u>\$ 100,620</u>
<b>Total assets</b>	<u>\$ 100,620</u>
<b>Liabilities</b>	
Due to student groups	<u>\$ 100,620</u>
<b>Total liabilities</b>	<u>\$ 100,620</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, 2016

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### **Reporting Entity**

The District is located in the County of Kent. The District provides education and related services to approximately 1,950 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, 2016

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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 Funds* account 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, 2016**

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### ***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, 2016

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### **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.

At year-end, the General fund owed \$613, \$1,362 and \$10,276 to the 2009, 2013 and 2016 Debt Service funds, respectively, and \$1,944 to the Building and Site fund.

### **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 acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) 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.

# **GODFREY-LEE PUBLIC SCHOOLS**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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### ***Long-Term Obligations***

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

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

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

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District 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 District also has items that qualify for reporting in this category relating to pension as itemized in Note 6.

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 District has items that qualify for reporting in this category relating to pension as itemized in Note 6.

### ***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.

# **GODFREY-LEE PUBLIC SCHOOLS**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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### ***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 79% of the General fund revenue for the year. A certain portion of State Aid received by the District is restricted to cover specified expenses of the District, including special education costs. The unrestricted portion is for use in the general operations of the District.

### ***Property Taxes***

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

### ***Interfund Transactions***

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

### ***Risk Management***

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

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, 2016 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, 2016

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#### **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 NET POSITION**

At year-end the District reported a deficit net position of \$20,111,684.

#### **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, 2016, 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>
<b>General Fund</b>			
Debt Service	\$112,166	\$112,480	\$ (314)

# GODFREY-LEE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2016**

### 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	\$2,664,574	\$100,620	\$2,765,194

These deposits are in financial institutions 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, \$2,732,411 of the District's bank balance of \$3,232,411 was exposed to custodial credit risk because it was uninsured and uncollateralized.

### 5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
<b>Governmental activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 618,754	\$ -	\$ -	\$ 618,754
Construction in progress	24,244	31,934	24,244	31,934
Total capital assets, not being depreciated	642,998	31,934	24,244	650,688
<b>Capital assets, being depreciated</b>				
Land improvements	2,343,902	12,510	-	2,356,412
Building and improvements	23,112,402	108,895	-	23,221,297
Furniture and equipment	2,010,882	199,498	-	2,210,380
Vehicles	424,149	-	19,000	405,149
Equipment under capital leases	150,096	-	-	150,096
Total capital assets, being depreciated	28,041,431	320,903	19,000	28,343,334
Less accumulated depreciation for				
Land improvements	1,380,072	112,819	-	1,492,891
Building and improvements	7,245,856	507,626	-	7,753,482
Furniture and equipment	1,583,694	68,370	-	1,652,064
Vehicles	206,298	34,521	19,000	221,819
Equipment under capital leases	51,463	24,915	-	76,378
Total accumulated depreciation	10,467,383	748,251	19,000	11,196,634
<b>Net capital assets, being depreciated</b>	17,574,048	(427,348)	-	17,146,700
<b>Governmental activities capital assets, net</b>	<b>\$18,217,046</b>	<b>\$(395,414)</b>	<b>\$ 24,244</b>	<b>\$17,797,388</b>



# GODFREY-LEE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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Depreciation expense was charged to functions/programs as follows:

<b>Governmental activities</b>	
Instruction	\$563,791
Supporting services	84,448
Community services	27,164
Food service	59,552
Athletic	13,296
	<hr/>
<b>Total depreciation expense - governmental activities</b>	<b>\$748,251</b>

### 6. PENSION PLAN

#### *Defined Benefit Plan*

##### **Plan Description**

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

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

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

##### **Benefits Provided**

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

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

##### **Contributions and Funded Status**

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

# GODFREY-LEE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the 2015 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

Benefit Structure	Member	Employer
Basic	0.0-4.0%	22.52-23.07%
Member Investment Plan	3.0-7.0	22.52-23.07
Pension Plus	3.0-6.4	21.99
Defined Contribution	0.0	17.72-18.76

Required contributions to the pension plan from the District were \$2,153,774 for the year ended September 30, 2015.

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

At June 30, 2016, the District reported a liability of \$27,269,277 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2014. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the District's proportion was .11164482 percent, which was an increase of .00927482 percent from its proportion measured as of September 30, 2014.

{If changes expected to have a significant effect on the measurement of the employer's proportionate share of the net pension liability had occurred between September 30, 2015 and June 30, 2016, the employer should disclose information required by paragraph 80f of GASB Statement 68.}

For the year ended June 30, 2016, the District recognized pension expense of \$2,767,361. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between actual and expected experience	\$ -	\$90,324
Changes of assumptions	671,427	-
Net difference between projected and actual earnings on pension plan investments	139,188	-
Change in proportion and differences between employer contributions and proportionate share of contributions	1,728,155	7,702
Employer contributions subsequent to the measurement date	1,389,678	-
<b>Total</b>	<b>\$3,928,448</b>	<b>\$98,026</b>

# GODFREY-LEE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016

\$1,389,678 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2016	\$539,043
2017	539,043
2018	502,958
2019	859,700

#### Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

#### Summary of Actuarial Assumptions

Valuation Date:	September 30, 2014
Actuarial Cost Method:	Entry Age, Normal
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
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. 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 period 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, 2015, is based on the results of an actuarial valuation date of September 30, 2014, 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: [4.7158 for non-university employers 1.3923 for university employers]
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report ([www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr)).

# GODFREY-LEE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, 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%	5.9%
Alternative Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	.9%
Real Estate and Infrastructure Pools	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%
Short Term Investment Pools	2.0%	0%
	<u>100.0%</u>	

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

**Discount Rate**

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

<b>1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%</b>	<b>Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%</b>	<b>1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%</b>
\$35,157,089	\$27,269,277	\$20,619,529

# GODFREY-LEE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016

**Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. See the 2015 MPSERS CAFR ([www.michigan.gov/documents/orsschools/MPSERS\\_CAFR\\_2015\\_Final\\_510211\\_7.pdf](http://www.michigan.gov/documents/orsschools/MPSERS_CAFR_2015_Final_510211_7.pdf)).

**Payables to the Michigan Public School Employees' Retirement System**

At June 30, 2016, the District reported payables to the defined benefit pension plan totaling \$88,999. The balance represents legally required contributions to the pension plan.

**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 MPSERS who became a member of MPSERS 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, 2016, District and employee contributions were \$14,876 and \$18,787, 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 MPSERS 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).

**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, 2016:

	<b>Balance July 1, <u>2015</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b>Balance June 30, <u>2016</u></b>	<b>Due Within <u>One Year</u></b>
<b>Governmental Activities</b>					
\$11,505,000 2005 General Obligation Refunding Bonds; due in annual installments of \$580,000 to \$590,000 through 2027; interest payable at 4.00% to 5.00%	\$ 7,065,000	\$ -	\$7,065,000	\$ -	\$ -

# GODFREY-LEE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
\$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%	\$ 2,580,000	\$ -	\$ 2,580,000	\$ -	\$ -
\$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%	695,000	-	35,000	660,000	40,000
\$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%	970,000	-	230,000	740,000	240,000
\$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%	2,040,000	-	80,000	1,960,000	85,000
\$8,985,000 2015 General Obligation Refunding Bonds; due in annual installments of \$210,000 to \$830,000 through 2030; interest payable at 0.70% to 3.20%	-	8,985,000	-	8,985,000	830,000
	13,350,000	-	9,990,000	12,345,000	1,195,000
Unamortized premium	50,402	-	16,604	33,798	-
State school bond loan	4,956,825	168,920	-	5,125,745	-
Capital leases and other obligations	365,200	-	111,919	253,281	114,398
Early retirement incentive	65,000	-	60,000	5,000	-
Compensated absences	181,539	42,009	20,019	203,529	-
<b>Total Long-term Debt</b>	<u>\$18,968,966</u>	<u>\$9,195,929</u>	<u>\$10,198,542</u>	<u>\$17,966,353</u>	<u>\$1,309,398</u>

During fiscal 2016, the District issued \$8,985,000 of refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for debt service. The refunded bonds were called and paid by the escrow agent during fiscal 2016. This refunding was undertaken to reduce total debt service payments by \$1,257,460, which resulted in an economic gain of \$1,107,463.

# GODFREY-LEE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016

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 \$0 from the MSBLF and \$168,920 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, 2016 are as follows:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,195,000	\$ 299,010
2018	1,150,000	280,168
2019	1,165,000	259,462
2020	900,000	236,238
2021	880,000	221,478
2022-2026	4,515,000	814,262
2027-2031	2,250,000	238,362
2032-2033	290,000	17,400
<b>Total</b>	<b>\$12,345,000</b>	<b>\$2,366,380</b>

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

#### **Short-term Debt**

The following is a summary of short-term debt transactions of the District for the year ended June 30, 2016:

	<u>Balance</u> <u>July 1,</u> <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2016</u>
State aid anticipation note 0.94% due August 2017	\$ -	\$995,000	\$ -	\$995,000

#### **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 \$52,083.

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 \$111,919 for 2016.

# GODFREY-LEE PUBLIC SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016

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, 2016:

<u>Year</u>	<u>Capitalized Leases</u>	<u>Other Obligations</u>	<u>Less Interest</u>	<u>Total</u>
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>\$72,161</u>	<u>\$188,487</u>	<u>\$(7,367)</u>	<u>\$253,281</u>

#### 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, 2016 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 55,641
Nonmajor governmental funds	325,087	269,446
	<u>\$325,087</u>	<u>\$325,087</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. SUBSEQUENT EVENT

##### **State Aid Anticipation Note**

In September 2016, 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 2017 and bears interest at the rate of .89 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.



## **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, 2016**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Local sources	\$ 883,029	\$ 1,142,175	\$ 1,125,558	\$ (16,617)
State sources	16,163,518	16,775,934	16,645,839	(130,095)
Federal sources	1,359,519	1,529,586	1,353,218	(176,368)
Interdistrict sources	<u>1,285,000</u>	<u>1,380,087</u>	<u>1,399,623</u>	<u>19,536</u>
<b>Total revenues</b>	<u>19,691,066</u>	<u>20,827,782</u>	<u>20,524,238</u>	<u>(303,544)</u>
<b>Expenditures</b>				
Current				
Instruction				
Basic programs	9,086,303	8,947,160	8,774,515	172,645
Added needs	2,811,142	3,129,550	2,927,978	201,572
Adult education services	<u>141,669</u>	<u>141,681</u>	<u>134,045</u>	<u>7,636</u>
	<u>12,039,114</u>	<u>12,218,392</u>	<u>11,836,538</u>	<u>381,854</u>
Support services				
Pupil services	1,644,586	1,753,409	1,712,570	40,839
Instructional staff services	1,305,130	1,468,352	1,325,602	142,750
General administrative services	363,725	379,323	350,458	28,865
School administrative services	1,130,350	1,139,049	1,111,420	27,629
Business services	339,431	342,150	331,988	10,162
Operation and maintenance	1,418,676	1,431,260	1,424,570	6,690
Pupil transportation	555,285	473,825	463,211	10,614
Central services	708,397	770,041	728,822	41,219
Athletics	<u>413,364</u>	<u>487,561</u>	<u>474,746</u>	<u>12,815</u>
	<u>7,878,944</u>	<u>8,244,970</u>	<u>7,923,387</u>	<u>321,583</u>
Community services	179,378	272,195	247,738	24,457
Debt service	<u>94,245</u>	<u>112,166</u>	<u>112,480</u>	<u>(314)</u>
<b>Total expenditures</b>	<u>20,191,681</u>	<u>20,847,723</u>	<u>20,120,143</u>	<u>727,580</u>
Revenues over (under) expenditures	<u>(500,615)</u>	<u>(19,940)</u>	<u>404,095</u>	<u>424,035</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(65,000)</u>	<u>(55,641)</u>	<u>(55,641)</u>	<u>-</u>
Net changes in fund balance	(565,615)	(75,581)	348,454	424,035
<b>Fund balance, beginning of year</b>	<u>2,262,692</u>	<u>2,262,692</u>	<u>2,262,692</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,697,077</u>	<u>\$ 2,187,111</u>	<u>\$ 2,611,146</u>	<u>\$ 424,035</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, 2016**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Local sources	\$ 177,041	\$ 187,400	\$ 183,779	\$ (3,621)
State sources	37,630	47,977	46,977	(1,000)
Federal sources	<u>1,261,265</u>	<u>1,339,428</u>	<u>1,373,134</u>	<u>33,706</u>
<b>Total revenues</b>	<u>1,475,936</u>	<u>1,574,805</u>	<u>1,603,890</u>	<u>29,085</u>
<b>Expenditures</b>				
Current				
Supplies	72,744	71,150	69,937	
Food supplies	700,445	669,428	658,576	
Contracted services	622,118	609,179	598,705	
Other	<u>91,151</u>	<u>185,643</u>	<u>146,011</u>	
<b>Total expenditures</b>	<u>1,486,458</u>	<u>1,535,400</u>	<u>1,473,229</u>	<u>62,171</u>
Net changes in fund balance	(10,522)	39,405	130,661	91,256
<b>Fund balance, beginning of year</b>	<u>455,319</u>	<u>455,319</u>	<u>455,319</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 444,797</u>	<u>\$ 494,724</u>	<u>\$ 585,980</u>	<u>\$ 91,256</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, 2016**

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	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (%)	0.11164%	0.10237%
District's proportionate share of the net pension liability	\$ 27,269,277	\$ 22,548,668
District's covered-employee payroll	\$ 9,636,546	\$ 9,590,248
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll (%)	282.98%	235.12%
Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%

**Notes to schedule:**

Amounts were determined as of September 30 of each fiscal year.

Changes of benefit terms: There were no changes of benefit terms in 2015.

Changes of assumptions: There were no changes of benefit assumptions in 2015.

**GODFREY-LEE PUBLIC SCHOOLS**  
**DEFINED BENEFIT PENSION PLAN**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 2,153,774	\$ 2,014,199
Contributions in relation to statutorily required contributions *	<u>2,153,774</u>	<u>2,014,199</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 9,541,399	\$ 9,590,248
Contributions as a percentage of covered-employee payroll	22.6%	21.0%

\* Contributions in relation to statutorily required contributions are the contributions an employer actually made to the System, as distinct from the statutorily required contributions.

**Notes to schedule:**

Amounts were determined as of June 30 of each fiscal year.

Changes of benefit terms: There were no changes of benefit terms in 2015.

Changes of assumptions: There were no changes of benefit assumptions in 2015.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

# GODFREY-LEE PUBLIC SCHOOLS

## GENERAL FUND SCHEDULE OF REVENUES

FOR THE YEAR ENDED JUNE 30, 2016

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### Revenues

Local sources	
Property taxes	\$ 868,530
Universal service funding	30,828
Donations	132,026
Athletic events	28,372
Other	<u>65,802</u>
Total local sources	<u>1,125,558</u>
State sources	
State aid	16,255,470
Special education - itinerants	36,220
Special education - transportation	215,180
Adult education	85,444
Other	<u>53,525</u>
Total state sources	<u>16,645,839</u>
Federal sources	
Title I	618,897
Title IIA	83,576
Title III	90,265
Adult basic education	48,600
I.D.E.A. program	435,278
Medicaid - school based	1,767
Team 21 grant	64,545
McKinney Vento homeless grant	3,110
WMU achievement centered leadership grant	<u>7,180</u>
Total federal sources	<u>1,353,218</u>
Interdistrict sources	
Special education - county	1,170,087
Medicaid fee for service	<u>229,536</u>
Total interdistrict sources	<u>1,399,623</u>
<b>Total revenues</b>	<b><u>\$ 20,524,238</u></b>

# GODFREY-LEE PUBLIC SCHOOLS

## GENERAL FUND SCHEDULE OF EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2016

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### Expenditures

#### Current

##### Instruction

##### Basic programs

Elementary	\$ 4,237,714
Middle school	1,886,774
High school	2,617,440
Summer school	<u>32,587</u>

Total basic programs 8,774,515

##### Added needs

Special education	1,624,198
Compensatory education	1,284,549
Career and technology education	<u>19,231</u>

Total added needs 2,927,978

Adult education services 134,045

Total instruction 11,836,538

##### Support services

##### Pupil services

Attendance services	130,969
Guidance services	405,655
Health services	182,417
Psychological services	75,722
Speech pathology services	399,819
Social worker services	260,381
Teacher consultant services	13,187
Other pupil services	<u>244,420</u>

Total pupil services 1,712,570

##### Instructional staff services

Improvement of instruction	790,728
Educational media services	195,471
Educational television	2,177
Instruction related technology	75,869
Supervision and direction of instruction	225,132
Testing support	<u>36,225</u>

Total instructional staff services 1,325,602

##### General administrative services

Board of education	63,860
Executive administration	<u>286,598</u>

Total general administrative services 350,458

(Continued)



# GODFREY-LEE PUBLIC SCHOOLS

## GENERAL FUND SCHEDULE OF EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2016

---

School administrative services	
Office of the principal	\$ 1,111,420
Business services	
Fiscal services	301,670
Other business services	<u>30,318</u>
Total business services	<u>331,988</u>
Operation and maintenance	
Operation and maintenance	1,316,121
Security	<u>108,449</u>
Total operation and maintenance	<u>1,424,570</u>
Pupil transportation	<u>463,211</u>
Central services	
Staff/personnel services	118,203
Technology services	491,873
Pupil accounting	68,682
Other central services	<u>50,064</u>
Total central services	<u>728,822</u>
Athletics	<u>474,746</u>
Total support services	<u>7,923,387</u>
Community services	<u>247,738</u>
Debt service	
Principal	104,690
Interest	<u>7,790</u>
Total debt service	<u>112,480</u>
<b>Total expenditures</b>	<b><u>\$ 20,120,143</u></b>

(Concluded)

**GODFREY-LEE PUBLIC SCHOOLS**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

**JUNE 30, 2016**

	<u>Debt Service</u>			
	<u>2005-A</u>	<u>2005-B</u>	<u>2009</u>	<u>2010 Energy Conservation</u>
<b>Assets</b>				
Cash	\$ -	\$ -	\$ 2,797	\$ -
Accounts receivable	-	-	-	-
Due from other funds	-	-	613	-
<b>Total assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,410</u>	<u>\$ -</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
<b>Fund balances</b>				
Restricted				
Debt service	-	-	3,410	-
Capital projects	-	-	-	-
<b>Total fund balances</b>	-	-	3,410	-
<b>Total liabilities and fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,410</u>	<u>\$ -</u>

		<b>Capital Projects</b>			
<b><u>2013</u></b>	<b><u>2016</u></b>	<b><u>2013 Construction</u></b>	<b><u>Building and Site</u></b>	<b><u>Total</u></b>	
\$ 22,117	\$ 115,148	\$ -	\$ -	\$ 140,062	
-	7,582	-	-	7,582	
<u>1,362</u>	<u>10,276</u>	<u>-</u>	<u>1,944</u>	<u>14,195</u>	
<b><u>\$ 23,479</u></b>	<b><u>\$ 133,006</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,944</u></b>	<b><u>\$ 161,839</u></b>	
\$ -	\$ -	\$ -	\$ -	\$ -	
23,479	133,006	-	-	159,895	
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,944</u>	<u>1,944</u>	
<u>23,479</u>	<u>133,006</u>	<u>-</u>	<u>1,944</u>	<u>161,839</u>	
<b><u>\$ 23,479</u></b>	<b><u>\$ 133,006</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,944</u></b>	<b><u>\$ 161,839</u></b>	

**GODFREY-LEE PUBLIC SCHOOLS**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Debt Service</u>			
	<u>2005-A</u>	<u>2005-B</u>	<u>2009</u>	<u>2010 Energy Conservation</u>
<b>Revenues</b>				
Local sources	\$ 743,062	\$ 166,816	\$ 67,882	\$ -
<b>Total revenues</b>	<u>743,062</u>	<u>166,816</u>	<u>67,882</u>	<u>-</u>
<b>Expenditures</b>				
Capital outlay	-	-	-	-
Debt service				
Bond issuance costs	-	-	-	-
Principal	585,000	120,000	35,000	230,000
Interest	23,400	4,800	32,753	39,446
<b>Total expenditures</b>	<u>608,400</u>	<u>124,800</u>	<u>67,753</u>	<u>269,446</u>
Revenues over (under) expenditures	134,662	42,016	129	(269,446)
Other financing sources (uses)				
Bonds issued	-	-	-	-
Payments to escrow agent	(178,000)	(53,000)	-	-
Transfers in	-	-	-	269,446
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(178,000)</u>	<u>(53,000)</u>	<u>-</u>	<u>269,446</u>
Net changes in fund balances	(43,338)	(10,984)	129	-
<b>Fund balances, beginning of year</b>	<u>43,338</u>	<u>10,984</u>	<u>3,281</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,410</u>	<u>\$ -</u>

		<b>Capital Projects</b>			
<b><u>2013</u></b>	<b><u>2016</u></b>	<b><u>2013 Construction</u></b>	<b><u>Building and Site</u></b>	<b><u>Total</u></b>	
\$ 150,533	\$ 233,071	\$ 53	\$ 214,749	\$ 1,576,166	
<u>150,533</u>	<u>233,071</u>	<u>53</u>	<u>214,749</u>	<u>1,576,166</u>	
-	-	187,616	-	187,616	
-	83,963	-	-	83,963	
80,000	-	-	-	1,050,000	
<u>69,805</u>	<u>100,065</u>	<u>-</u>	<u>-</u>	<u>270,269</u>	
<u>149,805</u>	<u>184,028</u>	<u>187,616</u>	<u>-</u>	<u>1,591,848</u>	
728	49,043	(187,563)	214,749	(15,682)	
-	8,985,000	-	-	8,985,000	
-	(8,901,037)	-	-	(9,132,037)	
-	-	-	55,641	325,087	
<u>-</u>	<u>-</u>	<u>-</u>	<u>(269,446)</u>	<u>(269,446)</u>	
<u>-</u>	<u>83,963</u>	<u>-</u>	<u>(213,805)</u>	<u>(91,396)</u>	
728	133,006	(187,563)	944	(107,078)	
<u>22,751</u>	<u>-</u>	<u>187,563</u>	<u>1,000</u>	<u>268,917</u>	
<u>\$ 23,479</u>	<u>\$ 133,006</u>	<u>\$ -</u>	<u>\$ 1,944</u>	<u>\$ 161,839</u>	

**GODFREY-LEE PUBLIC SCHOOLS**

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

**FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
<b>Assets</b>				
Cash	<u>\$ 94,511</u>	<u>\$ 425,093</u>	<u>\$ 418,984</u>	<u>\$ 100,620</u>
<b>Liabilities</b>				
Due to student groups	<u>\$ 94,511</u>	<u>\$ 425,093</u>	<u>\$ 418,984</u>	<u>\$ 100,620</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 3, 2016

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, 2016, 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 3, 2016.

**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.

*Orlando Haefner LLC*



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

October 3, 2016

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

### **Report on Internal Control Over Compliance**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Uredaxold Haefner LLC*

**GODFREY-LEE PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue at July 1, 2015	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue at July 1, 2016
<b>U.S. Department of Education</b>							
<b>Passed through Michigan Department of Education</b>							
Federal Adult Ed English							
151120 155347	84.002	\$ 20,000	\$ 5,809	\$ 20,000	\$ -	\$ 5,809	\$ -
161120 165347	84.002	20,000	-	-	20,000	18,820	1,180
151130 151347	84.002	22,000	1,917	16,108	-	1,917	-
161130 161347	84.002	28,600	-	-	28,600	18,820	9,780
Total Federal Adult Ed English		<u>90,600</u>	<u>7,726</u>	<u>36,108</u>	<u>48,600</u>	<u>45,366</u>	<u>10,960</u>
Title I							
151520 1415	84.010	6,000	3	1,105	-	3	-
151530 1415	84.010	726,425	95,174	677,525	9,603	104,777	-
161530 1516	84.010	648,132	-	-	589,144	508,541	80,603
Total Title I		<u>1,380,557</u>	<u>95,177</u>	<u>678,630</u>	<u>598,747</u>	<u>613,321</u>	<u>80,603</u>
Title II/A							
150520 1415	84.367	99,180	6,037	49,299	-	6,037	-
160520 1516	84.367	118,572	-	-	83,576	75,439	8,137
Total Title II/A		<u>217,752</u>	<u>6,037</u>	<u>49,299</u>	<u>83,576</u>	<u>81,476</u>	<u>8,137</u>
Title III							
150580 1415	84.365	162,840	8,106	126,330	2,572	10,678	-
160580 1516	84.365	143,478	-	-	83,955	74,524	9,431
Total Title III		<u>306,318</u>	<u>8,106</u>	<u>126,330</u>	<u>86,527</u>	<u>85,202</u>	<u>9,431</u>
<b>Total passed through Michigan Department of Education</b>		<u>1,995,227</u>	<u>117,046</u>	<u>890,367</u>	<u>817,450</u>	<u>825,365</u>	<u>109,131</u>
<b>Passed through Kent Intermediate School District</b>							
Special Education Cluster							
IDEA Grants to States							
150450 1415	84.027A	382,793	71,621	382,793	148	71,769	-
160450 1516	84.027A	416,795	-	-	416,795	333,278	83,517
Total IDEA Grants to States		<u>799,588</u>	<u>71,621</u>	<u>382,793</u>	<u>416,943</u>	<u>405,047</u>	<u>83,517</u>
IDEA Preschool							
150460 1415	84.173A	16,026	2,989	16,026	-	2,989	-
160460 1516	84.173A	18,335	-	-	18,335	14,807	3,528
Total IDEA Preschool		<u>34,361</u>	<u>2,989</u>	<u>16,026</u>	<u>18,335</u>	<u>17,796</u>	<u>3,528</u>
Total Special Education Cluster		<u>833,949</u>	<u>74,610</u>	<u>398,819</u>	<u>435,278</u>	<u>422,843</u>	<u>87,045</u>
<b>Total U.S. Department of Education</b>		<u>2,829,176</u>	<u>191,656</u>	<u>1,289,186</u>	<u>1,252,728</u>	<u>1,248,208</u>	<u>196,176</u>
<b>U.S. Department of Health and Human Services</b>							
<b>Passed through Kent Intermediate School District</b>							
Medical Assistance Program							
1516 Medicaid	93.778	<u>1,767</u>	-	-	<u>1,767</u>	-	<u>1,767</u>
<b>U.S. Department of Agriculture</b>							
<b>Passed through Michigan Department of Education</b>							
Nutrition Cluster							
Non-Cash Assistance (USDA Commodities)							
Entitlement Commodities	10.555	<u>92,420</u>	-	-	<u>92,420</u>	<u>92,420</u>	-
Cash Assistance							
Lunch Program							
1415	10.555	816,124	31,214	816,124	-	31,214	-
1516	10.555	838,914	-	-	838,914	796,841	42,073
Total Lunch Program		<u>1,655,038</u>	<u>31,214</u>	<u>816,124</u>	<u>838,914</u>	<u>828,055</u>	<u>42,073</u>

(continued)

**GODFREY-LEE PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue at July 1, 2015	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue at July 1, 2016
Breakfast Program							
1415	10.553	\$ 338,708	\$ 14,440	\$ 338,708	\$ -	\$ 14,440	\$ -
1516	10.553	355,993	-	-	355,993	336,363	19,630
Total Breakfast Program		<u>694,701</u>	<u>14,440</u>	<u>338,708</u>	<u>355,993</u>	<u>350,803</u>	<u>19,630</u>
Total Cash Assistance		<u>2,349,739</u>	<u>45,654</u>	<u>1,154,832</u>	<u>1,194,907</u>	<u>1,178,858</u>	<u>61,703</u>
Total Nutrition Cluster		<u>2,442,159</u>	<u>45,654</u>	<u>1,154,832</u>	<u>1,287,327</u>	<u>1,271,278</u>	<u>61,703</u>
Child Care Food Program	10.558	85,807	-	-	85,807	82,840	2,967
<b>Total U.S. Department of Agriculture</b>		<u><b>2,527,966</b></u>	<u><b>45,654</b></u>	<u><b>1,154,832</b></u>	<u><b>1,373,134</b></u>	<u><b>1,354,118</b></u>	<u><b>64,670</b></u>
<b>Total Federal Financial Assistance</b>		<u><b>\$ 5,358,909</b></u>	<u><b>\$ 237,310</b></u>	<u><b>\$ 2,444,018</b></u>	<u><b>\$ 2,627,629</b></u>	<u><b>\$ 2,602,326</b></u>	<u><b>\$ 262,613</b></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, 2016**

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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, 2016 governmental funds financial statements	\$ 2,726,352
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>(98,723)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 2,627,629</u>

4. The District did not elect to use the 10% de minimis cost rate as covered in Uniform Guidance section 2 CFR 200.414 indirect costs.

**GODFREY-LEE PUBLIC SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**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 the Uniform Guidance?	<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:           750,000          

Auditee qualified as low-risk auditee?   X   yes        no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None noted

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

**2016-001**

**Condition and Criteria:** The U.S. Department of Agriculture regulation located at 7 CFR Part 210, Subpart C, Section 210.14(b) states that the food service fund is to limit its net cash resources to an amount that does not exceed 3 months average expenditures. The fund balance in the District's food service fund exceeded the allowable amount at June 30, 2016.

**Cause:** While the appropriate District employees were aware of the applicable compliance requirements, the District provides free school-wide student meals where the revenue reimbursement rate is predetermined through the nutrition cluster program and does not provide an opportunity to adjust food service profitability through modification of meal prices. The majority of the expenditures of the fund are negotiated based on a contract with a food service management company that has historically been diligent in controlling costs. The combination of these two factors has contributed to increasing the fund balance of the food service fund.

**Effect:** Noncompliance with the requirements of the Code of Federal Regulations.

**Recommendation:** The District should develop and implement a plan to reduce its net cash resources to the allowable limit.

**Management Response:** The District has developed a corrective action plan that provides for reducing net cash resources to the allowable limit by purchasing additional food service equipment, improving food quality and adding additional staff members to aid with the food service lines and related flow of traffic.

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

None noted