



GODFREY-LEE
PUBLIC SCHOOLS

WYOMING, MICHIGAN

FINANCIAL STATEMENTS

and

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2019



Vredeveld Haefner LLC
CPAs and Consultants

GODFREY-LEE PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

September 10, 2019

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, 2019, 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, 2019, 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 43 through 47 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 September 10, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Uredaxeld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2019

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, 2019. 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 deferred outflows of resources and its liabilities and deferred inflows of resources, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the 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, 2019

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.

	2019	2018
Assets		
Current assets	\$6,055,085	\$6,015,458
Net capital assets	16,235,990	16,747,105
Total Assets	22,291,075	22,762,563
Deferred Outflows of Resources	12,138,667	7,072,294
Liabilities		
Current liabilities	2,536,186	4,372,379
Long-term liabilities	58,318,529	54,400,235
Total Liabilities	60,854,715	58,772,614
Deferred Inflows of Resources	4,753,583	1,947,093
Net Position		
Net investment in capital assets	2,341,968	1,646,376
Restricted	323,507	427,227
Unrestricted	(33,844,031)	(32,958,453)
Total Net Position	\$(31,178,556)	\$(30,884,850)

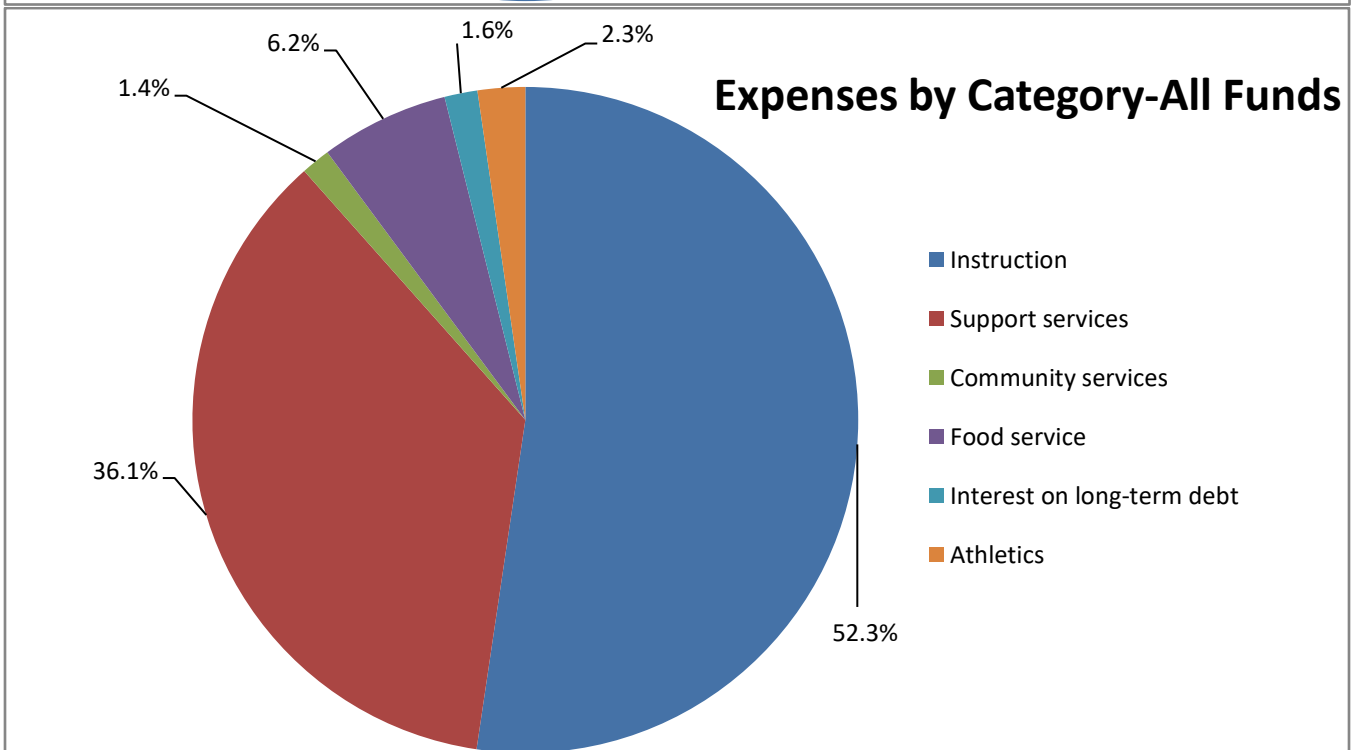
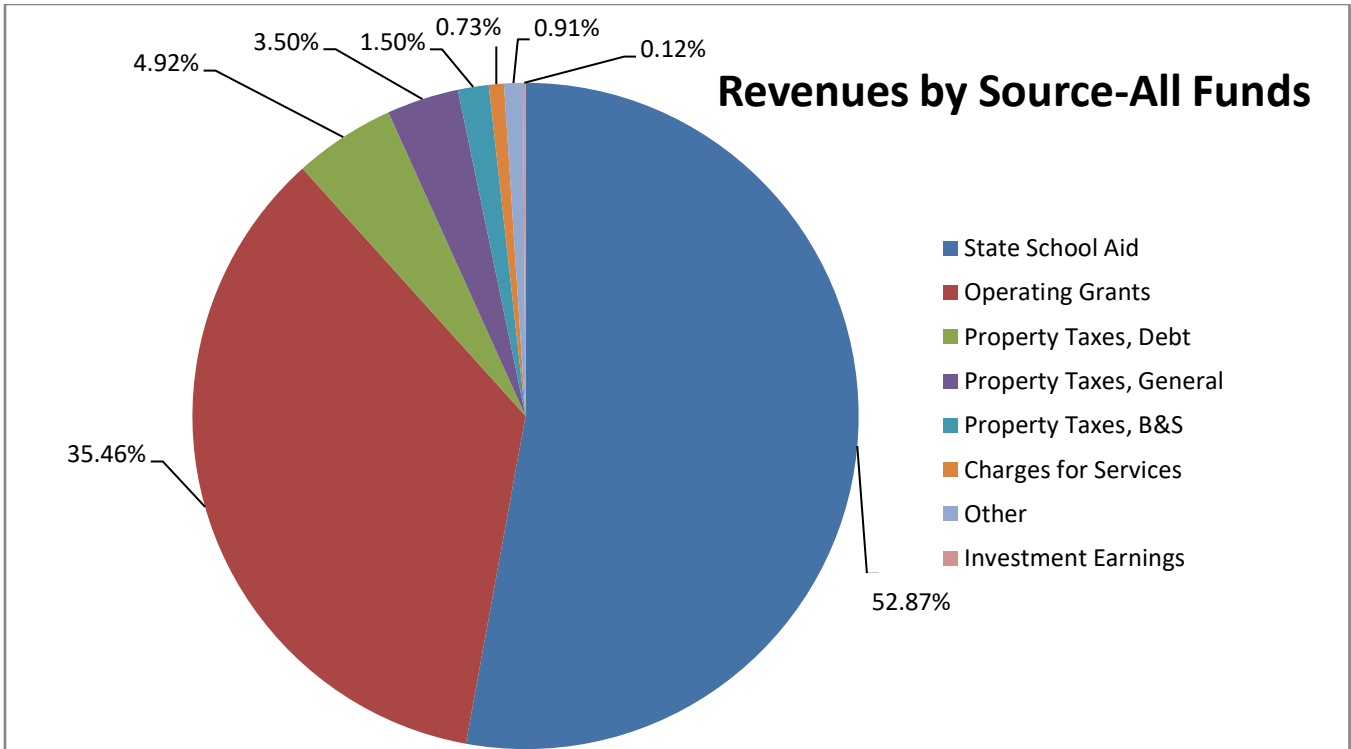
Net position of the District decreased from \$(30,884,850) to \$(31,178,556) at June 30, 2018 and 2019, respectively.

GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2019

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

	2019	2018
Program Revenues		
Charges for services	\$ 184,057	\$ 217,434
Operating grants and contributions	8,938,713	8,667,831
General Revenues		
Property taxes	2,498,745	2,387,269
Unrestricted grants and contributions	13,329,198	13,200,480
Interest earnings	30,754	18,252
Other	229,943	226,532
Total Revenues	25,211,410	24,717,798
Expenses		
Instruction	13,696,788	13,683,893
Supporting services	9,445,111	8,308,037
Community services	372,342	323,730
Food service	1,631,660	1,683,176
Athletics	602,457	588,557
Interest on long-term debt	419,274	438,176
Total Expenses	26,167,632	25,025,569
Change in net position	(956,222)	(307,771)
Net Position - Beginning of year, as restated	(30,222,334)	(30,577,079)
Net Position - End of year	\$(31,178,556)	\$(30,884,850)

GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2019



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2019

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 and categorical funding were significant contributors to revenue increases.

The District's total revenues increased by \$493,612 (2.0%) to \$25.211 million. Unrestricted grants and contributions accounted for 52.9% of the revenues, while property taxes amounted to 9.9% of the revenues. The remaining 37.2% came from state and federal programs in addition to other miscellaneous sources.

The total cost of all programs and services increased by \$1,142,063 (4.56%) to \$26.168 million. The District's expenses are predominantly related to instructional services which amount to 52.3% of the total. Salaries decreased \$388,617 or 3.89% mainly due to reduction in staffing levels through lower projected count and utilization of long term substitutes. Retirement costs decreased by 5.64%, or \$228,053, mostly due to drop in salaries from change in staffing levels. Of note is a decrease in insurance costs of \$67,384 or 3.24% due to staffing changes.

Total expenses surpassed revenues, decreasing net position by \$956,222 on the Statement of Activities.

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 2018-2019 were originally created with with an estimated enrollment count of 1840 as compared to the prior year which produced a 90/10 blend of 1,886.44 full-time equivalent students for budget purposes. Actual blended count for the year was 1,855.83 which brought an increase in State school aid revenue over the original budgeted amount of over \$124,000.
- Categoricals and other grants were budgeted as balanced grants based on preliminary estimates received by the Michigan Department of Education. 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 continued 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 \$26.168 million of government-wide expenses was financed with approximately \$2.5 million in property taxes and approximately \$13.3 million of unrestricted grants and contributions which was primarily state-aid based on the state-wide education aid formula. State and Federal grant funding totaled nearly \$8.9 million.
- The administration will continue working with other districts including the Kent Intermediate School District in collaboration efforts for 2019-20.

GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2019

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 \$21,986,808, total expenditures of \$21,232,326 and net other financing sources of \$31,071. It ended the fiscal year with a fund balance of \$3,234,765, up from \$2,449,212 as of June 30, 2018 for an increase of \$785,553.

Nonmajor Funds

Food Service Fund

The District operates one Special Revenue Fund, the Food Service fund. Total revenues of the Food Service fund were \$1,593,659 with total expenditures of \$1,569,726. The ending fund balance was \$356,835, an increase of \$23,950.

Debt Service Funds

The District operates four Debt Service Funds. Total revenues were \$1,403,994, with net other financing sources of \$265,404 and total expenditures of \$1,674,267. The ending fund balances in the Debt Service Funds totaled \$89,470 at June 30, 2019.

GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2019

Capital Projects Fund

The District operates one capital project fund, the Building and Site fund. This fund had total revenues of \$221,069, expenditures of \$122,798, and total other financing uses of \$221,072 resulting in a fund balance of \$(122,798) at June 30, 2019, down from \$3 at June 30, 2018.

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, 2019 totaled \$122,205.

General Fund Budgetary Highlights

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

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

Although the District's final budget for the General fund anticipated that revenues and financing sources would exceed expenditures including financing uses by \$404,664, the actual results for the year show a \$785,553 increase in fund balance which is \$380,889 better than projected.

- Actual revenues were \$285,407 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 2019-20 school year.
- Actual expenditures were \$666,457 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 2019, the District had \$27,372,192 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, 2019, the District's investment in capital assets (net of accumulated depreciation) was \$16,235,990. Net capital asset purchases and deletions totaled \$(922,896) for the fiscal year with net accumulated depreciation increasing \$250,735, leaving a net decrease in the book value of capital assets of \$(1,173,631).

GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2019

Land	\$ 618,754
Land improvements	560,511
Buildings and improvements	14,299,589
Furniture and equipment	578,783
Vehicles	114,594
Equipment under capital leases	<u>63,759</u>
Total Capital Assets	<u><u>\$16,235,990</u></u>

Long-Term Debt

At year end, the District had \$58.319 million in general obligation bonds, net pension liability, net other post-employment benefits liability and other long-term debt outstanding.

- The District continued to pay down its debt from the 2009, 2010, 2013 and 2016 bond issues and capital lease agreements.
- The District leased four new copiers during the 2018-2019 school year as our old copier leases were expired. The leases on the new copiers are for 60 months.
- The District was able to meet the debt fund obligations without the need to borrow from the school bond loan fund. 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 is A+. The District's other obligations include capital leases payable, compensated absences 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 programs and updated infrastructure to compete in this age of choice in schools. The addition of new charters in recent years may possibly impact student enrollment going forward.
- The State of Michigan has not approved a budget for the School Aid Fund for the 2019-2020 school year. The District is expecting the foundation allowance to increase by as much as \$180 per pupil, however, at this time, there are still great unknowns due to the State failing to produce a budget as they have done in the past.
- The District will once again be receiving general education funds through the Enhancement Millage that was voted on in May 2017 in Kent County. It is expected this will bring in \$225 per pupil for 2019-20 school year.

GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2019

- 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 continues to be a main concern. Growth in property tax valuations or assessments is finally making a turn for the better which were cautiously optimistic will continue.

- The District's Lee Middle and High School had a section of the roof collapse in June of 2019. At the current time, we are unsure of the financial ramifications as we do not know the amount insurance is covering as well as the cost to repair the damaged area. The District is working closely with the insurance carrier.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, 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.

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BASIC FINANCIAL STATEMENTS

GODFREY-LEE PUBLIC SCHOOLS

STATEMENT OF NET POSITION

JUNE 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash	\$ 2,355,206
Accounts receivable	21,387
Due from other governments	3,562,317
Prepaid items	90,614
Inventory	25,561
Capital assets, net	
Land	618,754
Land improvements, buildings, furniture and equipment, vehicles	<u>15,617,236</u>
Total assets	<u>22,291,075</u>
Deferred outflows of resources	
Deferred charge on refunding	150,887
Deferred outflows related to pension	10,393,951
Deferred outflows related to other post-employment benefits	<u>1,593,829</u>
Total deferred outflows of resources	<u>12,138,667</u>
Liabilities	
Accounts payable	582,511
Accrued liabilities	990,717
Due to other governments	812,707
Unearned revenue	150,251
Noncurrent liabilities	
Compensated absences	223,508
Bond premium	27,834
Net pension liability	34,918,840
Net other post-employment benefits liability	9,254,325
Due within one year	918,992
Due in more than one year	<u>12,975,030</u>
Total liabilities	<u>60,854,715</u>
Deferred inflows of resources	
Deferred inflows related to pensions	2,672,293
Deferred inflows related to other post-employment benefits	<u>2,081,290</u>
Total deferred inflows of resources	<u>4,753,583</u>
Net position	
Net investment in capital assets	2,341,968
Restricted for	
Food service	356,835
Capital projects	(122,798)
Debt service	89,470
Unrestricted deficit	<u>(33,844,031)</u>
Total net position	<u>\$ (31,178,556)</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, 2019

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
<u>Expenses</u>	<u>Charges</u>	<u>Operating</u>	<u>Grants and</u>	<u>Revenue</u>
<u>Primary government</u>	<u>for Services</u>	<u>Contributions</u>		
Governmental activities				
Instruction	\$ 13,696,788	\$ 800	\$ 7,111,785	\$ (6,584,203)
Support services	9,445,111	18,108	404,945	(9,022,058)
Community services	372,342	-	-	(372,342)
Food service	1,631,660	165,149	1,421,983	(44,528)
Athletic	602,457	-	-	(602,457)
Interest on long-term debt	419,274	-	-	(419,274)
	<u>\$ 26,167,632</u>	<u>\$ 184,057</u>	<u>\$ 8,938,713</u>	<u>(17,044,862)</u>
General revenues				
Property taxes				
Operating				881,624
Debt				1,239,984
Capital improvements				377,137
Unrestricted grants and contributions				13,329,198
Interest earnings				30,754
Other				229,943
				<u>16,088,640</u>
Change in net position				(956,222)
Net position, beginning of year, as restated				<u>(30,222,334)</u>
Net position, end of year				<u>\$ (31,178,556)</u>

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

GODFREY-LEE PUBLIC SCHOOLS

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2019

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets			
Cash	\$ 1,937,083	\$ 418,123	\$ 2,355,206
Accounts receivable	21,387	-	21,387
Due from other funds	123,041	8,260	131,301
Due from other governments	3,520,844	41,473	3,562,317
Prepaid items	90,611	3	90,614
Inventory	-	25,561	25,561
Total assets	<u>\$ 5,692,966</u>	<u>\$ 493,420</u>	<u>\$ 6,186,386</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 496,266	\$ 46,872	\$ 543,138
Accrued liabilities	990,717	-	990,717
Due to other funds	8,260	123,041	131,301
Due to other governments	812,707	-	812,707
Unearned revenue	150,251	-	150,251
Total liabilities	<u>2,458,201</u>	<u>169,913</u>	<u>2,628,114</u>
Fund balances			
Non-spendable			
Inventory	-	25,561	25,561
Prepaid items	90,611	3	90,614
Restricted			
Food service	-	331,271	331,271
Debt service	-	89,470	89,470
Assigned			
Subsequent year expenditures	190,324	-	190,324
Unassigned	2,953,830	(122,798)	2,831,032
Total fund balances	<u>3,234,765</u>	<u>323,507</u>	<u>3,558,272</u>
Total liabilities and fund balances	<u>\$ 5,692,966</u>	<u>\$ 493,420</u>	<u>\$ 6,186,386</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, 2019

Fund balances - total governmental funds	\$ 3,558,272
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)	16,235,990
Bond refunding losses are not expensed but are amortized over the life of the new bond issue.	
Add - loss on bond refundings	150,887
Certain liabilities and related deferred inflows and deferred outflows are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(223,508)
Deduct - debt payable	(13,894,022)
Deduct - net pension liability	(34,918,840)
Deduct - net other post-employment benefits liability	(9,254,325)
Deduct - deferred inflows related to pensions	(2,672,293)
Deduct - deferred inflows related to other post-employment benefits	(2,081,290)
Add - deferred outflows related to pensions	10,393,951
Add - deferred outflows related to other post-employment benefits	1,593,829
Deduct - unamortized bond premium	(27,834)
Deduct - accrued interest on bonds	(39,373)
Net position of governmental activities	<u>\$ (31,178,556)</u>

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

GODFREY-LEE PUBLIC SCHOOLS

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

FOR THE YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues			
Local sources	\$ 1,144,788	\$ 1,792,831	\$ 2,937,619
State sources	17,365,984	48,682	17,414,666
Federal sources	1,607,500	1,377,209	2,984,709
Interdistrict sources	<u>1,868,536</u>	<u>-</u>	<u>1,868,536</u>
Total revenues	<u>21,986,808</u>	<u>3,218,722</u>	<u>25,205,530</u>
Expenditures			
Current			
Instruction	12,043,016	-	12,043,016
Support services	8,830,736	-	8,830,736
Community services	329,636	-	329,636
Food service	-	1,569,726	1,569,726
Capital outlay	-	122,798	122,798
Debt service			
Principal	28,938	1,414,590	1,443,528
Interest	<u>-</u>	<u>259,677</u>	<u>259,677</u>
Total expenditures	<u>21,232,326</u>	<u>3,366,791</u>	<u>24,599,117</u>
Revenues over (under) expenditures	<u>754,482</u>	<u>(148,069)</u>	<u>606,413</u>
Other financing sources (uses)			
Capital leases/loans issued	69,540	-	69,540
Sale of capital assets	720	-	720
Insurance recoveries	5,160	-	5,160
Transfers in	-	309,753	309,753
Transfers out	<u>(44,349)</u>	<u>(265,404)</u>	<u>(309,753)</u>
Total other financing sources (uses)	<u>31,071</u>	<u>44,349</u>	<u>75,420</u>
Net changes in fund balances	785,553	(103,720)	681,833
Fund balances, beginning of year	<u>2,449,212</u>	<u>427,227</u>	<u>2,876,439</u>
Fund balances, end of year	<u>\$ 3,234,765</u>	<u>\$ 323,507</u>	<u>\$ 3,558,272</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, 2019

Net changes in fund balances - total governmental funds \$ 681,833

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	97,543
Deduct - depreciation expense	(730,977)
Deduct - loss on disposal of capital assets	(540,197)

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 - school bond loan issued	(165,202)
Deduct - capital leases issued	(69,540)
Add - principal payment on bonds	1,165,000
Add - principal payments on state school bond loans	249,590
Add - principal payments on capital leases	26,859

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

Deduct - amortization of loss on bond refunding	(13,717)
---	----------

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	(8,705)
Add - increase in deferred outflows related to pensions	4,066,889
Add - increase in deferred outflows related to other post-employment benefits	1,013,201
Deduct - increase in net pension liability	(4,938,252)
Add - decrease in net other post-employment benefits liability	1,008,350
Deduct - increase in deferred inflows related to pensions	(1,072,153)
Deduct - increase in deferred inflows related to other post-employment benefits	(1,734,337)
Add - decrease in accrued interest payable	5,605
Add - amortization of bond premium	1,988

Change in net position of governmental activities \$ (956,222)

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

GODFREY-LEE PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2019

Assets	
Cash	\$ <u>122,205</u>
Total assets	\$ <u>122,205</u>
Liabilities	
Due to student groups	\$ <u>122,205</u>
Total liabilities	\$ <u>122,205</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, 2019

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 1,800 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 fund:

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.

Additionally, the District reports the following fund types:

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

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

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

Budgets and Budgetary Accounting

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

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.

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

5. Budgets for the General and special revenue funds are adopted on a basis consistent with generally accepted accounting principles.
6. Adoption and amendments of all budgets used by the District are governed by Michigan Law. The appropriation ordinances are based on the projected expenditures budget of the various activities of the District. Any amendment to the original budget must meet the requirements of Michigan Law. Any revisions that alter the total expenditures of any activity must be approved by the School Board. The District amended its budget during the current fiscal year.

Cash and Investments

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

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

Due to and Due from Other Funds

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

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.

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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.

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.

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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

Post-employment Benefits Other Than Pensions

For purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of 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.

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 aid funding accounted for approximately 77% of the General fund revenue for the year. A certain portion of State Aid received by the District is restricted to cover specified expenses of the District, including special education costs. The unrestricted portion is for use in the general operations of the District.

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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. The District levied 18 mills for operations on non-homestead properties and 1.9782 mills for building/site and 12.55 mills for debt service on both homestead and non-homestead properties.

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 \$1,314,050. 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 \$1,373,075 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2019, 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.

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. Non-spendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the non-spendable 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.

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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 fund balance in its General fund ranging from 10% to 15% of the current year’s actual 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. Fund balance in the General fund at June 30, 2019 was 15% of the current year’s actual expenditures and outgoing transfers.

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 AND FUND BALANCE

At year-end the District reported a deficit net position of \$31,178,556. The District also reported a deficit fund balance of \$122,798 in the Building and Site Capital Projects fund at year-end.

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, 2019, the District incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated.

	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Transfers out	\$44,188	\$44,349	\$(161)

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	\$2,355,206	\$122,205	\$2,477,411

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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, \$2,228,951 of the District's bank balance of \$2,725,703 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, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 618,754	\$ -	\$ -	\$ 618,754
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	618,754	-	-	618,754
Capital assets, being depreciated				
Land improvements	2,305,493	-	-	2,305,493
Building and improvements	23,209,775	-	835,050	22,374,725
Furniture and equipment	1,665,227	20,798	84,945	1,601,080
Vehicles	395,199	7,205	49,990	352,414
Equipment under capital leases	100,640	69,540	50,454	119,726
Total capital assets, being depreciated	27,676,334	97,543	1,020,439	26,753,438
Less accumulated depreciation for				
Land improvements	1,644,913	100,069	-	1,744,982
Building and improvements	7,941,491	452,156	318,511	8,075,136
Furniture and equipment	968,791	128,157	74,651	1,022,297
Vehicles	261,160	26,650	49,990	237,820
Equipment under capital leases	69,112	23,945	37,090	55,967
Total accumulated depreciation	10,885,467	730,977	480,242	11,136,202
Net capital assets, being depreciated	16,790,867	(633,434)	540,197	15,617,236
Governmental activities capital assets, net	\$17,409,621	\$(633,434)	\$540,197	\$16,235,990

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
Instruction	\$501,476
Supporting services	127,945
Community services	26,084
Food service	62,139
Athletic	13,333
Total depreciation expense - governmental activities	\$730,977

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

6. PENSION AND OTHER POST-EMPLOYMENT BENEFITS 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's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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/orsschools.

Defined Benefit Plan

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

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21-year period beginning October 1, 2017.

GODFREY-LEE PUBLIC SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

The schedule below summarizes pension contribution rates in effect for the fiscal year ended September 30, 2018.

Benefit Structure	Member	Employer	
		Universities	Non-Universities
Basic	0.0-4.0%	24.47%	17.89%
Member Investment Plan	3.0-7.0	24.47	17.89
Pension Plus	3.0-6.4	N/A	16.61
Pension Plus 2	6.2	N/A	19.74
Defined Contribution	0.0	19.6	13.54

Required contributions to the pension plan from the District were \$3,162,975 for the year ended September 30, 2018.

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

At June 30, 2019, the District reported a liability of \$34,918,840 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. 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, 2018, the District's proportion was .11615683 percent, which was an increase of .000465 percent from its proportion measured as of September 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$5,053,484. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 162,030	\$ 253,749
Changes of assumptions	8,087,175	-
Net difference between projected and actual earnings on pension plan investments	-	2,387,561
Changes in proportion and differences between employer contributions and proportionate share of contributions	865,062	30,983
Employer contributions subsequent to the measurement date	1,279,684	-
Total	<u>\$10,393,951</u>	<u>\$2,672,293</u>

Contributions subsequent to the measurement date 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 ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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FOR THE YEAR ENDED JUNE 30, 2019

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$2,832,368
2020	1,879,415
2021	1,247,213
2022	482,978

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, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
MIP and Basic Plans:	7.05%
Pension Plus Plan:	7.00%
Pension Plus 2 Plan:	6.00%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, 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: [4.5304 for non-university employers or 1.0554 for university employers]
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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, 2018, 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%	5.7%
Alternative Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	5.0%
Real Estate and Infrastructure Pools	10.0%	3.9%
Absolute Return Pools	15.5%	5.2%
Short Term Investment Pools	<u>2.0%</u>	0.0%
	100%	

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

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 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 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 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 7.05% (7.0% for the Pension Plus plan and 6.0% for the Pension Plus 2 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:

1% Decrease	Current Single Discount Rate Assumption *	1% Increase
6.05% / 6.0% / 5.0%	7.05% / 7.0% / 6.0%	8.05% / 8.0% / 7.0%
\$45,845,740	\$34,918,840	\$25,840,362

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FOR THE YEAR ENDED JUNE 30, 2019

* Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 plans. University employers provide only the Basic and MIP plans.

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPERS)

At June 30, 2019, the District reported payables to the defined benefit pension plan totaling \$172,483. The balance represents legally required contributions to the pension plan.

Other Post-Employment Benefits

Benefits Provided

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

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

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

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FOR THE YEAR ENDED JUNE 30, 2019

Contributions

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

Employer OPEB 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 beginning October 1, 2017.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2018.

Benefit Structure	Member	Employer	
		Universities	Non-Universities
Premium Subsidy	3.00%	7.67%	6.44%
Personal Healthcare Fund (PHF)	0.00	7.42	6.13

Required contributions to the OPEB plan from the District were \$755,691 for the year ended September 30, 2018.

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

At June 30, 2019, the District reported a liability of \$9,254,325 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, the District's proportion was .11642196 percent, which was an increase of .000531 percent from its proportion measured as of October 1, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$460,085. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$1,722,468
Changes of assumptions	980,038	-
Net difference between projected and actual earnings on OPEB plan investments	-	355,666
Changes in proportion and differences between employer contributions and proportionate share of contributions	41,158	3,156
Employer contributions subsequent to the measurement date	572,633	-
Total	<u>\$1,593,829</u>	<u>\$2,081,290</u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$(262,842)
2020	(262,842)
2021	(262,842)
2022	(190,435)
2023	(81,133)

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, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	7.15%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.0% Year 12
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.
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, 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: [5.6018 for non-university employers or 1.3472 for university employers]
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB 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 OPEB 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 OPEB plan's target asset allocation as of September 30, 2018, 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%	5.7%
Private Equity Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	.5%
Real Estate and Infrastructure Pools	10.0%	3.9%
Absolute Return Pools	15.5%	5.0%
Short Term Investment Pools	<u>2.0%</u>	0.0%
	100%	

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

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 10.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. 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 OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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FOR THE YEAR ENDED JUNE 30, 2019

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
\$11,109,629	\$9,254,325	\$7,693,788

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.15%	Current Healthcare Cost Trend Rate 7.15%	1% Increase 8.15%
\$7,611,581	\$9,254,325	\$11,138,889

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

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

At June 30, 2019, the District reported payables to the OPEB plan totaling \$77,492. The balance represents legally required contributions to the OPEB plan.

Defined Contribution Plan

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 or may be a Pension Plus plan member.

Public Act 300 of 2012 was signed into law on September 4, 2012 amending the MPSERS system. An employee who first works September 4, 2012 or after joins the MPSERS system as a Pension Plus with Personal Healthcare Fund (PHF) member. Within 75 days of first being reported to the Office of Retirement Services, these employees can elect to become straight defined contribution plan participants. The PHF must be retained with whichever benefit plan they elect. The plan becomes retroactive to their first day.

Employees under the Pension plus plan automatically default with an employee contribution of 2 percent of the employee's pay. The District is required to match 50 percent of the employee contribution up to 1 percent. Employees may increase their personal contribution up to the annual IRS limit or can elect out of contributing.

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Employees under the straight defined contribution plan automatically default with an employee contribution of 6 percent of the employee's pay. The District is required to match 50 percent of the employee contribution up to 3 percent.

Public Act 92 of 2017 establishes a new hybrid plan, and is the default option, for Michigan public school employees who first work on or after February 1, 2018. This plan is similar to the Pension Plus plan established in 2010 (and changed again in 2012) in that it has both a pension and a savings component. Eligibility for pension benefits remains the same as the Pension Plus plan at 60 years old with at least 10 years of service. Contributions are made in the savings component by both the District and employee and are deposited into a 401(k) and/or 457 tax deferred account. An employee must affirmatively elect the new hybrid plan to participate. If the employee makes no choice, as mentioned above, the default set by the law means the employee will be enrolled in the defined contribution plan. This new law mandates enhanced contributions for defined contribution participants who first work on or after September 4, 2012 which requires mandatory District contributions of 4 percent beginning with the first pay period after October 1, 2017. Beginning on February 2, 2018, the District is required to match 100 percent of the contributions made by the employee up to a maximum of 3 percent. Public Act 92 also requires the defined contribution plan to offer one or more fixed and variable annuity options for plan participants.

For the year ended June 30, 2019, District and employee contributions were \$52,028 and \$91,952, respectively.

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, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Governmental Activities					
Bonds					
\$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%	\$ 580,000	\$ -	\$ 40,000	\$ 540,000	\$ 45,000
\$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%	255,000	-	255,000	-	-
\$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%	1,790,000	-	90,000	1,700,000	95,000

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FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
\$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%	\$ 7,375,000	\$ -	\$ 780,000	\$ 6,595,000	\$760,000
Total bonds	10,000,000	-	1,165,000	8,835,000	900,000
Direct placements and direct borrowings					
School bond loan fund	5,069,566	165,202	249,590	4,985,178	-
Other debt					
Unamortized premium	29,822	-	1,988	27,834	-
Capital leases	31,163	69,540	26,859	73,844	18,992
Compensated absences	214,803	35,480	26,775	223,508	-
Total	\$15,345,354	\$270,222	\$1,470,212	\$14,145,364	\$918,992

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 \$165,202 of accrued interest was added to the District's liability to the MSBLF.

The outstanding direct placements and direct borrowings contain a provision that in the event of default or the unavailability or insufficiency of funds, the notes are payable from taxes levied within the District's constitutional and statutory limitations or from its unencumbered funds. The District has pledged its limited full faith and credit.

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

The annual requirements to amortize all debt outstanding (excluding school bond loan fund, unamortized premium, capital leases and compensated absences) as of June 30, 2019 are as follows:

	<u>Principal</u>	<u>Interest</u>
2020	\$ 900,000	\$ 236,238
2021	880,000	221,478
2022	895,000	205,188
2023	895,000	186,030
2024	890,000	165,336
2025-2029	3,595,000	449,350
2030-2034	780,000	64,120
Total	\$8,835,000	\$1,527,740

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

Short-term Debt

The following is a summary of short-term debt transactions of the District for the year ended June 30, 2019:

	Balance July 1, <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2019</u>
State aid anticipation note 1.35% due December 2018	\$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 \$107 to \$1,485 through March 2024. Additionally, the District leases equipment which requires annual payments of \$4,064. Copiers and equipment held under these capitalized leases are included in the statement of net position with a cost of \$119,726 and with accumulated depreciation of \$55,967.

Total expense under these obligations was \$26,859 for 2019.

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, 2019:

<u>Year</u>	<u>Capitalized Leases</u>
2020	\$18,993
2021	16,604
2022	13,908
2023	13,908
2024	<u>10,431</u>
Total minimum payments due	<u><u>\$73,844</u></u>

9. INTERFUND TRANSACTIONS

Interfund receivables and payables are utilized to facilitate temporary cash flow needs between funds. Amounts due to and from other funds at June 30, 2019 are as follows:

	<u>Due From</u>	<u>Due To</u>
General fund	\$123,041	\$ 8,260
Nonmajor governmental funds	<u>8,260</u>	<u>123,041</u>
	<u><u>\$131,301</u></u>	<u><u>\$131,301</u></u>

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, 2019 are as follows:

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	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 44,349
Nonmajor governmental funds	309,753	265,404
	\$309,753	\$309,753

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. TAX ABATEMENTS

The District receives reduced property tax revenues as a result of Industrial Facilities Tax (IFT) exemptions granted by various cities and townships in the County of Kent. IFT exemptions entered into under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An IFT certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government and is computed at half the local property tax millage rate, amounting to a reduction in property taxes of approximately 50%.

For the year ended June 30, 2019, the District's property tax revenues were reduced by the following as a result of Industrial Facilities Tax exemptions:

<u>Municipality</u>	<u>Amount</u>
City of Wyoming	<u>\$23,657</u>

The District is reimbursed from the State of Michigan under the school aid formula for lost revenue caused by tax abatements on the operating millage of non-homestead properties. The District is not reimbursed for lost revenue from building and site or debt service millages. There are no abatements made by the District.

12. SUBSEQUENT EVENT

State Aid Anticipation Note

In August 2019, the District received the proceeds of a \$1,500,000 State of Michigan school aid anticipation note payable. The note payable is not subject to redemption prior to its maturity in August 2020 and bears interest at the rate of 2.14 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.

13. PRIOR PERIOD ADJUSTMENT

Beginning net position of the District was increased by \$662,516 to record the correction of an error in the calculation of accumulated depreciation of capital assets.

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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, 2019

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 1,124,346	\$ 1,229,481	\$ 1,144,788	\$ (84,693)
State sources	17,235,445	17,426,763	17,365,984	(60,779)
Federal sources	1,356,849	1,751,447	1,607,500	(143,947)
Interdistrict sources	1,755,161	1,864,524	1,868,536	4,012
Total revenues	<u>21,471,801</u>	<u>22,272,215</u>	<u>21,986,808</u>	<u>(285,407)</u>
Expenditures				
Current				
Instruction				
Basic programs	9,199,244	9,093,034	9,032,740	60,294
Added needs	3,232,694	3,026,394	2,932,864	93,530
Adult education services	109,870	78,581	77,412	1,169
	<u>12,541,808</u>	<u>12,198,009</u>	<u>12,043,016</u>	<u>154,993</u>
Support services				
Pupil services	1,771,822	1,781,934	1,710,666	71,268
Instructional staff services	1,567,483	1,819,700	1,650,154	169,546
General administrative services	397,762	379,732	379,683	49
School administrative services	1,253,238	1,239,487	1,204,204	35,283
Business services	343,036	341,013	337,799	3,214
Operation and maintenance	1,562,361	1,656,649	1,606,592	50,057
Pupil transportation	594,977	616,937	577,839	39,098
Central services	633,307	869,446	807,801	61,645
Athletics	572,694	575,471	555,998	19,473
	<u>8,696,680</u>	<u>9,280,369</u>	<u>8,830,736</u>	<u>449,633</u>
Community services	293,505	387,534	329,636	57,898
Debt service	28,390	32,871	28,938	3,933
Total expenditures	<u>21,560,383</u>	<u>21,898,783</u>	<u>21,232,326</u>	<u>666,457</u>
Revenues over (under) expenditures	<u>(88,582)</u>	<u>373,432</u>	<u>754,482</u>	<u>381,050</u>
Other financing sources (uses)				
Capital lease issued	-	69,540	69,540	-
Sale of capital assets	-	720	720	-
Insurance recoveries	-	5,160	5,160	-
Transfers out	(48,000)	(44,188)	(44,349)	(161)
Total other financing sources (uses)	<u>(48,000)</u>	<u>31,232</u>	<u>31,071</u>	<u>(161)</u>
Net changes in fund balance	(136,582)	404,664	785,553	380,889
Fund balance, beginning of year	<u>2,449,212</u>	<u>2,449,212</u>	<u>2,449,212</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,312,630</u>	<u>\$ 2,853,876</u>	<u>\$ 3,234,765</u>	<u>\$ 380,889</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, 2019

	2018	2017	2016	2015	2014
District's proportion of the net pension liability (%)	0.11616%	0.11569%	0.11355%	0.11164%	0.10237%
District's proportionate share of the net pension liability	\$ 34,918,840	\$ 29,980,588	\$ 28,330,722	\$ 27,269,277	\$ 22,548,668
District's covered payroll	\$ 9,905,833	\$ 9,759,400	\$ 9,709,663	\$ 9,636,546	\$ 9,590,248
District's proportionate share of the net pension liability as a percentage of its covered payroll (%)	352.51%	307.20%	291.78%	282.98%	235.12%
Plan fiduciary net position as a percentage of total pension liability	62.36%	64.21%	63.27%	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 2018.
Changes of assumptions: There were no changes of benefit assumptions in 2018.
This schedule is being accumulated prospectively until ten years of data is presented.

GODFREY-LEE PUBLIC SCHOOLS
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 3,162,975	\$ 2,713,580	\$ 2,549,908	\$ 2,153,774	\$ 2,014,199
Contributions in relation to statutorily required contributions *	<u>3,162,975</u>	<u>2,713,580</u>	<u>2,549,908</u>	<u>2,153,774</u>	<u>2,014,199</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,556,972	\$ 9,928,993	\$ 9,677,268	\$ 9,541,399	\$ 9,590,248
Contributions as a percentage of covered payroll	33.1%	27.3%	26.3%	22.6%	21.0%

* Contributions in relation to statutorily required pension 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.
This schedule is being accumulated prospectively until ten years of data is presented.

GODFREY-LEE PUBLIC SCHOOLS
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF
NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

	2018	2017
District's proportion of the net OPEB liability (%)	0.11642%	0.11589%
District's proportionate share of the net OPEB liability	\$ 9,254,325	\$ 10,262,675
District's covered payroll	\$ 9,905,833	\$ 9,759,400
District's proportionate share of the net OPEB liability as a percentage of its covered payroll (%)	93.42%	105.16%
Plan fiduciary net position as a percentage of total OPEB liability	42.95%	36.39%

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 2018.

Changes of assumptions: There were no changes of benefit assumptions in 2018.

This schedule is being accumulated prospectively until ten years of data is presented.

GODFREY-LEE PUBLIC SCHOOLS
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 755,691	\$ 902,258
Contributions in relation to statutorily required contributions *	<u>755,691</u>	<u>902,258</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,556,972	\$ 9,928,993
Contributions as a percentage of covered payroll	7.9%	9.1%

* Contributions in relation to statutorily required OPEB 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.
This schedule is being accumulated prospectively until ten years of data is presented.

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

GODFREY-LEE PUBLIC SCHOOLS

GENERAL FUND SCHEDULE OF REVENUES

FOR THE YEAR ENDED JUNE 30, 2019

Revenues

Local sources	
Property taxes	\$ 881,624
Universal service funding	21,317
Donations	138,991
Interest	20,193
Athletic events	18,108
Other	<u>64,555</u>
Total local sources	<u>1,144,788</u>
State sources	
State aid	16,912,915
Special education - itinerants	41,349
Special education - transportation	285,964
Adult education	77,411
Other	<u>48,345</u>
Total state sources	<u>17,365,984</u>
Federal sources	
Title I	667,465
Title IIA	91,416
Title II TLIS	51,000
Title III	175,056
Title IV	45,360
Displaced student	13,500
Project aware	14,746
I.D.E.A. program	475,369
Medicaid - school based	1,724
Team 21 grant	69,622
McKinney Vento homeless grant	<u>2,242</u>
Total federal sources	<u>1,607,500</u>
Interdistrict sources	
Special education - county	1,233,227
Enhancement - county	414,012
Medicaid fee for service	<u>221,297</u>
Total interdistrict sources	<u>1,868,536</u>
Total revenues	<u>\$ 21,986,808</u>

GODFREY-LEE PUBLIC SCHOOLS

GENERAL FUND SCHEDULE OF EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2019

Expenditures

Current

Instruction

Basic programs

Elementary	\$ 4,175,841
Middle school	1,943,267
High school	2,886,541
Summer school	<u>27,091</u>

Total basic programs 9,032,740

Added needs

Special education	1,607,734
Compensatory education	<u>1,325,130</u>

Total added needs 2,932,864

Adult education services

77,412

Total instruction

12,043,016

Support services

Pupil services

Attendance services	151,865
Guidance services	458,824
Health services	88,652
Psychological services	137,348
Speech pathology services	358,930
Social worker services	283,525
Other pupil services	<u>231,522</u>

Total pupil services 1,710,666

Instructional staff services

Improvement of instruction	937,732
Educational media services	185,272
Educational television	2,155
Instruction related technology	113,127
Supervision and direction of instruction	342,023
Testing support	<u>69,845</u>

Total instructional staff services 1,650,154

General administrative services

Board of education	69,725
Executive administration	<u>309,958</u>

Total general administrative services 379,683

(Continued)

GODFREY-LEE PUBLIC SCHOOLS

GENERAL FUND SCHEDULE OF EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2019

School administrative services	
Office of the principal	\$ 1,195,210
Other school administration	<u>8,994</u>
Total school administrative services	<u>1,204,204</u>
Business services	
Fiscal services	292,354
Other business services	<u>45,445</u>
Total business services	<u>337,799</u>
Operation and maintenance	
Operation and maintenance	1,496,806
Security	<u>109,786</u>
Total operation and maintenance	<u>1,606,592</u>
Pupil transportation	<u>577,839</u>
Central services	
Staff/personnel services	99,529
Technology services	603,417
Pupil accounting	75,718
Other central services	<u>29,137</u>
Total central services	<u>807,801</u>
Athletics	<u>555,998</u>
Total support services	<u>8,830,736</u>
Community services	<u>329,636</u>
Debt service	
Principal	<u>28,938</u>
Total expenditures	<u><u>\$ 21,232,326</u></u>

(Concluded)

GODFREY-LEE PUBLIC SCHOOLS

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2019

	Special Revenue	Debt Service		
	Food Service	2009	2010 Energy Conservation	2013
Assets				
Cash	\$ 328,653	\$ 7,036	\$ -	\$ 19,591
Due from other funds	8,260	-	-	-
Due from other governments	41,473	-	-	-
Prepaid items	3	-	-	-
Inventory	25,561	-	-	-
Total assets	<u>\$ 403,950</u>	<u>\$ 7,036</u>	<u>\$ -</u>	<u>\$ 19,591</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 46,872	\$ -	\$ -	\$ -
Due to other funds	243	-	-	-
Total Liabilities	<u>47,115</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Non-spendable				
Inventory	25,561	-	-	-
Prepaid items	3	-	-	-
Restricted				
Food service	331,271	-	-	-
Debt service	-	7,036	-	19,591
Unassigned	-	-	-	-
Total fund balances	<u>356,835</u>	<u>7,036</u>	<u>-</u>	<u>19,591</u>
Total liabilities and fund balances	<u>\$ 403,950</u>	<u>\$ 7,036</u>	<u>\$ -</u>	<u>\$ 19,591</u>

<u>2016</u>	<u>Capital Projects Building and Site</u>	<u>Total</u>
\$ 62,843	\$ -	\$ 418,123
-	-	8,260
-	-	41,473
-	-	3
-	-	25,561
<u>\$ 62,843</u>	<u>\$ -</u>	<u>\$ 493,420</u>
\$ -	\$ -	\$ 46,872
-	122,798	123,041
-	122,798	169,913
-	-	25,561
-	-	3
-	-	331,271
62,843	-	89,470
-	(122,798)	(122,798)
<u>62,843</u>	<u>(122,798)</u>	<u>323,507</u>
<u>\$ 62,843</u>	<u>\$ -</u>	<u>\$ 493,420</u>

GODFREY-LEE PUBLIC SCHOOLS

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

FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue	Debt Service		
	Food Service	2009	2010 Energy Conservation	2013
Revenues				
Local sources	\$ 167,768	\$ 100,621	\$ -	\$ 157,705
State sources	48,682	-	-	-
Federal sources	1,377,209	-	-	-
Total revenues	<u>1,593,659</u>	<u>100,621</u>	<u>-</u>	<u>157,705</u>
Expenditures				
Current				
Food service	1,569,726	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	73,115	255,000	90,000
Interest	-	28,300	10,404	65,005
Total expenditures	<u>1,569,726</u>	<u>101,415</u>	<u>265,404</u>	<u>155,005</u>
Revenues over (under) expenditures	23,933	(794)	(265,404)	2,700
Other financing sources (uses)				
Transfers in	17	-	265,404	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>17</u>	<u>-</u>	<u>265,404</u>	<u>-</u>
Net changes in fund balances	23,950	(794)	-	2,700
Fund balances, beginning of year	<u>332,885</u>	<u>7,830</u>	<u>-</u>	<u>16,891</u>
Fund balances, end of year	<u>\$ 356,835</u>	<u>\$ 7,036</u>	<u>\$ -</u>	<u>\$ 19,591</u>

<u>2016</u>	<u>Capital Projects Building and Site</u>	<u>Total</u>
\$ 1,145,668	\$ 221,069	\$ 1,792,831
-	-	48,682
-	-	1,377,209
<u>1,145,668</u>	<u>221,069</u>	<u>3,218,722</u>
-	-	1,569,726
-	122,798	122,798
996,475	-	1,414,590
<u>155,968</u>	-	<u>259,677</u>
<u>1,152,443</u>	<u>122,798</u>	<u>3,366,791</u>
(6,775)	98,271	(148,069)
-	44,332	309,753
-	(265,404)	(265,404)
-	(221,072)	44,349
(6,775)	(122,801)	(103,720)
<u>69,618</u>	<u>3</u>	<u>427,227</u>
<u>\$ 62,843</u>	<u>\$ (122,798)</u>	<u>\$ 323,507</u>

GODFREY-LEE PUBLIC SCHOOLS

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

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
Assets				
Cash	<u>\$ 140,526</u>	<u>\$ 162,308</u>	<u>\$ 180,629</u>	<u>\$ 122,205</u>
Liabilities				
Due to student groups	<u>\$ 140,526</u>	<u>\$ 162,308</u>	<u>\$ 180,629</u>	<u>\$ 122,205</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

September 10, 2019

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 10, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Ordenold 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

September 10, 2019

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, 2019. 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, 2019.

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, 2019

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue at July 1, 2018	Adjustments	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue at June 30, 2019
U.S. Department of Education								
Passed through Michigan Department of Education								
Federal Adult Ed English								
192510 1819R1	84.938C	\$ 13,500	\$ -	\$ -	\$ -	\$ 13,500	\$ 13,500	\$ -
Title I								
181530 1718	84.010	775,007	127,094	-	714,366	-	127,094	-
191530 1819	84.010	676,368	-	-	-	639,055	568,578	70,477
Total Title I		1,451,375	127,094	-	714,366	639,055	695,672	70,477
Title II/A								
180520 1718	84.367	121,052	10,793	-	102,271	1,407	12,200	-
180532 1819	84.367	60,000	-	-	-	51,000	-	51,000
190520 1819	84.367	119,878	-	-	-	90,009	80,109	9,900
Total Title II/A		300,930	10,793	-	102,271	142,416	92,309	60,900
Title III								
180570 1718	84.365	6,072	2,055	-	6,072	-	2,055	-
180580 1718	84.365	178,169	13,085	-	86,954	6,907	19,992	-
190580 1819	84.365	195,591	-	-	-	168,149	140,830	27,319
Total Title III		379,832	15,140	-	93,026	175,056	162,877	27,319
Title IV								
180750 1718	84.424	11,121	20	-	10,640	-	20	-
190750 1819	84.424	46,697	-	-	-	45,360	42,346	3,014
Total Title IV		57,818	20	-	10,640	45,360	42,366	3,014
Total passed through Michigan Department of Education		2,203,455	153,047	-	920,303	1,015,387	1,006,724	161,710
Passed through Kent Intermediate School District								
Special Education Cluster								
IDEA Grants to States								
180450 1718	84.027A	423,465	91,372	-	423,465	-	91,372	-
190450 1819	84.027A	456,232	-	-	-	456,232	340,264	115,968
Total IDEA Grants to States		879,697	91,372	-	423,465	456,232	431,636	115,968
IDEA Preschool								
180460 1718	84.173A	19,687	3,620	-	19,687	-	3,620	-
190460 1819	84.173A	19,137	-	-	-	19,137	11,615	7,522
Total IDEA Preschool		38,824	3,620	-	19,687	19,137	15,235	7,522
Total Special Education Cluster		918,521	94,992	-	-	475,369	446,871	123,490
Total U.S. Department of Education		3,121,976	248,039	-	920,303	1,490,756	1,453,595	285,200
U.S. Department of Health and Human Services								
Passed through Kent Intermediate School District								
Medical Assistance Program								
1718 Medicaid	93.778	2,021	2,021	-	2,021	-	2,021	-
1819 Medicaid	93.778	1,724	-	-	-	1,724	-	1,724
Total US Department of Health and Human Services		3,745	2,021	-	2,021	1,724	2,021	1,724

(continued)

GODFREY-LEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue at July 1, 2018	Adjustments	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue at June 30, 2019
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Nutrition Cluster								
Non-Cash Assistance (USDA Commodities)								
Entitlement Commodities	10.555	\$ 84,069	\$ -	\$ -	\$ -	\$ 84,069	\$ 84,069	\$ -
Cash Assistance								
Lunch Program								
181960	10.555	806,835	6,440	2,321	655,123	149,391	158,152	-
191960	10.555	703,659	-	-	-	711,131	703,659	7,472
Total Lunch Program		1,510,494	6,440	2,321	655,123	860,522	861,811	7,472
Breakfast Program								
181970	10.553	346,688	7,962	(2,321)	287,089	59,599	65,240	-
191970	10.553	298,622	-	-	-	303,056	298,622	4,434
Total Breakfast Program		645,310	7,962	(2,321)	287,089	362,655	363,862	4,434
Summer Food Program								
190900	10.559	635	-	-	287,089	635	635	-
Total Cash Assistance		2,156,439	14,402	-	1,229,301	1,223,812	1,226,308	11,906
Total Nutrition Cluster		2,240,508	14,402	-	1,229,301	1,307,881	1,310,377	11,906
Child Care Food Program								
181920	10.558	75,548	-	-	67,158	8,390	8,390	-
182010	10.558	4,059	-	-	3,594	465	465	-
191920	10.558	57,291	-	-	-	57,291	57,291	-
192010	10.558	3,183	-	-	-	3,183	3,183	-
Total Child Care Food Program		140,081	-	-	70,752	69,329	69,329	-
Total U.S. Department of Agriculture		2,380,589	14,402	-	1,300,053	1,377,210	1,379,706	11,906
Total Federal Financial Assistance		\$ 5,506,310	\$ 264,462	\$ -	\$ 2,222,377	\$ 2,869,690	\$ 2,835,322	\$ 298,830

(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, 2019

1. The Schedule of Expenditures of Federal Awards is prepared in accordance with the modified accrual basis of accounting.
2. Management has utilized the Cash Management System 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, 2019 governmental funds financial statements	\$ 2,984,709
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>(115,019)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 2,869,690</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.
5. The accrued revenue at July 1, 2018 was increased by \$2,321 for the Lunch program and decreased by \$2,321 for the Breakfast program to reflect the amount of receivable at June 30, 2018 that was improperly classified in the schedule of expenditures of federal awards in the prior year.

GODFREY-LEE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Type of auditors' report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of 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>
84.010	Title I

Dollar threshold used to distinguish between Type A and B programs:	<u> </u> \$ 750,000
Auditee qualified as low-risk auditee?	<u> X </u> yes <u> </u> no

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

None noted



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September 10, 2019

To the Board of Education
Godfrey-Lee Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Godfrey-Lee Public Schools (the District) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 7, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Results

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. The District adopted Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of capital assets is based on previous history and future expectations and the estimate of pension and other postemployment benefit plan obligations are based on an actuarial valuation of the plan. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of contingencies in Note 10 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 10, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information (RSI), as itemized in the table of contents, that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Sincerely,

Uredexeld Haefner LLC