Cassopolis Public Schools
Cassopolis, Michigan

FINANCIAL STATEMENTS

June 30, 2015

Cassopolis Public Schools

Cassopolis, Michigan

June 30, 2015

BOARD OF EDUCATION

Cassopolis Public Schools

TABLE OF CONTENTS

June 30, 2015

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Cassopolis Public Schools
Cassopolis, 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 Cassopolis Public Schools (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cassopolis Public Schools, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note O to the financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* during the year. As a result, the financial statements now recognize the District's unfunded defined pension benefit obligation as a liability for the first time, and more comprehensively and comparably measures the annual costs of pension benefits. The statement also enhances accountability and transparency through reviewed note disclosures and required supplemental information (RSI). Our opinions are not modified with respect to this matter.

Also as discussed in Note O to the financial statements, the District implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68,* during the year. The District recognized a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 21, 2015

As management of the Public Schools of Cassopolis (the "District"), a K-12 school district located in Cass County, Michigan, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Overview of the Financial Statements:

The District's basic financial statements consist of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. This report also contains other supplementary information.

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are the District-wide financial statements that provide both short-term and long-term information about the District's overall financial status. These statements present an aggregate view of the District's finances and a longer-term view of those finances.

- The next statements are fund financial statements that focus on individual funds of the District. These statements look at the District's operations in more detail than the District-wide financial statements by providing information about the District's most significant funds - the General Fund, and Debt Funds, with all the other funds presented in one column as non-major funds.

The statement of fiduciary assets and liabilities-agency fund presents financial information about activities for which the District acts solely as an agent for the benefit of students and others.

District-wide financial 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 and the statement of activities, which appear first in the District's financial statements, include all assets and liabilities and use the accrual basis of accounting. This means that all of the current year's revenues and expenses are taken into account regardless of when cash is received.

The two District-wide financial statements report the Districts net position and how it changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health. Over time, increases or decreases in net position may serve as useful indicator of whether the financial position of the District is improving or deteriorating.

The relationship between revenues and expenses is the District's operating results. However, it should be noted that unlike most private-sector companies where improving shareholder wealth is the goal, the District's goal is to provide services to our students. Therefore, in order to assess the overall health of the District, one must consider many nonfinancial factors such as the quality of education provided, breadth of curriculum offered, condition of school facilities, and the safety of the schools.

The statement of net position and statement of activities report the governmental activities for the District, which encompass all of the District's services including instruction, supporting services, community services, food services, and athletics. Property taxes, unrestricted state aid, state grants and federal grants and finance most of the activities.

Fund Financial Statements

Fund Financial Statements. The District's fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by the State law and by bond covenants, though the District may establish other funds to help control and manage money for the particular purposes. It may also establish other funds to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

The fund level financial statements are reported on a modified accrual basis, which measures only those revenues that are "measurable" and "currently available". Expenses are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund financial statements are formatted to comply with the legal requirements of the Michigan Department of Education's Bulletin 1022. The District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including:

- Debt Service Fund - consisting of 2003 QZAB, 2010 Series A Bonds, 2010 Series B Bonds, 2009 Energy Conservation Improvement Bonds.
- Special Revenue Fund - consisting of the Food Service Fund.
- Capital Projects Fund - consisting of the Sinking Fund.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. Assets are capitalized at the fund level. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future debt obligations are not recorded at the fund level.

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in a separate statement of assets and liabilities - agency fund. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

District Wide Financial Statements:

Statement of Net Position

As stated earlier, the statement of net position provides the perspective of the District as a whole. The analysis below focuses on the net position (see Table 1). The District's net position was ($987,644) at June 30, 2015. The change in net position of the District's governmental activities is $798,299 (see Table 2). The table below provides a summary of the District's net position as of June 30, 2015 and June 30, 2014:

Table 1
Statement of Net Position

	Governmental Activities 2015	Governmental Activities 2014
Assets		
Current and other assets	$ 6,607,159	$ 6,965,645
Capital assets	22,020,518	22,217,028
Total Assets	**28,627,677**	**29,182,673**
Deferred Outflows of Resources	**1,386,000**	**1,150,522**
Liabilities		
Current liabilities	2,494,022	1,965,990
Noncurrent liabilities	27,313,526	29,998,358
Total Liabilities	**29,807,548**	**31,964,348**
Deferred Inflows of Resources	**1,193,773**	**-**
Net Position		
Net investment in capital assets	4,656,331	3,914,957
Restricted	3,664,981	4,015,903
Unrestricted	(9,308,956)	(9,716,803)
Total Net Position	**$ (987,644)**	**$ (1,785,943)**

Net investment in capital assets, approximately $4,656,331 is the original cost of the District's capital assets, less depreciation, less the long-term debt outstanding used to finance the acquisition of those assets. This debt will be repaid mainly from voter-approved property taxes collected as the debt and interest payments come due. Restricted net position of approximately $3,664,981 is shown separately to recognize legal constraints from debt covenants, sinking fund, and lunch fund. These constraints limit the District's ability to use the restricted net position for day-to-day operations.

The remaining amount of the net position of approximately ($9,308,956) is unrestricted and represents the accumulated results of all past year's operations including a new item called Net Pension Liability. The operating results of the General Fund will have a significant impact on the change in the unrestricted net position from year to year. Cassopolis Public Schools proportionate share of the Michigan Public School Employees Retirement System (MPSERS) Pension Liability is .04902% which equates to $10,798,449. Please see note H beginning on page eighteen (18) and ending on page twenty-eight (28) for further information. The unrestricted amount is negative due to the impact of the District having to add to its financial statement the impact of its pension liability per GASB Statement No. 68.

The results of this year's operations of the District as a whole are reported in the statement of activities, summarized in the table below, which shows the changed in the net position for the fiscal year June 30, 2015 and June 30, 2014.

For the fiscal years ended June 30, 2015 and 2014, the district-wide results of operations were:

Table 2
Statement pf Change in Net Position
(Statement of Activities)

	Governmental Activities 2015	Governmental Activities 2014
Revenues:		
Program Revenues		
Charges for service	$ 271,867	$ 207,585
Operating and capital grants	2,933,323	1,935,544
General Revenues		
Property taxes	4,874,002	4,615,800
State school aid-unrestricted	3,078,352	3,473,090
Other	204,709	194,825
Total Revenues	**11,362,253**	**10,426,844**
Functions/Program Expenses:		
Instruction	5,205,464	5,291,094
Supporting services	3,767,189	4,226,042
Community services	15,403	9,468
Food services	531,705	611,625
Interest on long-term debt	181,795	191,939
Unallocated depreciation	862,398	853,568
Insurance recoveries	-	800,148
Total Expenses	**10,563,954**	**11,183,736**
Change in Net Position	**$ 798,299**	**$ 43,256**

Of the District's total revenues available to operate the District, 2.39% or approximately $271,867 came from fees charged to those who benefited from the programs. Revenues from other governments or organizations that subsidize certain programs with grants and other directed types of funding are at 25.82% or approximately $2,933,323.

Local property taxes at 42.90% or approximately $4,874,002 of total revenue supported the remaining portion of the governmental activities. Property tax revenue increased by 5.59% due to taxable value increases in the district. The property tax revenue comes mainly from the 18 mills on all non-homestead property, which we are required to levy by the State in order to receive our full State foundation allowance. The District appreciates the support of the community in maintaining our facilities as approximately $357,606 in tax revenue is generated by a special millage specifically for capital expenditures. This proceeds and expenditures of this special millage are accounted for exclusively in the District's Sinking Fund. The special millage was renewed in August 2012, and will expire on December 31, 2022.

The State foundation allowance accounted for 27.09% or approximately $3,078,352 of the revenue available. This revenue is determined by a formula that incorporates pupil headcount, the annual per pupil allowance, and the non-homestead property taxable values of the District.

The expense portion of the table show the financial support of the each functional area required during the year. The overall decrease of 5.54% is due to inflationary cost increases, health care cost increases, and increased retirement benefit costs. Being in the business of educating children, the largest expenses were incurred in instruction, which accounted for approximately $5,205,464 or 49.28% of total expenses. Support services cost approximately $3,767,189 or 35.66% of total expenses, which included such items as transportation, operations and maintenance, supervision and technology services and a variety of other services that support the District's mission of educating children.

The District experienced an increase in net position of approximately $798,299 or 1,845% decrease from the fiscal 2014 increase in net position of approximately $43,256. Overall revenue increased by 8.97%, while expenses decreased by 5.54%. It should be noted that under the accrual basis of accounting, property taxes collected for debt service are recognized as revenue, while only interest on the debt is recognized as expense. The increase in net position differs from the change in fund balance and a reconciliation appears later in the financial statements.

Financial Analysis of the District's Funds

As noted earlier, the District uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide, and may provide more insight in the District's overall financial health. As the District completed this year, the governmental funds reported a combined fund balance of approximately $5,221,167, which is an increase of approximately $257,616 from the prior year.

Of the combined governmental fund balances, 22% or approximately $1,143,272 constitutes unassigned fund balance in General Fund, which is available for spending at the District's discretion. The restricted fund balance, approximately $207,712 is earmarked for food service, $3,587,867 is earmarked for payments on long-term debt, and $501 is earmarked for sinking fund improvements.

The General Fund is the principal operating fund of the District. At the end of the current fiscal year, total fund balance was $1,425,087. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total expenditures. Total fund balance represents 15.9% of total General Fund expenditures and transfers.

The fund balance of the District's General Fund increased by approximately $479,401 during the current fiscal year, due to streamlining costs.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires the budget be amended to ensure expenditures do not exceed appropriations. A statement showing the District's original and final budget amounts, compared with amounts actually paid and received is provided in the basic financial statements.

A summary of variances from the final amended budget is as follows:

- The District's General Fund revenues were approximately $119,494 less than the final amended budget, a variance of 1.2%. The actual revenue was under budget mainly due to some state and federal grant awards not being spent in the time frame anticipated.

- The District's General Fund expenditures were approximately $86,171 less than the final amended budget, a variance of 1.0%. The reduction of actual expenditures under budget is due to cost saving measures implemented throughout the year and due to some state/federal awards not being spent in the time frame anticipated.

Capital Asset and Debt Administration

Capital Assets. By June 30, 2014 the District has invested approximately $22,020,518 in broad range of capital assets including school buildings, land, construction in progress, athletic facilities, furniture and equipment. This represents a net decrease of approximately $196,330. More detailed information about capital assets is available in Note C to the financial statements.

	Balance June 30, 2015	Balance June 30, 2014
Land	$ 141,420	$ 141,420
Construction in progress	-	57,631
Building and building improvements	19,309,257	19,580,735
Site improvements	2,160,559	1,984,817
Equipment and furniture	207,377	204,465
Buses and other vehicles	201,905	247,960
Total historical cost	$ 22,020,518	$ 22,217,028

Debt

At year-end, the District had approximately $17,215,000 in general obligation bonds, $141,253 in bus leases, $7,935 in copier leases and $127,821 in compensated absences. The decrease of $963,131 is primary the principal payment on the 2010 Building and Site Series A Bond, copier lease and compensated absence payments. More detailed information about capital asset is available in Note E to the financial statements.

This year's capital asset additions include purchasing four busses on a capital lease.

	2015	2014
Bonds	$ 17,215,000	$ 18,100,000
Capital leases	149,187	201,891
Compensated absences	127,821	153,248
Total	$ 17,492,008	$ 18,455,139

Note 1: Annual $119,900 payments are escrowed until bond maturity on May 22, 2018.
Note 2: Annual $109,333 payments are escrowed until bond maturity on October 22, 2024.
Note 3: Includes $55,701 due within one year.

Factors Bearing on the District's Future

We considered many factors when setting the District's 2015-16 fiscal year budgets, including the anticipated loss of students, and a slight increase in the foundation allowance while increasing costs in retirement and health insurance. The District has planned for these losses, while trying to stabilize the district fund balance.

Approximately 88% of total General Fund revenues are from the foundation allowance, including property taxes. The State foundation allowance is determined by multiplying the student count by the foundation allowance per pupil. That makes our student count estimate one of the most important factors impacting our budget. In setting the budget for 2015-16, we assumed a reduction of 85 students based on predictions of an independent pupil enrollment statistician and a $75 increase in the Foundation allowance and assuming a slight decrease in federal grant income.

Since the District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect the revenues to fund its appropriation to school districts. For the 2014-15, the District saw a foundation allowance of $7,126. This State funding was $100 more than in the 2013-14 school year. The district also qualified for the "State's Best Practice Incentive" funds for the past two years. 2014-2015 was the last year that offered the "State's Best Practice Incentive" funds.

Going into the budget planning cycle for 2015-16, the district is planning on right sizing the staffing to reflect the needs according to class size. The district employee contract language is tied to increases or decreases in student enrollment. Any changes in student enrollment it will have a direct impact on employee wages and fringes. The district will need to reduced line-items for supplies and materials and other operational costs significantly to balance the budget for the 2015-16 school year. It is the districts goal to maintain its fund balance moving forward. However, State funding increases over the past ten years have been less than the rate of inflation, and further cuts will continue if the district doesn't stabilize student enrollment moving forward.

Requests for Information:

This financial report is intended to provide a general overview of the Cassopolis Public Schools district finances for all of those with an interest in government finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Tracy Hertsel, Superintendent
Cassopolis Public Schools
725 Center Street
Cassopolis, MI 49031
Office Telephone (269) 445-0500
Office Fax (269) 445-0505
Email thertsel@cassopolis.org

BASIC FINANCIAL STATEMENTS

Cassopolis Public Schools

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities
ASSETS	
Current assets	
Cash	$ 5,619,022
Accounts receivable	16,575
Due from other governmental units	958,441
Prepaids	13,121
Total current assets	6,607,159
Noncurrent assets	
Capital assets not being depreciated	141,420
Capital assets, net of accumulated depreciation	21,879,098
Total noncurrent assets	22,020,518
TOTAL ASSETS	28,627,677
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	1,386,000
LIABILITIES	
Current liabilities	
Accounts payable	15,341
Other accrued liabilities	319,562
Unearned revenue	96,210
Short-term notes payable	497,300
Accrued interest payable on long-term debt	131,099
Current portion of compensated absences	39,131
Current portion of long-term debt	937,800
Total current liabilities	2,494,022
Noncurrent liabilities	
Noncurrent portion of compensated absences	88,690
Noncurrent portion of long-term debt	16,426,387
Net pension liability	10,798,449
Total noncurrent liabilities	27,313,526
TOTAL LIABILITIES	29,807,548
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	1,193,773
NET POSITION	
Net investment in capital assets	4,656,331
Restricted for debt service	3,456,768
Restricted for capital projects	501
Restricted for food service	207,712
Unrestricted	(9,308,956)
TOTAL NET POSITION	$ (987,644)

See accompanying notes to financial statements.

Cassopolis Public Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position
Governmental Activities				
Instruction	$ 5,205,464	$ 120,790	$ 1,881,002	$ (3,203,672)
Supporting services	3,767,189	41,579	579,644	(3,145,966)
Community services	15,403	-	-	(15,403)
Food service	531,705	109,498	472,677	50,470
Interest on long-term debt	181,795	-	-	(181,795)
Unallocated depreciation	862,398	-	-	(862,398)
TOTAL	$ 10,563,954	$ 271,867	$ 2,933,323	(7,358,764)

General revenues	
Property taxes, levied for general purposes	3,534,653
Property taxes, levied for debt service	981,743
Property taxes, levied for capital projects	357,606
State school aid - unrestricted	3,078,352
Interest and investment earnings	45,268
Other	159,441
TOTAL GENERAL REVENUES	8,157,063
CHANGE IN NET POSITION	798,299
Restated net position, beginning of year	(1,785,943)
Net position, end of year	$ (987,644)

See accompanying notes to financial statements.

Cassopolis Public Schools

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	2003 QZAB Bond	Nonmajor Governmental Funds	Total
ASSETS				
Cash	$ 1,834,304	$ 2,174,755	$ 1,609,963	$ 5,619,022
Accounts receivable	7,298	-	9,277	16,575
Due from other governmental units	955,166	-	3,275	958,441
Due from other funds	243	-	-	243
Prepaids	10,926	-	2,195	13,121
TOTAL ASSETS	$ 2,807,937	$ 2,174,755	$ 1,624,710	$ 6,607,402
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 14,601	$ -	$ 740	$ 15,341
Accrued payroll	455,828	-	1,751	457,579
Other accrued liabilities	318,911	-	651	319,562
Due to other funds	-	-	243	243
Unearned revenue	96,210	-	-	96,210
Short-term notes payable	497,300	-	-	497,300
TOTAL LIABILITIES	1,382,850	-0-	3,385	1,386,235
FUND BALANCES				
Nonspendable				
Prepaids	10,926	-	2,195	13,121
Restricted				
Food service	-	-	205,517	205,517
Capital projects	-	-	501	501
Debt service	-	2,174,755	1,413,112	3,587,867
Assigned				
Subsequent year's expenditures	270,889	-	-	270,889
Unassigned	1,143,272	-	-	1,143,272
TOTAL FUND BALANCES	1,425,087	2,174,755	1,621,325	5,221,167
TOTAL LIABILITIES AND FUND BALANCES	$ 2,807,937	$ 2,174,755	$ 1,624,710	$ 6,607,402

See accompanying notes to financial statements.

Cassopolis Public Schools

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2015

Total fund balances - governmental funds		$ 5,221,167
Amounts reported for the governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
The cost of capital assets is	$ 35,446,081	
Accumulated depreciation is	(13,425,563)	
		22,020,518
Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the district-wide financial statements. These amounts consist of:		
Deferred outflows of resources related to pensions	1,386,000	
Deferred inflows of resources related to pensions	(1,193,773)	
		192,227
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds payable	(17,364,187)	
Accrued interest payable on long-term debt	(131,099)	
Compensated absences	(127,821)	
Net pension liability	(10,798,449)	
		(28,421,556)
Net position of governmental activities		$ (987,644)

See accompanying notes to financial statements.

Cassopolis Public Schools

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

Year Ended June 30, 2015

	General Fund	2003 QZAB Bond	Nonmajor Governmental Funds	Total
REVENUES				
Local sources	$ 3,793,034	$ 36,500	$ 1,456,186	$ 5,285,720
State sources	4,629,721	-	16,906	4,646,627
Federal sources	1,028,588	-	455,771	1,484,359
TOTAL REVENUES	9,451,343	36,500	1,928,863	11,416,706
EXPENDITURES				
Current				
Instruction	4,996,436	-	-	4,996,436
Supporting services	3,745,842	-	-	3,745,842
Community services	15,403	-	-	15,403
Food service	-	-	528,502	528,502
Capital outlay	35,250	-	709,433	744,683
Debt service	49,248	2,914	1,069,538	1,121,700
TOTAL EXPENDITURES	8,842,179	2,914	2,307,473	11,152,566
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	609,164	33,586	(378,610)	264,140
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,118,819	92,822	1,211,641
Payments from other districts	66,983	-	48,417	115,400
Transfers out	(74,822)	-	(1,136,819)	(1,211,641)
Payments to other districts	(121,924)	-	-	(121,924)
TOTAL OTHER FINANCING SOURCES (USES)	(129,763)	1,118,819	(995,580)	(6,524)
NET CHANGE IN FUND BALANCES	479,401	1,152,405	(1,374,190)	257,616
Fund balances beginning of year	945,686	1,022,350	2,995,515	4,963,551
Fund balances end of year	$ 1,425,087	$ 2,174,755	$ 1,621,325	$ 5,221,167

See accompanying notes to financial statements.

Cassopolis Public Schools

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Net change in fund balances - total governmental funds		$ 257,616
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 665,888	
Depreciation expense	(862,398)	
Excess of depreciation expense over capital outlay		(196,510)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:		
Unavailable revenue		(169,853)
Repayment and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayments reduce long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current period, these amounts consist of:		
Debt principal retirement		937,704
Some items reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. In the current period, these amounts consist of:		
Decrease in net pension liability	687,826	
Change in deferred outflows of resources related to pensions	447,661	
Change in deferred inflows of resources related to pensions	(1,193,773)	
Decrease in accrued interest payable	2,201	
Decrease in compensated absences	25,427	
		(30,658)
Change in net position of governmental activities		$ 798,299

See accompanying notes to financial statements.

Cassopolis Public Schools

STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUND

June 30, 2015

	Agency Fund
ASSETS	
Cash	$ 172,128
LIABILITIES	
Due to student groups	$ 172,128

See accompanying notes to financial statements.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Cassopolis Public Schools (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below:

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of Cassopolis Public Schools. The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the district-wide financial statements) present information for the District as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the district-wide financial statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, unrestricted state aid payments, and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District utilizes governmental and fiduciary funds.

The governmental fund financial statements present the District's individual major funds and aggregated nonmajor funds. Separate columns are shown for the major funds on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column. Fiduciary funds are reported by type.

The major funds of the District are:

a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations, except those required to be accounted for in another fund.

b. 2003 QZAB Bond Fund - The 2003 QZAB Bond Fund was established to account for restricted tax revenue and accumulation of other resources for payment of debt related to the bond.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The district-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty (60) days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The District reports unearned and unavailable revenue on its governmental funds balance sheet, when applicable. Unavailable revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty (60) days of year-end. Unearned revenues also arise when the District receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

If/when both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources if they are needed.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.

a. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.

e. The Superintendent is authorized to transfer budgeted amounts for purposes of meeting emergency needs of the District; however, these transfers must be approved subsequently by the School Board.

f. Formal budgetary integration is employed as a management control device during the year for the General Fund and all Special Revenue Funds.

g. The budget, as presented, has been amended in a legally permissible manner.

6. Cash

Cash consists of checking and savings accounts.

7. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” and “due to other funds” on the governmental funds balance sheet.

8. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan’s funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2015, to be paid in July and August 2015. The total amount of $958,441 due from other governmental units consists of $781,146 related to State Aid and $177,295 for other governmental grants.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements. Reported prepaid expenditures are equally offset by nonspendable fund balance which indicates they do not constitute “available spendable resources” even though they are a component of fund balance.

10. Capital Assets

Capital assets include land, land improvements, buildings and additions, equipment, furniture, and other assets, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than $5,000 and an estimated useful life of more than one (1) year. Capital assets also include individual cost items that are less than $5,000 if the items were part of a large purchase to equip buildings. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and building improvements	20 - 50 years
Site improvements	10 - 20 years
Equipment and furniture	5 - 10 years
Buses and other vehicles	5 - 10 years

The District has no assets that would be classified as infrastructure assets.

11. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Compensated absences consist of earned but unused accumulated vacation and sick leave benefits and other severance benefits. Accumulated vested severance amounts and nonvested severance amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

12. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The District has several items that qualify for reporting in these categories and are reported in the district-wide financial statement of net position. These items correspond to the District’s net pension liability and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Unearned Revenue

The unexpended balance of various federal and/or state categorical and local grants is carried forward as unearned revenue until the period in which eligible expenditures are incurred.

14. Short-term Note Obligations

Short-term debt is recognized as a liability of a governmental fund and is included on the balance sheet of the applicable fund. During the current year the District borrowed funds to meet short-term cash flow borrowing needs. The final payment is due and payable in August 2015, and anticipated State Aid is expected to be sufficient to cover this commitment.

15. Net Pension Liability

The net pension liability is deemed to be a noncurrent liability and is recognized on district-wide financial statements as the District's proportionate share of the Michigan Public School Employees' Retirement System's (MPSERS) total pension liability, less the pension plan's fiduciary net position.

16. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are assessed as of December 1 and the related property taxes become a lien on February 15 of the following year. Penalties and interest are assessed and the total obligation is added to the county tax rolls. School district property tax revenues are recognized when levied to the extent that they result in current revenue (collected as of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected.

The District levies taxes of $18.00 per $1,000 of taxable valuation on most non-primary residency exempt property for operating purposes. The District also levies a total of $2.3000 per $1,000 of taxable valuation for debt service on all property. The District also levies a total of $0.8379 per $1,000 of taxable valuation for the sinking fund on all property. Total taxable value of all properties within the District amounted to $416,828,824.

17. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995, the State utilized a district power equalizing approach. The foundation is funded from State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2015, the foundation allowance was based on the average of pupil membership counts taken in October 2014 and February 2015. The average calculation was weighted 90% for the October 2014 count and 10% for the February 2015 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the fiscal year and two (2) payments made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as unearned revenue.

19. Interfund Transactions

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers on the governmental fund financial statements. Transfers are netted as part of the reconciliation to the district-wide financial statements.

20. Restrictions of Net Position

Restrictions of net position shown in the district-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

21. Federal Programs

Federal programs are accounted for in the specific governmental fund to which they relate. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under a separate cover as supplementary information to the financial statements.

22. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

23. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. 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.

2. 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.

NOTE B: CASH - CONTINUED

3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.

5. United States government or Federal agency obligation repurchase agreements.

6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation (FDIC).

7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.

8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the District.

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2015, the carrying amount of the District's deposits was $5,791,050 and the bank balance was $5,940,931 of which $750,000 was covered by Federal depository insurance. The balance of $5,190,931 was uninsured and uncollateralized.

Credit Risk

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. As of June 30, 2015, the District had no investments that were subject to ratings.

Interest Rate Risk

The District will assess and control interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by specific identification and duration.

Concentration of Credit Risk

Investments in U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100% of the available reserves. Investments in other types of authorized securities may be made with the provision that no more than 50% of the total current investment portfolio consists of one type of security.

Custodial Credit Risk

The District has not adopted a policy for custodial credit risk.

NOTE B: CASH - CONTINUED

As of June 30, 2015, the District's deposits and investments were reported in the financial statements in the following categories:

	Governmental Activities	Fiduciary Fund	Total
Cash	$ 5,619,022	$ 172,128	$ 5,791,150

The District had $100 of imprest cash on hand.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Restated Balance July 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2015
Governmental activities				
Capital assets not being depreciated				
Land	$ 141,420	$ -	$ -	$ 141,420
Construction in progress	57,631	-	(57,631)	-0-
Total capital assets not being depreciated	199,051	-0-	(57,631)	141,420
Capital assets being depreciated				
Buildings and building improvements	29,304,228	333,500	-	29,637,728
Site improvements	3,403,358	349,113	-	3,752,471
Equipment and furniture	902,424	40,906	(51,571)	891,759
Buses and other vehicles	1,022,703	-	-	1,022,703
Total capital assets being depreciated	34,632,713	723,519	(51,571)	35,304,661
Less accumulated depreciation for:				
Buildings and building improvements	(9,723,493)	(604,978)	-	(10,328,471)
Site improvements	(1,418,541)	(173,371)	-	(1,591,912)
Equipment and furniture	(697,959)	(37,994)	51,571	(684,382)
Buses and other vehicles	(774,743)	(46,055)	-	(820,798)
Total accumulated depreciation	(12,614,736)	(862,398)	51,571	(13,425,563)
Net capital assets being depreciated	22,017,977	(138,879)	-0-	21,879,098
Net capital assets	$ 22,217,028	$ (138,879)	$ (57,631)	$ 22,020,518

Total depreciation expense of $862,398 was not allocated to government functions. It appears on the statement of activities as "unallocated."

NOTE D: SHORT-TERM NOTES PAYABLE

On August 20, 2013, the District issued short-term State School Aid Anticipation Notes in the amount of $1,800,000 for the purpose of funding operating expenditures during periods of low cash flows. These short-term notes, which had a net outstanding balance of $600,000 at June 30, 2014, were paid in full during the year ended June 30, 2015.

On August 20, 2014, the District issued short-term State School Aid Anticipation Notes in the amount of $1,500,000 for the purpose of funding operating expenditures during periods of low cash flows. These short-term notes, which have a net outstanding balance of $497,300 at June 30, 2015, are reported in the financial statements under the caption short-term notes payable.

NOTE E: LONG-TERM DEBT

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

	Restated Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
2003 QZAB Bonds	$ 2,230,000	$ -	$ -	$ 2,230,000	$ -
2009 Energy Conservation Improvement Bonds	1,640,000	-	-	1,640,000	-
2010 Building & Site, Series A	11,590,000	-	(885,000)	10,705,000	885,000
2010 Building & Site, Series B	2,640,000	-	-	2,640,000	-
Passenger Bus Lease	187,503	-	(46,250)	141,253	46,027
Copier Purchase Agreement	14,388	-	(6,454)	7,934	6,773
Compensated absences	153,248	21,488	(46,915)	127,821	39,131
Total	$ 18,455,139	$ 21,488	$ (984,619)	$ 17,492,008	$ 976,931

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation Bonds

$2,230,000 2003 QZAB (Qualified Zone Academy Bonds) Bonds date May 22, 2003, due in one installment of $2,230,000 on May 22, 2018, with interest of 0%.	$ 2,230,000
$1,640,000 2009 Energy Conservation Improvement Bonds dated October 9, 2009, due in one installment of $1,640,000 on October 22, 2024, with interest of 0%.	1,640,000
$13,360,000 2010 Building and Site Bonds Series A dated June 29, 2010, due in annual installments ranging from $885,000 to $905,000 through May 1, 2027, with interest ranging from 4.30 to 6.25 percent, payable semi-annually.	10,705,000
$2,640,000 2010 Building and Site Bonds Series B dated June 29, 2010, due in 3 annual installments ranging from $875,000 to $885,000 through May 1, 2030, with interest of 6.50 percent, payable semi-annually.	2,640,000
	$ 17,215,000

NOTE E: LONG-TERM DEBT - CONTINUED

Capital Leases

$246,240 Passenger Bus capital lease payable dated November 1, 2013, due in annual installments ranging from $46,027 to $48,150 through July 15, 2017, with interest of 2.28 percent, payable annually.	$ 141,253
$35,042 Copier capital lease payable dated August 25, 2011, due in monthly installments ranging from $552 to $582 through August 31, 2016, with an interest rate of 0.41 percent payable monthly.	7,934
	$ 149,187

Compensated Absences

In accordance with District personnel policies and/or contracts negotiated with various employee groups of the District, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including payroll taxes, amount to $127,821 as of June 30, 2015. This amount has been reported as current and noncurrent liabilities in the statement of net position.

The annual requirements to pay the debt principal and interest outstanding for the Long-Term Debt are as follows:

Year Ending	General Obligation Bonds		Capital Leases	
June 30,	Principal	Interest	Principal	Interest
2016	$ 885,000	$ 767,500	$ 52,800	$ 3,556
2017	885,000	729,445	48,237	2,178
2018	885,000	686,965	48,150	1,098
2019	3,115,000	642,715	-	-
2020	890,000	597,138	-	-
2021-2025	6,110,000	2,232,736	-	-
2026-2030	4,445,000	856,426	-	-
	$ 17,215,000	$ 6,512,925	$ 149,187	$ 6,832

NOTE F: INTERFUND RECEIVABLES AND PAYABLES

Amounts appearing as interfund payables and receivables arise from two (2) types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE F: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

The amount of interfund receivables and payables at June 30, 2015, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	$ 243

NOTE G: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfer to 2003 QZAB Bond Fund from:	
Nonmajor governmental funds	$ 1,118,819
Transfer to nonmajor governmental funds from:	
General Fund	$ 74,822
Nonmajor governmental funds	18,000
	$ 92,822

The transfer from the nonmajor governmental funds to the 2003 QZAB Bond Fund was to be in compliance with bond covenants which require annual transfers out of the these funds to accumulate funds to pay the 2003 QZAB bonds. The transfer from the General Fund and nonmajor governmental funds to the nonmajor governmental fund was to be in compliance with bond covenants which require annual transfers out of the these funds to accumulate funds to pay the 2009 Energy Conservation Improvement Bonds.

NOTE H: EMPLOYEE RETIREMENT SYSTEM

PLAN DESCRIPTION

The Michigan Public School Employees' Retirement System (MPSERS) (the System) 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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html. MPSERS board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member. The Governor appointed board members consist of:

- Two active classroom teachers or other certified school personnel.
- One active member or retirant from a non-certified support position.
- One active school system superintendent.
- One active finance or operations (non-superintendent) member.
- One retirant from a classroom teaching position.
- One retirant from a finance or operations management position.
- One administrator or trustee of a community college that is a reporting unit of the System.
- Two from the general public, one with health insurance or actuarial science experience, and one with institutional investment experience.
- One elected member of a reporting unit's board of control.

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PLAN DESCRIPTION - CONTINUED

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 retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act. There are 685 participating employers. The System is a qualified pension trust fund under section 401(a) of the Internal Revenue Code. By statute, employees of K-12 public school districts, public school academies, district libraries, tax-supported community colleges and seven universities may be members. The seven universities are: Eastern Michigan, Central Michigan, Northern Michigan, Western Michigan, Ferris State, Michigan Technological, and Lake Superior State. Employees, who first become employed by one of the seven universities on or after January 1, 1996, become members of an alternative plan.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report.

The System is administered by the Office of Retirement Services 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.

Membership

At September 30, 2014, the System's membership consisted of the following:

Inactive plan members or their beneficiaries currently receiving benefits:	
Regular benefits	181,489
Survivor benefits	16,855
Disability benefits	6,168
Total	204,512
Inactive plan members entitled to but not yet receiving benefits:	16,979
Active plan members:	
Vested	108,934
Non-vested	101,843
Total	210,777
Total plan members	432,268

BENEFITS PROVIDED

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

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

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

BENEFITS PROVIDED - CONTINUED

Member Contributions

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first $5,000; 3.6% of $5,001 through $15,000; 4.3% of all wages over $15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first $5,000; 3.6% of $5,001 through $15,000; 6.4% of all wages over $15,000.

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

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Their options are described in detail under Pension Reform 2012. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

<u>Employer Contributions</u>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Accounting and Presentation</u>

The System's financial statements are prepared using the accrual basis of accounting. Contributions from the employers are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of the System. The reserves are described below and details are provided in the supporting schedules.

GASB Statement No. 67, which was adopted during the year ended September 30, 2014, addresses accounting and financial reporting requirements for pension plans. The requirements for GASB Statement No. 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information.

Significant changes include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures. The implementation of GASB Statement No. 67 did not significantly impact the accounting for accounts receivable and investment balances.

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reserves

Reserve for Employee Contributions - This reserve represents active member contributions and interest less amounts transferred to the Reserve for Retired Benefit Payments for regular and disability retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Employer Contributions representing unclaimed funds.

Members no longer contribute to this reserve except to purchase eligible service credit or repay previously refunded contributions. At September 30, 2014, the balance in this reserve was $1.5 billion.

Reserve for Pension Plus Employee Contributions - This reserve represents active member contributions and interest less amounts transferred to the Reserve for Pension Plus Retired Benefit Payments for regular retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Pension Plus Employer Contributions representing unclaimed funds. This reserve was established under the provisions of Public Act 75 of 2010. At September 30, 2014, the balance in this reserve was $59.5 million.

Reserve for Member Investment Plan - This reserve represents MIP contributions and interest less refunds and transfers to the Reserve for Retired Benefit Payments. At September 30, 2014, the balance in this reserve was $4.7 billion.

Reserve for Employer Contributions - This reserve represents all reporting unit contributions, except payments for health benefits. Interest from the Reserve for Undistributed Investment Income reserve is credited annually. Amounts are transferred annually to the Reserve for Retired Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was ($25.8) billion.

Reserve for Pension Plus Employer Contributions - This reserve represents all reporting unit contributions for Pension Plus members, except payments for health benefits. Interest from the Reserve for Undistributed Investment Income reserve is credited annually at a rate of 7%. Amounts are transferred annually to the Reserve for Retired Pension Plus Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. This reserve was established under the provisions of Public Act 75 of 2010. At September 30, 2014, the balance in this reserve was $55.5 million.

Reserve for Retired Benefit Payments - This reserve represents payments of future retirement benefits to current retirees. At retirement, a member’s accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was $44.6 billion.

Reserve for Retired Pension Plus Benefit Payments - This reserve represents payments of future retirement benefits to current Pension Plus retirees. At retirement, a member’s accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Pension Plus Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. This reserve was established under the provisions of Public Act 75 of 2010. Currently, there are no participants qualified to retire under this program. At September 30, 2014, the balance in this reserve was $0.

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reserves - continued

Reserve for Undistributed Investment Income - This reserve represents all investment earnings. Interest is transferred annually to the other reserves. Administrative expenses of the System are paid from the Reserve for Administrative Expenses, which is credited with amounts from the Reserve for Undistributed Investment Income to cover the expenses. For ease of reporting and understanding, the two reserves are presented as one reserve in the supporting schedules. Public Act 143 of 1997 established a stabilization subaccount within the Reserve for Undistributed Investment Income to which any over funding is credited. As of September 30, 2014, the balance in the subaccount was zero. At September 30, 2014, the balance in this reserve was $18.6 billion.

Reserve for Health (OPEB) Related Benefits - This reserve is credited with employee and employer contributions for retirees' health, dental, and vision benefits. Starting in fiscal year 2013, the employer contribution is based on a prefunded basis and represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed thirty years. In addition, in fiscal year 2014, federal funding for Medicare Part D and Employer Group Waiver Plan (EGWP) was paid directly to a third party vendor. The third party vendor uses the EGWP funding for any claims submitted and bills the system for any remaining claims outstanding. Premiums for health, dental and vision benefits are paid from this reserve. At September 30, 2014, the balance in this reserve was $3.5 billion.

Reporting Entity

The System is a pension and other employee benefit trust fund of the State. As such, the System is considered part of the State and is included in the State's Comprehensive Annual Financial Report as a pension and other employee benefit trust fund. The System and its Board are not financially accountable for any other entities or other organizations.

Benefit Protection

Public Act 100 of 2002 was passed by the Michigan Legislature to protect pension benefits of public employees from alienation (being transferred). Alienation is attachment, garnishment, levy, execution, bankruptcy, or other legal process except for divorce orders or eligible domestic relation orders. The statutes governing the System contained an "antialienation" clause to provide for this protection; however, many smaller public pension systems did not have the benefit of this protection. Therefore, Public Act 100 of 2002 was passed to establish legal protection of pension assets that encompasses all public employees.

Fair Value of Investments

Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. The fair value of private investments is based on the net asset value reported in the financial statements of the respective investment entity. The net asset value is determined in accordance with governing documents of the investment entity, and is subject to an independent annual audit. Securities purchased with cash collateral under securities lending activities are recorded at estimated fair value. Other investments not having an established market are recorded at estimated fair value.

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investment Income

Dividend and interest income is recognized on the accrual basis. Fair value changes are recorded as investment income or loss. Purchases and sales of investments are recorded as of the trade date (the date upon which the transaction is initiated), except for purchase and sale of mortgages, real estate, and alternative investments which are recorded as of the settlement date (the date upon which the transaction is ultimately completed). The effect of recording such transactions as of the settlement date does not materially affect the System's financial statements.

Costs of Administering the System

Each year a restricted State general fund appropriation is requested to fund the on-going business operations of the System. These administrative costs are ultimately funded by the System through the regular transfer of funds from the System to the State's general fund based on either a direct cost or allocation basis depending on the nature of the expense. Costs of administering the System are financed by undistributed investment income of the System.

Cash

At September 30, 2014, the System had $246.7 million in a common cash investment pool maintained for various State operating funds. The participating funds in the common cash pool earn interest at various rates depending upon prevailing short-term interest rates. Earnings from these activities amounted to ($0.6) thousand for the year ended September 30, 2014.

CONTRIBUTIONS AND FUNDING STATUS

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

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

Pension Contribution Rates

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

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

CONTRIBUTIONS AND FUNDING STATUS - CONTINUED

The System may reconcile with actuarial requirements annually. If the system reconciles in a year, any funding excess or deficiency for pension benefits is smoothed over a maximum of 5 years, with at least one-fifth (20%) of the funding excess or deficiency included in the subsequent year's contribution. This payment is not recognized as a payable or receivable in the accounting records. If the System does not reconcile in a year, any funding excess or deficiency for pension benefits is accounted for in subsequent required contributions over the remaining amortization period. For fiscal year 2014, the System did not reconcile.

In May 1996, the Internal Revenue Service issued a private letter ruling allowing the System's members to purchase service credit and repay refunds using tax-deferred (pre-tax) dollars. The program was implemented in fiscal year 1998, and payments began in fiscal year 1999.

The program allows members to purchase service credit and repay refunds on a tax-deferred basis. Members sign an irrevocable agreement that identifies the contract duration, monthly payment, total contract amount, and years of service credit being purchased. The duration of the contract can range from 1 to 20 years. The amounts are withheld from members' paychecks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h). At September 30, 2014, there were 16,503 agreements. The agreements were discounted using the assumed actuarial rate of return of 8% for September 30, 2014. The average remaining length of a contract was approximately 6.0 years for 2014. The short-term receivable was $29.7 million and the discounted long-term receivable was $83.6 million at September 30, 2014.

NET PENSION LIABILITY - NON-UNIVERSITY

Measurement of the MPSERS Net Pension Liability

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

MPSERS (Plan) Net Pension Liability - Non-University
As of September 30, 2014

Total Pension Liability	$ 65,160,887,182
Plan Fiduciary Net Position	43,134,384,072
Net Pension Liability	$ 22,026,503,110
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.20%
Net Pension Liability as a percentage of Covered-Employee Payroll	250.11%

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

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

MPSERS (Plan) Net Pension Liability - Non-University
As of October 1, 2013

Total Pension Liability	$ 62,859,499,994
Plan Fiduciary Net Position	39,427,686,072
Net Pension Liability	$ 23,431,813,922

Proportionate Share of Cassopolis Public Schools' Net Pension Liability

At September 30, 2014, Cassopolis Public Schools reported a liability of $10,798,449 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013, as of that date. Cassopolis Public Schools' proportionate share of the net pension liability was based on statutorily required contributions in relation to all reporting units' statutorily required contributions for the measurement period. At September 30, 2014, Cassopolis Public Schools' proportionate share was 0.04902 percent.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	4.8 %
% Alternative Investment Pools	18.0	8.5
International Equity	16.0	6.1
Fixed Income Pools	10.5	1.5
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	15.5	6.3
Short Term Investment Pools	2.0	-0.2
Total	100 %	

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

Rate of Return

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

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Discount Rate

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

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

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

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
$ 14,236,815	$ 10,798,449	$ 7,901,575

Timing of the Valuation

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

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

Actuarial Valuations and Assumptions

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

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

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Actuarial Valuations and Assumptions - continued

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

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

PENSION EXPENSES AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended June 30, 2015, Cassopolis Public Schools recognized total pension expense of $874,707. At June 30, 2015, Cassopolis Public Schools 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
Changes of assumptions	$ 398,440	$ -
Net difference between projected and actual earnings on pension plan investments	-	1,193,773
Changes in proportion and differences between Cassopolis Public Schools' contributions and proportionate share of contributions	8	-
Cassopolis Public Schools' contributions subsequent to the measurement date	987,552	-
Total	$ 1,386,000	$ 1,193,773

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PENSION EXPENSES AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - CONTINUED

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date ($987,552), which will impact the net pension liability in fiscal year 2016, rather than pension expense.

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized In Future Pension Expenses)

Year Ended September 30,	Amount
2015	$ (194,835)
2016	(194,835)
2017	(194,835)
2018	(210,820)
	$ (795,325)

NOTE I: OTHER POST-EMPLOYMENT BENEFITS

PLAN DESCRIPTION

The Michigan Public School Employees' Retirement System (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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html.

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10.0 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate.

Contribution rates for the year ended June 30, 2015, are as follows:

	Health Contribution Rate	
	Basic/MIP	Pension Plus
July 1, 2014 - September 30, 2014	5.52 - 6.45%	5.52 - 6.45%

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

PLAN DESCRIPTION - CONTINUED

The District's required and actual contributions to the various plans for the last three fiscal years are as follows:

	Defined Benefit Plan	Defined Contribution Plan	
Fiscal Year Ending June 30,	Employer Health Contributions	Employer Contributions	Employee Contributions
2015	$ 404,675	$ 12,132	$ 7,129
2014	343,647	Not available	
2013	564,879	Not available	

NOTE J: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for boiler, property, fleet, liability, in-land marine, equipment breakdown, builder's risk, employee dishonesty, crime, and error and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

NOTE K: SINKING FUND

The Capital Project Fund of the District is funded by a voted millage for a sinking fund as well as other local dollars (i.e., interest, etc.). For the expenditures recorded within the Capital Project Fund, the District has complied with the applicable provisions of Section 1212(1) of the Revised School Code in current and prior years.

NOTE L: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

NOTE L: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the District's highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is through a formal action and approval by the Board of Education.

For assigned fund balance, the Board of Education has not authorized anyone to assign amounts to a specific purpose, therefore this authority is retained by the Board of Education.

For the classification of fund balances, the District considers restricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the District considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE M: RESTATEMENT OF BEGINNING NET POSITION

Beginning net position has been restated for governmental activities due to a change in accounting principles and change in how compensated absences are calculated.

Ending net position as of June 30, 2014	$ 9,097,419
Beginning net pension liability	(11,486,275)
Overstated compensated absences	612,022
Deferred outflows of resources	938,339
Overstated capital assets	(947,448)
Restated net position as of June 30, 2014	$ (1,785,943)

NOTE N: SUBSEQUENT EVENTS

After the year ended June 30, 2015, in August 2015 the voters of the District approved a 0.75 mill new tax millage in order to issue $3,330,000 in bonds. These bonds will be used to remodel, furnish/refurnish, equip/re-equip, replacing roofs on school facilities, building security, energy conservation improvements, and preparing, developing, and improving outdoor athletic facilities.

In August 2015, the District received funds from the Michigan Municipal Bond Authority short-term cash flow borrowing program. The loan in the amount of $998,160 was for the purpose of funding operating expenditures until the fiscal year 2016 State Aid payments begin. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

NOTE O: CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during the current year. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual cost of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68,* was implemented during the year as it is required to be applied simultaneously with the provisions of GASB Statement No. 68. The statement addresses an issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, the District recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability.

NOTE P: UPCOMING CHANGES IN ACCOUNTING PRINCIPLES

In March 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurement. The District is currently evaluating the impact this standard will have on the financial statements when adopted for the District’s 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District’s 2017-2018 fiscal year.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District’s 2016-2017 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Cassopolis Public Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	$ 3,843,004	$ 3,757,014	$ 3,793,034	$ 36,020
State sources	3,775,250	4,717,840	4,629,721	(88,119)
Federal sources	728,894	1,095,983	1,028,588	(67,395)
Other sources	27,500	66,983	66,983	-0-
TOTAL REVENUES	8,374,648	9,637,820	9,518,326	(119,494)
EXPENDITURES				
Current				
Instruction				
Basic programs	3,476,626	3,775,022	3,651,378	123,644
Added needs	1,024,793	1,152,648	1,137,870	14,778
Adult/continuing Education	247,652	197,505	207,188	(9,683)
Total instruction	4,749,071	5,125,175	4,996,436	128,739
Supporting services				
Pupil	349,391	377,883	377,225	658
Instructional staff	174,854	94,950	134,723	(39,773)
General administration	356,410	343,132	344,745	(1,613)
School administration	373,433	396,577	387,231	9,346
Business services	242,528	298,915	316,281	(17,366)
Operations and maintenance	999,691	1,193,693	1,199,607	(5,914)
Transportation	504,130	477,042	492,108	(15,066)
Central	262,884	251,144	249,754	1,390
Athletics	222,951	269,559	244,168	25,391
Total supporting services	3,486,272	3,702,895	3,745,842	(42,947)
Community services	-	15,782	15,403	379
TOTAL EXPENDITURES	8,235,343	8,843,852	8,757,681	86,171
EXCESS OF REVENUES OVER EXPENDITURES	139,305	793,968	760,645	(33,323)
OTHER FINANCING (USES)				
Other transfers and financing uses	(139,305)	(296,468)	(281,244)	15,224
NET CHANGE IN FUND BALANCE	-0-	497,500	479,401	(18,099)
Fund balance beginning of year	945,686	945,686	945,686	-0-
Fund balance end of year	$ 945,686	$ 1,443,186	$ 1,425,087	$ (18,099)

Cassopolis Public Schools

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Michigan Public School Employee Retirement Plan

Last Fiscal Year (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 9/30 of each fiscal year)

	2014
Cassopolis Public Schools' proportion of net pension liability (%)	0.04902%
Cassopolis Public Schools' proportionate share of net pension liability	$ 10,798,449
Cassopolis Public Schools' covered-employee payroll	$ 4,180,894
Cassopolis Public Schools' proportionate share of net pension liability as a percentage of its covered-employee payroll	258.28%
Plan fiduciary net position as a percentage of total pension liability	66.20%

Cassopolis Public Schools

SCHEDULE OF CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

Last Fiscal Year (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 6/30 of each fiscal year)

	2015
Statutorily required contributions	$ 957,025
Contirbutions in relation to statutorily required contributions	957,025
Contribution deficiency (excess)	$ -0-
Cassopolis Public Schools' covered employee payroll	$ 3,953,683
Contributions as a percentage of covered-employee payroll	24.21%

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2015, the District incurred expenditures in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
Current			
Instruction			
Adult education	$ 197,505	$ 207,188	$ 9,683
Supporting services			
Instructional staff	94,950	134,723	39,773
General administration	343,132	344,745	1,613
Business	298,915	316,281	17,366
Pupil transportation	477,042	492,108	15,066
Operations and maintenance	1,193,693	1,199,607	5,914

NOTE B: DEFINED BENEFIT RETIREMENT PLAN

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

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

OTHER SUPPLEMENTARY INFORMATION

Cassopolis Public Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2015

	Special Revenue Fund	Debt Service Funds			Capital Projects Fund	
	Food Service	2009 Energy Conservation Bond	2010 Series A	2010 Series B	Sinking Fund	Total
ASSETS						
Cash	$ 196,350	$ 652,683	$ 629,379	$ 131,050	$ 501	$ 1,609,963
Accounts receivable	9,277	-	-	-	-	9,277
Due from other governmental units	3,275	-	-	-	-	3,275
Prepaids	2,195	-	-	-	-	2,195
TOTAL ASSETS	$ 211,097	$ 652,683	$ 629,379	$ 131,050	$ 501	$ 1,624,710
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 740	$ -	$ -	$ -	$ -	$ 740
Accrued wages	1,751	-	-	-	-	1,751
Other accrued liabilities	651	-	-	-	-	651
Due to other funds	243	-	-	-	-	243
TOTAL LIABILITIES	3,385	-0-	-0-	-0-	-0-	3,385
FUND BALANCES						
Nonspendable	2,195	-	-	-	-	2,195
Restricted						
Food service	205,517	-	-	-	-	205,517
Capital projects	-	-	-	-	501	501
Debt service	-	652,683	629,379	131,050	-	1,413,112
TOTAL FUND BALANCES	207,712	652,683	629,379	131,050	501	1,621,325
TOTAL LIABILITIES AND FUND BALANCES	$ 211,097	$ 652,683	$ 629,379	$ 131,050	$ 501	$ 1,624,710

Cassopolis Public Schools

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	Special Revenue Fund	Debt Service Funds			Capital Project Fund	
	Food Service	2009 Energy Conservation Bond	2010 Series A	2010 Series B	Sinking Fund	Total
REVENUES						
Local sources	$ 109,527	$ 472	$ 876,658	$ 111,843	$ 357,686	$ 1,456,186
State sources	16,906	-	-	-	-	16,906
Federal sources	455,771	-	-	-	-	455,771
TOTAL REVENUES	582,204	472	876,658	111,843	357,686	1,928,863
EXPENDITURES						
Current						
Food service	528,502	-		-	-	528,502
Capital outlay	3,113	-		-	706,320	709,433
Debt service						
Interest, fiscal and other charges	-	-	968,422	101,116	-	1,069,538
TOTAL EXPENDITURES	531,615	-0-	968,422	101,116	706,320	2,307,473
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	50,589	472	(91,764)	10,727	(348,634)	(378,610)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	92,822	-	-	-	92,822
Transfers out	-	-	(828,904)	(170,016)	(137,899)	(1,136,819)
Payments from other districts	48,417	-	-	-	-	48,417
TOTAL OTHER FINANCING SOURCES (USES)	48,417	92,822	(828,904)	(170,016)	(137,899)	(995,580)
NET CHANGE IN FUND BALANCES	99,006	93,294	(920,668)	(159,289)	(486,533)	(1,374,190)
Fund balance beginning of year	108,706	559,389	1,550,047	290,339	487,034	2,995,515
Fund balance end of year	$ 207,712	$ 652,683	$ 629,379	$ 131,050	$ 501	$ 1,621,325

Cassopolis Public Schools
Cassopolis, Michigan

SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)

June 30, 2015

Cassopolis Public Schools

TABLE OF CONTENTS

June 30, 2015

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

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

To the Board of Education
Cassopolis Public Schools
Cassopolis, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of Cassopolis Public Schools (the District) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Cassopolis Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-003 and 2015-004. Our opinion on each major federal program is not modified with respect to these matters.

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

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 internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District 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 a 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cassopolis Public Schools, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We have issued our report thereon dated October 21, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 21, 2015

Cassopolis Public Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount	(Memo Only) Prior Years' Expenditures	Restated Balance July 1, 2014 Accrued or (Unearned) Revenue	Cash Receipts In-Kind Payments	Expenditures	Balance June 30, 2015 Accrued or (Unearned) Revenue
U.S. DEPARTMENT OF AGRICULTURE								
Passed Through the Michigan Department of Education								
School Breakfast Program	10.553 [d][e]							
2014-15		1519701415	$ 105,508	$ -	$ -	$ 105,508	$ 105,508	$ -0-
2013-14		1419701314	13,260	-	-	13,260	13,260	-0-
			118,768	-0-	-0-	118,768	118,768	-0-
National School Lunch Program	10.555 [d][e]							
2014-15 Noncash assistance - Entitlement commodities [a]		14010	28,631	-	-	28,631	28,631 [c]	-0-
2014-15		1519601415	241,048	-	-	241,048	241,048	-0-
2013-14		1419601314.	33,921	-	-	33,921	33,921	-0-
			303,600	-0-	-0-	303,600	303,600	-0-
Summer Food Service Program	10.559 [d][e]							
2013-14		140900, 141900	33,403	-	-	33,403	33,403	-0-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			455,771	-0-	-0-	455,771	455,771	-0-
U.S. DEPARTMENT OF EDUCATION								
Passed through the Michigan Department of Education and Niles Community School District								
Adult Education Basic Grants to States	84.002A							
2013-14 WIA Title II		1411901314	109,651	109,651	109,651	109,651	-	-0-
2013-14 WIA Title II - jail		1411901314	11,500	11,500	11,500	11,500	-	-0-
2014-15 WIA Title II		1511901415	100,000	-	-	74,182	100,000	25,818
2014-15 WIA Title II - jail		1511901415	11,500	-	-	7,608	11,500	3,892
			232,651	121,151	121,151	202,941	111,500	29,710
Passed Through the Michigan Department of Education								
Title I, Part A	84.010 [d]							
2014-15 Regular - Part A		1515301415	426,960	-	-	260,105	363,012	102,907
2013-14 Regular - Part A		1415301314	471,365	351,617	245,981	436,961	190,980	-0-
			898,325	351,617	245,981	697,066	553,992	102,907

Cassopolis Public Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2015

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount	(Memo Only) Prior Years' Expenditures	Restated Balance July 1, 2014 Accrued or (Unearned) Revenue	Cash Receipts In-Kind Payments	Expenditures	Balance June 30, 2015 Accrued or (Unearned) Revenue
U.S. DEPARTMENT OF EDUCATION - CONTINUED								
Passed Through the Michigan Department of Education - continued								
Safe and Supportive Schools	84.184							
2013-14		142790SSS2014	$ 150,500	$ 105,025	$ -	$ 39,333	$ 39,333	$ -0-
2014-15		152790SSS2015	120,400	-	-	117,303	117,303	-0-
			270,900	105,025	-0-	156,636	156,636	-0-
Title VI, Part B	84.358							
2013-14		1406601314	42,637	39,186	-	39,186	39,186	-0-
2014-15		1506601415	21,442	-	-	17,635	18,747	1,112
			64,079	39,186	-0-	56,821	57,933	1,112
Title II, Part A	84.367							
2014-15		1505201415	132,841	-	-	101,134	131,771	30,637
2013-14		1405201314	112,695	97,500	84,528	99,115	14,587	-0-
			245,536	97,500	84,528	200,249	146,358	30,637
Passed Through the Michigan Department of Education and Lewis Cass Intermediate School District								
CTE Perkins	84.048							
2014-15		N/A	598	-	-	598	598	-0-
TOTAL U.S. DEPARTMENT OF EDUCATION			1,712,089	714,479	451,660	1,314,311	1,027,017	164,366
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Passed Through the Michigan Department of Human Services and Lewis Cass Intermediate School District								
Medical Assistance Program								
Title XIX								
Outreach	93.778							
2014-15		14010	2,383	812	812	2,383	1,571	-0-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 2,170,243	$ 715,291	$ 452,472	$ 1,772,465 (f)	$ 1,484,359 (b)	$ 164,366

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Cassopolis Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) through (f) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

(a) The current year revenues for the Food Donation Program are determined based on the 2002/03 guidance provided previously from the Michigan Department of Education Administrative Policy Number 7. The amounts reported in this schedule as commodities received were taken from the Recipient Entitlement Balance Report which is in agreement in all material respects with the District’s reported amounts.

(b) The expenditures reported in this schedule are in agreement with the amounts reported in the financial statements and financial reports. The financial reports tested, including claims for advances and reimbursements, were materially correct, complete, accurate, and timely and contain information that is supported by the books and records from which the financial statements have been prepared.

(c) The amount of out of condition commodities due to spoilage or shrinkage included in expenditures is immaterial to the Schedule of Expenditures of Federal Awards taken as a whole.

(d) Denotes programs tested as “major program”.

(e) Denotes programs required to be clustered by the United States Department of Agriculture.

(f) The amounts reported in this schedule as cash received are in agreement with the “paid during date range” amounts in the Grant Auditor Report.

Grant #	Payment Amount Per State's Grant Auditor Report	(Less): Amounts Received in July	Cash Receipts Per Current SEFA
1505201415	$ 117,984	$ (16,850)	$ 101,134
1515301415	319,150	(59,045)	260,105

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S 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*

To the Board of Education
Cassopolis Public Schools
Cassopolis, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 Cassopolis Public Schools (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cassopolis Public Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies: 2015-001 and 2015-002.

Compliance and Other Matters

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

Cassopolis Public Schools' Responses to Findings

Cassopolis Public Schools' responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 21, 2015

Cassopolis Public Schools

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?	X	Yes		None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported by Section 510(a) of Circular A-133?	X	Yes		No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000			
Auditee qualified as low-risk auditee?		Yes	X	No

Section II - Financial Statement Findings

2015-001 ATHLETIC RECEIPTS

Condition: Pre-numbered tickets are in use at all athletic events and are being reconciled to tickets sold and money collected by the ticket takers. However, this documentation is not retained with the deposit information.

Criteria: Documentation of the number and type of tickets sold and reconciliation to amounts collected are critical to maintenance of adequate internal controls over sensitive areas such as athletic receipts.

Cause: Unknown.

Effect: The District is exposed to greater risk of loss if this documentation is not retained.

Section II - Financial Statement Findings - Continued

2015-001 ATHLETIC RECEIPTS - CONTINUED

Recommendation: We recommend that the sequence of tickets sold (both adult and student) be recorded by the ticket taker at the event. This sequence of ticket numbers should be reconciled to the actual amount collected and signed off by the ticket taker. This reconciliation should be retained with the other deposit documentation. This total should in turn match the amount that is ultimately deposited in the bank.

Corrective Action Response: See District's corrective action plan on page 11.

2015-002 MANAGEMENT REVIEW

Condition: During our review and consideration of internal controls at the District, we noted there are no procedures currently in place for management to review journal entries posted to the general ledger or bank reconciliations.

Criteria: Due to limited staff at the District, having management reviews in place over these key areas is important to having strong internal controls over financial reporting.

Cause: Unknown.

Effect: The District could be at a higher risk of material misstatements to the financial statements without these controls in place.

Recommendation: We recommend that the District implement procedures to review journal entries and bank reconciliations prepared by staff. This review should be documented with signature or initials of the reviewer, the date, and retained with source documents for audit.

Corrective Action Response: See District's corrective action plan on page 11.

Section III - Federal Award Findings

2015-003 TITLE 1 REPORTING

Material non-compliance

CFDA# 84.010 Title I, from U.S. Department of Education, Program Award 1415301314 for 2013-2014 grant year, passed through Michigan Department of Education, Reporting.

Condition: The District's allocation of costs in their detailed records did not match the allocations reported on the submitted Final Expenditure Report for the 2013-2014 grant year. However, the total Title I expenditures recorded by the District matched the total amount reported on the Final Expenditure Report. A similar issue was noted and reported in the prior year audit comments.

Questioned costs: None.

Criteria: The DS-4044 "Final Expenditure Report" is required to be supported by the District's detailed records. The allocation of costs between the records and Final Expenditure Report need to match.

Cause: The School District used an excel spreadsheet to assist with the preparation of the Final Expenditure Report, however the accounting system was not updated to match what was submitted to the State.

Section III - Federal Award Findings - Continued

2015-003 TITLE 1 REPORTING - CONTINUED

Effect: The District's allocation of costs in their detailed records did not match the allocations reported on the submitted Final Expenditure Report for the 2013-2014 grant year.

Recommendation: The School District should make sure the Final Expenditure Report is prepared off the District's accounting records. All adjustments should be recorded in the system before the Report is submitted to the State to ensure accuracy.

Corrective Action Response: See District's corrective action plan on page 11.

2015-004 FOOD SERVICE FUND BALANCE

Immaterial non-compliance

CFDA# 10.553, 10.555, and 10.559, from U.S. Department of Agriculture, Program Award numbers 1519701415, 1419701314, 1519601415, and 1419601314 passed through Michigan Department of Education, Reporting.

Condition: During the course of our audit we noted that the District currently has more than the allowable fund balance in the non-profit food service fund. The District currently has about three and a half months of expenditures as fund balance. As a result, the District will be required to develop a spending plan for reducing the balance to an acceptable level during the current school year. The plan must be submitted to the Michigan Department of Education for prior approval. Excess funds cannot be transferred to the General Fund.

Questioned costs: None.

Criteria: The U.S. Department of Agriculture requires that the ending balance of the non-profit food service fund does not exceed three months operating expenses [7 CFR Part 210.14(b)].

Cause: Unknown.

Effect: The District is not in compliance with U.S. Department of Agriculture regulations.

Recommendation: We recommend that the District develop a spending plan to improve the food quality or take other action to improve non-profit food service per applicable federal regulations.

Corrective Action Response: See District's corrective action plan on page 11.

Cassopolis Public Schools

725 Center Street • Cassopolis, MI 49031
(269) 445-0503 • Fax: (269) 445-0505

Tracy D. Hertsel
Superintendent

RANGERS

October 16, 2015

Re: Action Plan for Audit Findings

Abraham & Gaffney P.C.
3511 Coolidge Road, Suite 100
East Lansing, MI 48823

To Whom It May Concern:

The District plans to address the following Audit Findings at June 30, 2015 as follows:

Finding 2015-001: The Athletic Director will direct ticket takers at events to reconcile the actual amounts collected with the ticket numbers and complete a reconciliation form. The reconciliation form shall be retained with the other deposit documentation and reviewable during audits.

Finding 2015-002: The Contracted Business Manager will have the Superintendent review and sign off on journal entries posted and bank reconciliations.

Finding 2015-003: The Contracted Business Manager will review the monthly financial statements at the close of each month for accuracy. Now that the chart of accounts have been cleaned up and are accurate, the Contracted Business Manager will pull the necessary grant reports showing detailed transactions of those particular grant expenditures for the period in which the grant was approved to cover. The Contracted Business Manager will group all expenditure categories by function and report the cumulative expenses on the DS-4044 for each district grant. All documentation used will be attached to the DS-4044 Report for the auditor use at year-end.

Finding 2015-004: The Contracted Business Manager will review the projected financial statements throughout the year with the Food Service Director to ensure that the ending balance does not exceed three months of operating expenses. The Food Service Director will create a spending plan for reducing the balance to an acceptable level. Then the Contracted Business Manager will submit the plan to the Michigan Department of Education.

If you have any further questions or concerns please feel free to contact me at your convenience.

Sincerely,

Tracy D. Hertsel

Tracy Hertsel
Superintendent

cc: Becky Smith, Contracted Business Manager-Lewis Cass ISD

All students will demonstrate the academic, technological and cultural competencies necessary to compete in a global society

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2015

FINDINGS/NONCOMPLIANCE

Control Deficiencies Related to Internal Controls Over the Financial Statements.

2014-001 ACCOUNT RECONCILIATIONS

Condition: The previous audit noted that most accounts were not reconciled or reviewed for accuracy during the year. It was also noted there were a significant number of adjusting entries recorded after year end to correct ending account balances. During the year it appeared that reconciling items were not recorded in the accounting system. In addition, it was noted evidence of review at the transaction level was not always documented.

Current status: The District appropriately reconciled the accounts and made adjusting entries as part of the year-end close for the current year. We consider this issue to be resolved.

Findings Related to Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

2013-5 TITLE I REPORTING

Condition: The District's allocation of costs in their detailed records did not match the allocations reported on the submitted Final Expenditure Report for the 2012-2013 grant year. However, the total Title I expenditures recorded by the District matched the total amount reported on the Final Expenditure Report.

Current status: A similar issue was noted and is being reported on in the current year audit. We do not consider this issue to be resolved.