

**Cassopolis Public Schools
Cassopolis, Michigan**

FINANCIAL STATEMENTS

June 30, 2016

Cassopolis Public Schools

Cassopolis, Michigan

June 30, 2016

BOARD OF EDUCATION

Scott Ward	President
Lisa Cutting	Vice President
Susan Horstmann	Secretary
George Calvert	Treasurer
Deb Deubner	Trustee
Amanda Smego	Trustee
Jesse Binns	Trustee

Tracy Hertsel	Superintendent
---------------	----------------

Cassopolis Public Schools

TABLE OF CONTENTS

June 30, 2016

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-ix
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Governmental Funds	
Balance Sheet	3-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	5
Statement of Revenues, Expenditures, and Changes in Fund Balances	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Fiduciary Fund	
Statement of Assets and Liabilities	9
Notes to Financial Statements	10-31
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule	32
Schedule of Proportionate Share of Net Pension Liability	33
Schedule of Contributions	34
Notes to Required Supplementary Information	35
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	36-37
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	38-39

Principals

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



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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cassopolis Public Schools, as of June 30, 2016, 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. 72, *Fair Value Measurement and Application*, during the year. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statements also provides guidance for applying fair value to certain investments and disclosures related to fair value measurement. 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. 79, *Certain External Investment Pools and Pool Participants*, during the year. As a result, the District's external investment pool has measured all of its investments at amortized cost for financial reporting purposes. This statement also established additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. 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 September 27, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 27, 2016

Cassopolis Public Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

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, 2016. 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 District's 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 finance most of the activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

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 fund types including:

- Debt Service Funds - consisting of 2003 QZAB, 2010 Series A Bonds, 2010 Series B Bonds, 2009 Energy Conservation Improvement Bonds, and 2015 Building and Site Bonds.
- Special Revenue Fund - consisting of the Food Service Fund.
- Capital Projects Funds - consisting of the Sinking Fund and 2015 Bond Capital Project 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 (\$1,103,984) at June 30, 2016. The change in net position of the District's governmental activities is (\$116,340) (see Table 2).

Cassopolis Public Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

The table below provides a summary of the District's net position as of June 30, 2016 and June 30, 2015:

**Table 1
Statement of Net Position**

	Governmental Activities 2016	Governmental Activities 2015
Assets		
Current and other assets	\$ 6,783,459	\$ 6,607,159
Capital assets and investments	<u>24,105,137</u>	<u>22,020,518</u>
Total Assets	30,888,596	28,627,677
Deferred Outflows of Resources	1,186,008	1,386,000
Liabilities		
Current liabilities	2,621,219	2,494,022
Noncurrent liabilities	<u>29,681,746</u>	<u>27,313,526</u>
Total Liabilities	32,302,965	29,807,548
Deferred Inflows of Resources	875,622	1,193,773
Net Position		
Net investment in capital assets	3,983,637	4,656,331
Restricted	4,049,327	3,664,981
Unrestricted	<u>(9,136,947)</u>	<u>(9,308,956)</u>
Total Net Position	<u>\$ (1,103,983)</u>	<u>\$ (987,644)</u>

Net investment in capital assets, approximately \$2,125,273 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 \$6,135,022 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 (\$9,364,729) is unrestricted and represents the accumulated results of all past year's operations including the 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 (MPERS) Pension Liability is 0.04168% which equates to \$11,278,762. Please see note H beginning on page twenty-three (23) 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, 2016 and June 30, 2015.

Cassopolis Public Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

For the fiscal years ended June 30, 2016 and 2015, the district-wide results of operations were:

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

	Governmental Activities 2016	Governmental Activities 2015
Revenues:		
Program Revenues		
Charges for service	\$ 268,731	\$ 271,867
Operating and capital grants	2,938,531	2,933,323
General Revenues		
Property taxes	5,688,767	4,874,002
State school aid-unrestricted	2,828,500	3,078,352
Other	208,006	204,709
Total Revenues	11,932,535	11,362,253
Functions/Program Expenses:		
Instruction	5,336,947	5,205,464
Supporting services	3,741,911	3,767,189
Community services	697	15,403
Food services	635,770	531,705
Interest on long-term debt	852,381	181,795
Unallocated depreciation	879,514	862,398
Special item	601,654	-
Total Expenses	12,048,874	10,563,954
Change in Net Position	\$ (116,339)	\$ 798,299

Of the District's total revenues available to operate the District, 2.20% or approximately \$268,731 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 24.01% or approximately \$2,938,531.

Local property taxes at 46.48% or approximately \$5,688,767 of total revenue supported the remaining portion of the governmental activities. Property tax revenue increased by 16.72% due to a new levy approved by voters in fiscal year 2016. 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 \$381,514 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 25.62% or approximately \$3,136,117 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.

Cassopolis Public Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

The expense portion of the table show the financial support of the each functional area required during the year. The overall increase of 16.97% 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 \$5,644,565 or 45.68% of total expenses. Support services cost approximately \$3,741,911 or 30.28% 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 a decrease in net position of approximately \$116,340. Overall revenue increased by 7.73%, while expenses increased by 16.97%.

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 \$7,959,895, which is an increase of approximately \$2,738,728 from the prior year.

Of the combined governmental fund balances, 17% or approximately \$1,386,734 constitutes unassigned fund balance in General Fund, which is available for spending at the District's discretion. The restricted fund balance, approximately \$227,781 is earmarked for food service, \$3,862,635 is earmarked for payments on long-term debt, and \$2,179,227 is earmarked for capital improvements.

The General Fund is the principal operating fund of the District. At the end of the current fiscal year, total fund balance was \$1,690,252. 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 19.3% of total General Fund expenditures and transfers.

The fund balance of the District's General Fund increased by approximately \$265,165 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 \$570 more than the final amended budget, a negligible variance.
- The District's General Fund expenditures were approximately \$264,595 less than the final amended budget, a variance of 2.99%. The reduction of actual expenditures under budget is due to cost saving measures implemented throughout the year and that allowed the district to end the year without a deficit.

Cassopolis Public Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Capital Asset and Debt Administration

Capital Assets. By June 30, 2016 the District has invested approximately \$21,744,741 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 \$275,777. This year's capital asset additions include purchasing 3 new vans, various kitchen equipment for the food service program, and a new roof on the high school/middle school. More detailed information about capital assets is available in Note C to the financial statements.

	Balance <u>June 30, 2016</u>	Balance <u>June 30, 2015</u>
Land	\$ 141,420	\$ 141,420
Construction in progress	760,387	-
Building and building improvements	18,118,338	19,309,257
Site improvements	2,279,801	2,160,559
Equipment and furniture	217,242	207,377
Buses and other vehicles	<u>227,553</u>	<u>201,905</u>
Total historical cost	<u>\$ 21,744,741</u>	<u>\$ 22,020,518</u>

Debt

At year-end, the District had \$19,474,893 in general obligation bonds, \$95,226 in bus leases, \$1,161 in copier leases, \$47,147 in a van loan, and \$86,604 in compensated absences. The increase of \$2,213,873 is primarily due to the issuance of the 2015 Building and site bonds and new van loans in fiscal year 2016. More detailed information about long-term debt is available in Note E to the financial statements.

	<u>2016</u>	<u>2015</u>
Bonds	\$ 19,474,893	\$ 17,215,000
Capital leases	96,978	149,187
Loan agreement	47,147	-
Compensated absences	<u>86,604</u>	<u>127,821</u>
Total	<u>\$ 19,705,622</u>	<u>\$ 17,492,008</u>

Factors Bearing on the District's Future

We considered many factors when setting the District's 2016-17 fiscal year budgets, including the anticipated steady enrollment increase and without an 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 2016-17, we kept our enrollment steady and did not build in an increase in the state foundation allowance and assuming a slight decrease in federal grant income.

Cassopolis Public Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

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. For the 2015-16, the District saw a foundation allowance of \$7,391. This State funding was \$265 more than in the 2014-15 school year.

Going into the budget planning cycle for 2016-17, the district is planning on right sizing the staffing to reflect the needs according to class size. The district had in place employee contracts that had compensation tied to increases or decreases in student enrollment. At this point the teacher's contract is unsettled. 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 2016-17 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, 2016

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 4,015,233
Restricted investments - capital projects	1,908,332
Accounts receivable	4,970
Due from other governmental units	838,106
Prepays	16,818
Total current assets	6,783,459
Noncurrent assets	
Restricted cash - debt service	2,360,396
Capital assets not being depreciated	901,807
Capital assets, net of accumulated depreciation	20,842,934
Total noncurrent assets	24,105,137
TOTAL ASSETS	30,888,596
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	1,186,008
LIABILITIES	
Current liabilities	
Accounts payable	54,465
Accrued payroll	557,040
Other accrued liabilities	433,571
Short-term notes payable	138,884
Accrued interest payable on long-term debt	134,621
Current portion of compensated absences	43,579
Current portion of long-term debt	1,259,059
Total current liabilities	2,621,219
Noncurrent liabilities	
Noncurrent portion of compensated absences	43,025
Noncurrent portion of long-term debt	18,359,959
Net pension liability	11,278,762
Total noncurrent liabilities	29,681,746
TOTAL LIABILITIES	32,302,965
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	875,622
NET POSITION	
Net investment in capital assets	3,983,637
Restricted for debt service	3,862,561
Restricted for sinking fund	186,766
Unrestricted	(9,136,947)
TOTAL NET POSITION	\$ (1,103,983)

See accompanying notes to financial statements.

Cassopolis Public Schools
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 5,336,947	\$ 78,105	\$ 1,376,274	\$ (3,882,568)
Supporting services	3,741,911	75,419	450,148	(3,216,344)
Community services	697	-	-	(697)
Food service	635,770	115,207	521,421	858
Interest on long-term debt	852,381	-	590,688	(261,693)
Unallocated depreciation	879,514	-	-	(879,514)
	TOTAL	\$ 268,731	\$ 2,938,531	(8,239,958)
General revenues				
Property taxes, levied for general purposes				3,942,463
Property taxes, levied for debt service				1,364,851
Property taxes, levied for capital projects				381,453
State school aid - unrestricted				2,828,500
Interest and investment earnings				73,340
Other				134,666
Special Item - loss on disposal/impairment of capital assets (See Note C)				(601,654)
				TOTAL GENERAL REVENUES AND SPECIAL ITEM
				8,123,619
				CHANGE IN NET POSITION
				(116,339)
Net position, beginning of year				(987,644)
Net position, end of year				\$ (1,103,983)

See accompanying notes to financial statements.

Cassopolis Public Schools

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Debt Service	
		2003 QZAB Bond	2010 Series A
ASSETS			
Cash	\$ 1,966,379	\$ 2,360,396	\$ 564,046
Investments	-	-	-
Accounts receivable	2,356	-	-
Due from other governmental units	835,014	-	-
Due from other funds	441	-	-
Prepays	16,818	-	-
TOTAL ASSETS	\$ 2,821,008	\$ 2,360,396	\$ 564,046
LIABILITIES			
Accounts payable	\$ 3,754	\$ -	\$ -
Accrued payroll	554,547	-	-
Other accrued liabilities	433,571	-	-
Due to other funds	-	-	-
Short-term notes payable	138,884	-	-
TOTAL LIABILITIES	1,130,756	-0-	-0-
FUND BALANCES			
Nonspendable			
Prepays	16,818	-	-
Restricted			
Food service	-	-	-
Capital projects	-	-	-
Debt service	-	2,360,396	564,046
Assigned			
Subsequent year's expenditures	286,700	-	-
Unassigned	1,386,734	-	-
TOTAL FUND BALANCES	1,690,252	2,360,396	564,046
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,821,008	\$ 2,360,396	\$ 564,046

See accompanying notes to financial statements.

<u>2015 Bond Capital Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 7	\$ 1,484,801	\$ 6,375,629
1,908,332	-	1,908,332
-	2,614	4,970
-	3,092	838,106
-	-	441
-	-	16,818
<u>\$ 1,908,339</u>	<u>\$ 1,490,507</u>	<u>\$ 9,144,296</u>
\$ 50,425	\$ 286	\$ 54,465
-	2,493	557,040
-	-	433,571
-	441	441
-	-	138,884
<u>50,425</u>	<u>3,220</u>	<u>1,184,401</u>
-	-	16,818
-	227,781	227,781
1,857,914	186,766	2,044,680
-	1,072,740	3,997,182
-	-	286,700
-	-	1,386,734
<u>1,857,914</u>	<u>1,487,287</u>	<u>7,959,895</u>
<u>\$ 1,908,339</u>	<u>\$ 1,490,507</u>	<u>\$ 9,144,296</u>

Cassopolis Public Schools

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

June 30, 2016

Total fund balances - governmental funds **\$ 7,959,895**

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	\$ 35,099,564	
Accumulated depreciation is	<u>(13,354,823)</u>	
Capital assets, net		21,744,741

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	1,186,008	
Deferred inflows of resources related to pensions	<u>(875,622)</u>	
		310,386

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 and loans payable	(19,619,018)	
Accrued interest payable on long-term debt	(134,621)	
Compensated absences	(86,604)	
Net pension liability	<u>(11,278,762)</u>	
		<u>(31,119,005)</u>

Net position of governmental activities **\$ (1,103,983)**

Cassopolis Public Schools

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

Year Ended June 30, 2016

	General Fund	Debt Service	
		2003 QZAB Bond	2010 Series A
REVENUES			
Local sources	\$ 4,171,499	\$ 65,742	\$ 897,949
State sources	4,324,453	-	-
Federal sources	603,108	-	518,719
TOTAL REVENUES	9,099,060	65,742	1,416,668
EXPENDITURES			
Current			
Instruction	5,085,181	-	-
Supporting services	3,602,372	-	-
Community services	697	-	-
Food service	-	-	-
Capital outlay	110,092	-	-
Debt service	49,248	-	1,482,001
TOTAL EXPENDITURES	8,847,590	-0-	1,482,001
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	251,470	65,742	(65,333)
OTHER FINANCING SOURCES (USES)			
Bond and loan proceeds	49,942	-	-
Bond premium	-	-	-
Transfers in	-	119,899	-
Payments from other districts	41,568	-	-
Transfers out	(77,815)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	13,695	119,899	-0-
NET CHANGE IN FUND BALANCES	265,165	185,641	(65,333)
Fund balances beginning of year	1,425,087	2,174,755	629,379
Fund balances end of year	\$ 1,690,252	\$ 2,360,396	\$ 564,046

See accompanying notes to financial statements.

2015 Bond Capital Project	Nonmajor Governmental Funds	Total
\$ 5,225	\$ 964,892	\$ 6,105,307
-	17,402	4,341,855
-	575,988	1,697,815
<u>5,225</u>	<u>1,558,282</u>	<u>12,144,977</u>
-	-	5,085,181
-	-	3,602,372
-	-	697
-	611,972	611,972
1,435,285	61,797	1,607,174
60,626	465,310	2,057,185
<u>1,495,911</u>	<u>1,139,079</u>	<u>12,964,581</u>
(1,490,686)	419,203	(819,604)
3,265,385	64,615	3,379,942
83,215	-	83,215
-	149,815	269,714
-	53,607	95,175
-	(191,899)	(269,714)
<u>3,348,600</u>	<u>76,138</u>	<u>3,558,332</u>
1,857,914	495,341	2,738,728
-	991,946	5,221,167
<u>\$ 1,857,914</u>	<u>\$ 1,487,287</u>	<u>\$ 7,959,895</u>

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, 2016

Net change in fund balances - total governmental funds **\$ 2,738,728**

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	\$ 1,205,391
Depreciation expense	(879,514)
Loss on impairment/disposal of capital assets	<u>(601,654)</u>

Excess of capital outlay over depreciation expense and other items (275,777)

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	1,200,004
Net additions to issuance premium	(74,893)
Borrowing of long-term debt	<u>(3,379,942)</u>

Excess of principal retirements over other debt related items (2,254,831)

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:

(Increase) in net pension liability	(480,313)
Change in deferred outflows of resources related to pensions	(199,992)
Change in deferred inflows of resources related to pensions	318,151
(Increase) in accrued interest payable	(3,522)
Decrease in compensated absences	<u>41,217</u>

(324,459)

Change in net position of governmental activities

\$ (116,339)

Cassopolis Public Schools

STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUND

June 30, 2016

	<u>Agency Fund</u>
ASSETS	
Cash	<u>\$ 164,728</u>
LIABILITIES	
Due to student groups	<u>\$ 164,728</u>

See accompanying notes to financial statements.

Cassopolis Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, a debt service fund, was established to account for restricted tax revenue and accumulation of other resources for payment of debt related to the bond.
- c. 2010 Series A Bond Fund - The 2010 Series A Bond Fund, a debt service fund, was established to account for restricted tax revenue and accumulation of other resources for payment of debt related to the bond.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

- d. 2015 Bond Capital Project Fund - The 2015 Bond Capital Project Fund is used to account for financial resources related to the District's 2015 bonds.

3. Measurement Focus

The district-wide 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Accounting - continued

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.

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.
- d. 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 and Investments

Cash consists of checking and savings accounts.

Investments consist of a Michigan Liquid Asset Fund Plus (MILAF+) account which is reported at amortized cost, which approximates market value.

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.

Cassopolis Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2016, to be paid in July and August 2016. The total amount of \$838,106 due from other governmental units consists of \$762,429 related to State Aid and \$75,677 for other governmental grants.

9. Prepays

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 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, contributions made subsequent to the measurement date, and State Aid related to pensions. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

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 July 2016, 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 (MPERS) 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 \$3.0000 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 \$442,896,001.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2016, the foundation allowance was based on the average of pupil membership counts taken in October 2015 and February 2015. The average calculation was weighted 90% for the October 2015 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.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 AND INVESTMENTS

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.
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, 2016, the carrying amount of the District's deposits was \$6,540,257 and the bank balance was \$6,696,954 of which \$750,000 was covered by Federal depository insurance. The balance of \$5,946,954 was uninsured and uncollateralized.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B: CASH AND INVESTMENTS - CONTINUED

Fair Value Measurements

Fair value is defined as 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. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. There are three (3) levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

Investments

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

The District participates in the Michigan Liquid Asset Fund Plus (MILAF+), the portfolio securities are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. It is MILAF+'s policy to compare amortized cost and fair values of the securities periodically throughout each month and as of the last business day of each month. Fair value is determined by reference to quoted market prices. MILAF+'s annual financial statement may be obtained at www.milaf.org. As of June 30, 2016, the District has \$1,908,332 invested with MILAF+.

MILAF+ portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Money market securities are valued using amortized cost, as outlined in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities held by the MILAF+ Portfolio are categorized as Level 2.

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, 2016, the MILAF+ investments were rated AAAM by Standard and Poor's and had a weighted average maturity (WAM) of < 60 days.

Cassopolis Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B: CASH AND INVESTMENTS - CONTINUED

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.

As of June 30, 2016, the District's deposits and investments were reported in the financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash	\$ 4,015,233	\$ 164,728	\$ 4,179,961
Restricted cash - debt service	2,360,396	-	2,360,396
Investments	1,908,332	-	1,908,332
	<u>\$ 8,283,961</u>	<u>\$ 164,728</u>	<u>\$ 8,448,689</u>

The District had \$100 of imprest cash on hand.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 141,420	\$ -	\$ -	\$ 141,420
Construction in progress	-	760,387	-	760,387
Total capital assets not being depreciated	141,420	760,387	-0-	901,807
Capital assets being depreciated				
Buildings and building improvements	29,637,728	-	(1,551,908)	28,085,820
Site improvements	3,752,471	307,275	-	4,059,746
Equipment and furniture	891,759	54,814	-	946,573
Buses and other vehicles	1,022,703	82,915	-	1,105,618
Total capital assets being depreciated	35,304,661	445,004	(1,551,908)	34,197,757

Cassopolis Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE C: CAPITAL ASSETS - CONTINUED

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental activities - continued				
Less accumulated depreciation for:				
Buildings and building improvements	\$(10,328,471)	\$ (589,265)	\$ 950,254	\$ (9,967,482)
Site improvements	(1,591,912)	(188,033)	-	(1,779,945)
Equipment and furniture	(684,382)	(44,949)	-	(729,331)
Buses and other vehicles	(820,798)	(57,267)	-	(878,065)
Total accumulated depreciation	<u>(13,425,563)</u>	<u>(879,514)</u>	<u>950,254</u>	<u>(13,354,823)</u>
Net capital assets being depreciated	<u>21,879,098</u>	<u>(434,510)</u>	<u>(601,654)</u>	<u>20,842,934</u>
Net capital assets	<u>\$ 22,020,518</u>	<u>\$ 325,877</u>	<u>\$ (601,654)</u>	<u>\$ 21,744,741</u>

Total depreciation expense of \$879,514 was not allocated to government functions. It appears on the statement of activities as "unallocated."

The District has recognized a loss on asset impairment as of June 30, 2016, for a closed elementary school that is no longer in use by the District. Also, an asset disposal related to a portion of the current elementary school that was demolished during re-construction of the building is also being recognized. The elementary school has been written down from a net book value of \$318,338 to \$65,000 based on an appraisal of the property. The partially demolished section of the current elementary school has been written down from a net book value of \$804,053 to \$455,737 based on the square footage that was removed. The impairment loss and disposal has been reflected as a special item in the Statement of Activities.

NOTE D: SHORT-TERM NOTES PAYABLE

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 had a net outstanding balance of \$497,300 at June 30, 2015, were paid in full during the year ended June 30, 2016.

On August 20, 2015, the District issued short-term State School Aid Anticipation Notes in the amount of \$1,000,000 for the purpose of funding operating expenditures during periods of low cash flows. These short-term notes, which have a net outstanding balance of \$138,884 at June 30, 2016, are reported in the financial statements under the caption short-term notes payable.

Cassopolis Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	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	10,705,000	-	(885,000)	9,820,000	885,000
2010 Building & Site, Series B	2,640,000	-	-	2,640,000	-
2015 Building & Site Bonds	-	3,330,000	(260,000)	3,070,000	305,000
2015 Building & Site Bond Premium	-	83,215	(8,322)	74,893	8,322
Passenger Bus Lease	141,253	-	(46,027)	95,226	47,076
Copier Purchase Agreement	7,934	-	(6,182)	1,752	1,752
Vehicle Loan Agreement	-	49,942	(2,795)	47,147	11,909
Compensated absences	127,821	23,102	(64,319)	86,604	43,579
Total	\$ 17,492,008	\$ 3,486,259	\$ (1,272,645)	\$ 19,705,622	\$ 1,302,638

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 4.80 to 6.25 percent, payable semi-annually. The District receives a subsidy of 85 to 95 percent of the interest cost from Qualified School Constriction Bonds reducing the effective interest rate to 3.15 percent.	9,820,000
\$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 on May 1, 2028 through May 1, 2030, with interest of 6.50 percent, payable semi-annually. The District receives a subsidy of 45 percent of the interest cost from the Federal government under the Recovery Zone Economic Development Bond program reducing the effective interest rate to 3.15 percent.	2,640,000
\$3,330,000 2015 Building and Site Bonds dated November 12, 2015 due in annual installments ranging from \$305,000 to \$375,000 through May 1, 2025, with interest ranging from 1.00 to 3.00 percent, payable semi-annually.	3,070,000
	<u>\$ 19,400,000</u>

Cassopolis Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE E: LONG-TERM DEBT - CONTINUED

Capital Leases

\$246,240 Passenger Bus capital lease payable dated November 1, 2013, due in annual installments ranging of \$47,076 and \$48,150 through July 15, 2017, with interest of 2.28 percent, payable annually. \$ 95,226

\$35,042 Copier capital lease payable dated August 25, 2011, due in monthly installments ranging from \$579 to \$582 through August 31, 2016, with an interest rate of 0.41 percent, payable monthly. 1,752

\$ 96,978

Van Loan

\$49,942 Van Loan Agreement dated April 18, 2016, due in monthly installments ranging from \$977 to \$1,113 through April 18, 2020, with an interest rate of 3.49 percent, payable monthly. \$ 47,147

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 \$86,604 as of June 30, 2016. 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 June 30,	General Obligation Bonds			
	Principal	Interest	Expected Interest Credits	Net Interest Expense
2017	\$ 1,190,000	\$ 795,245	\$ (595,730)	\$ 199,515
2018	1,200,000	749,715	(553,250)	196,465
2019	3,440,000	699,165	(509,000)	190,165
2020	1,220,000	647,088	(463,423)	183,665
2021	1,230,000	593,762	(416,698)	177,064
2022-2026	7,575,000	2,066,436	(1,359,350)	707,086
2027-2030	3,545,000	572,014	(280,913)	291,101
	<u>\$ 19,400,000</u>	<u>\$ 6,123,425</u>	<u>\$ (4,178,364)</u>	<u>\$ 1,945,061</u>

Cassopolis Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE E: LONG-TERM DEBT - CONTINUED

Year Ending June 30,	Capital Leases		Van Loan	
	Principal	Interest	Principal	Interest
2017	\$ 48,828	\$ 2,178	\$ 11,909	\$ 1,487
2018	48,150	1,098	12,332	1,064
2019	-	-	12,770	627
2020	-	-	10,136	176
	<u>\$ 96,978</u>	<u>\$ 3,276</u>	<u>\$ 47,147</u>	<u>\$ 3,354</u>

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.

The amount of interfund receivables and payables at June 30, 2016, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 441</u>

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	<u>\$ 119,899</u>
Transfer to nonmajor governmental funds from:	
General Fund	\$ 77,815
Nonmajor governmental funds	<u>72,000</u>
	<u>\$ 149,815</u>

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

BENEFITS PROVIDED

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

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

CONTRIBUTIONS AND FUNDING STATUS

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

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

Cassopolis Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

CONTRIBUTIONS AND FUNDING STATUS - CONTINUED

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

Pension Contribution Rates

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

Required contributions to the pension plan from the District were \$890,816 for the year ended September 30, 2015.

NET PENSION LIABILITY - NON-UNIVERSITY

Measurement of the MPSERS Net Pension Liability

MPSERS (Plan) Net Pension Liability - Non-University

	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Total Pension Liability	\$ 66,312,041,902	\$ 62,859,499,994
Plan Fiduciary Net Position	<u>41,887,015,147</u>	<u>39,427,686,072</u>
Net Pension Liability	<u>\$ 24,425,026,755</u>	<u>\$ 23,431,813,922</u>

Proportionate Share of Cassopolis Public Schools' Net Pension Liability

At June 30, 2016, the District reported a liability of \$11,278,762 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2014. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the District's proportion was 0.04617707 percent.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Actuarial Valuations and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2014
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Inflation:	2.5%
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.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

Cassopolis Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Long-Term Expected Return on Plan Assets - continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0 %	5.9 %
% Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	<u>2.0</u>	0.0
Total	<u>100 %</u>	

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

Discount Rate

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

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

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

	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%
District's proportionate share of the net pension liability	\$ 14,541,215	\$ 11,278,762	\$ 8,528,380

Cassopolis Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PENSION EXPENSE, DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended June 30, 2016, the District recognized total pension expense of \$810,633. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 37,359
Changes of assumptions	277,707	-
Net difference between projected and actual earnings on pension plan investments	57,569	-
Changes in proportion and differences between Cassopolis Public Schools' contributions and proportionate share of contributions	536	530,646
Cassopolis Public Schools' contributions subsequent to the measurement date	850,196	-
State Aid related to pensions	<u>-</u>	<u>307,617</u>
Total	<u>\$ 1,186,008</u>	<u>\$ 875,622</u>

\$850,196 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. \$307,617 reported as deferred inflows of resources under the caption "State Aid related to pensions" will be recognized as an increase to State Aid revenue in the year ending June 30, 2017. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2016	\$ (111,014)
2017	(111,014)
2018	(126,072)
2019	<u>115,907</u>
	<u>\$ (232,193)</u>

Cassopolis Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

DEFINED CONTRIBUTION PLAN

Benefit provisions of MPSERS also requires the District to contribute to a defined contribution tax-deferred investment account for all eligible employees. The District is required to match 50% of an employee's contributions up to 1% of an employee's salary. The retirement benefits are determined by the final average compensation and years of service with disability and survivor benefits available to members. The District contribution for the year ended June 30, 2016, was \$8,787.

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, 2016, are as follows:

	<u>Health Contribution Rate</u>	
	<u>Basic/MIP</u>	<u>Pension Plus</u>
July 1, 2015 - September 30, 2015	2.20 - 2.71%	2.20 - 2.71%
October 1, 2015 - June 30, 2016	6.40 - 6.83%	6.40 - 6.83%

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

<u>Fiscal Year Ended June 30,</u>	<u>Defined Benefit Plan</u>	<u>Defined Contribution Plan</u>	
	<u>Employer Health Contributions</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
2016	\$ 232,584	\$ 6,938	\$ 6,871
2015	404,675	12,132	7,129
2014	343,647	Not available	

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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 AND BONDED CONSTRUCTION FUNDS

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.

The 2015 Bond Capital Project Fund of the District includes the capital project activities funded mostly by the 2015 Building and Site General Obligation Bonds. The remaining funding for the activities recorded within this Capital Project Fund is funded by other local dollars (i.e., interest, etc.). For the project recorded within the 2015 Bonds Capital Project Fund, the District has complied with the applicable provisions of Section 1351 (a) of the Revised School Code in the current year.

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.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE L: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

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: SUBSEQUENT EVENTS

In August 2016, the District received funds from the Michigan Municipal Bond Authority short-term cash flow borrowing program. The loan in the amount of \$1,306,000 was for the purpose of funding operating expenditures until the fiscal year 2017 State Aid payments begin. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

NOTE N: CONTRACTUAL COMMITMENTS

The District has entered into contracts related to ongoing bond construction projects that were not completed at June 30, 2016. The total contractual commitments outstanding at June 30, 2016 totaled \$975,313. Remaining bond proceeds are expected to be sufficient to cover these commitments.

NOTE O: CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 72, *Fair Value Measurement and Application*, was implemented during the current year. 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.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, was implemented during the year. The Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement.

Cassopolis Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE P: UPCOMING CHANGES IN ACCOUNTING PRINCIPLES

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.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017- 2018 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Cassopolis Public Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 3,823,255	\$ 4,156,401	\$ 4,171,499	\$ 15,098
State sources	4,077,805	4,315,040	4,324,453	9,413
Federal sources	603,380	676,992	603,108	(73,884)
Other sources	25,000	41,567	41,568	1
TOTAL REVENUES	8,529,440	9,190,000	9,140,628	(49,372)
EXPENDITURES				
Current				
Instruction				
Basic programs	3,797,660	3,855,551	3,760,415	95,136
Added needs	997,077	1,099,572	1,086,890	12,682
Adult/continuing education	236,190	229,642	237,876	(8,234)
Total instruction	5,030,927	5,184,765	5,085,181	99,584
Supporting services				
Pupil	340,115	366,584	321,910	44,674
Instructional staff	91,555	130,657	124,447	6,210
General administration	371,890	367,766	360,615	7,151
School administration	498,990	457,169	455,417	1,752
Business services	359,845	393,205	377,278	15,927
Operations and maintenance	1,025,440	1,193,307	1,051,882	141,425
Transportation	485,095	483,098	472,778	10,320
Central	178,175	164,946	153,760	11,186
Athletics	258,585	305,963	284,285	21,678
Total supporting services	3,609,690	3,862,695	3,602,372	260,323
Community services	-	699	697	2
TOTAL EXPENDITURES	8,640,617	9,048,159	8,688,250	359,909
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(111,177)	141,841	452,378	310,537
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	-	49,942	49,942
Other transfers and financing uses	(159,712)	(141,841)	(237,155)	(95,314)
TOTAL OTHER FINANCING SOURCES (USES)	(159,712)	(141,841)	(187,213)	(45,372)
NET CHANGE IN FUND BALANCE	(270,889)	-0-	265,165	265,165
Fund balance beginning of year	1,425,087	1,425,087	1,425,087	-0-
Fund balance end of year	\$ 1,154,198	\$ 1,425,087	\$ 1,690,252	\$ 265,165

Cassopolis Public Schools

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Michigan Public School Employee Retirement Plan

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

	<u>2014</u>	<u>2015</u>
Cassopolis Public Schools' proportion of net pension liability (%)	0.04902%	0.04168%
Cassopolis Public Schools' proportionate share of net pension liability	\$ 10,798,449	\$ 11,278,762
Cassopolis Public Schools' covered-employee payroll	\$ 4,180,894	\$ 3,991,667
Cassopolis Public Schools' proportionate share of net pension liability as a percentage of its covered-employee payroll	258.28%	282.56%
Plan fiduciary net position as a percentage of total pension liability	66.20%	63.17%

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)

	<u>2015</u>	<u>2016</u>
Statutorily required contributions	\$ 957,025	\$ 1,157,813
Contributions in relation to statutorily required contributions	<u>957,025</u>	<u>1,157,813</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
Cassopolis Public Schools' covered employee payroll	\$ 3,953,683	\$ 3,882,154
Contributions as a percentage of covered-employee payroll	24.21%	29.82%

Cassopolis Public Schools

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2016

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, 2016, the District incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Current			
Instruction			
Adult/continuing education	\$ 229,642	\$ 237,876	\$ 8,234
Other transfers and financial uses	141,841	237,155	95,314

NOTE B: DEFINED BENEFIT RETIREMENT PLAN

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

Changes of assumptions: Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by MPERS for use in annual pension valuations beginning with the September 30, 2014 valuation. These changes result in an amount shown as deferred outflows of resources as disclosed in Note H to the financial statements.

OTHER SUPPLEMENTARY INFORMATION

Cassopolis Public Schools
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 June 30, 2016

	Special Revenue Fund	Debt Service Funds		
	Food Service	2009 Energy Conservation Bond	2010 Series B	2015 Bond
ASSETS				
Cash	\$ 225,295	\$ 802,945	\$ 135,248	\$ 134,547
Accounts receivable	2,614	-	-	-
Due from other governmental units	3,092	-	-	-
TOTAL ASSETS	\$ 231,001	\$ 802,945	\$ 135,248	\$ 134,547
LIABILITIES				
Accounts payable	\$ 286	\$ -	\$ -	\$ -
Accrued wages	2,493	-	-	-
Due to other funds	441	-	-	-
TOTAL LIABILITIES	3,220	-0-	-0-	-0-
FUND BALANCES				
Restricted				
Food service	227,781	-	-	-
Capital projects	-	-	-	-
Debt service	-	802,945	135,248	134,547
TOTAL FUND BALANCES	227,781	802,945	135,248	134,547
TOTAL LIABILITIES AND FUND BALANCES	\$ 231,001	\$ 802,945	\$ 135,248	\$ 134,547

Capital
Projects Fund

<u>Sinking Fund</u>	<u>Total</u>
\$ 186,766	\$ 1,484,801
-	2,614
-	3,092
\$ 186,766	\$ 1,490,507
\$ -	\$ 286
-	2,493
-	441
-0-	3,220
-	227,781
186,766	186,766
-	1,072,740
186,766	1,487,287
\$ 186,766	\$ 1,490,507

Cassopolis Public Schools

Nonmajor Governmental Funds

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

Year Ended June 30, 2016

	Special	Debt Service Funds		
	Revenue Fund	2009 Energy Conservation Bond	2010 Series B	2015 Bond
REVENUES				
Local sources	\$ 115,460	\$ 447	\$ 104,929	\$ 362,542
State sources	17,402	-	-	-
Federal sources	504,019	-	71,969	-
TOTAL REVENUES	636,881	447	176,898	362,542
EXPENDITURES				
Current				
Food service	611,972	-	-	-
Capital outlay	58,447	-	-	-
Debt service				
Principal retirement	-	-	-	260,000
Interest, fiscal and other charges	-	-	172,700	32,610
TOTAL EXPENDITURES	670,419	-0-	172,700	292,610
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(33,538)	447	4,198	69,932
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	64,615
Transfers in	-	149,815	-	-
Payments from other districts	53,607	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	53,607	149,815	-0-	64,615
NET CHANGE IN FUND BALANCES	20,069	150,262	4,198	134,547
Fund balance beginning of year	207,712	652,683	131,050	-
Fund balance end of year	\$ 227,781	\$ 802,945	\$ 135,248	\$ 134,547

<u>Capital Project Fund</u>	
<u>Sinking Fund</u>	<u>Total</u>
\$ 381,514	\$ 964,892
-	17,402
-	575,988
<u>381,514</u>	<u>1,558,282</u>
-	611,972
3,350	61,797
-	260,000
-	205,310
<u>3,350</u>	<u>1,139,079</u>
378,164	419,203
-	64,615
-	149,815
-	53,607
<u>(191,899)</u>	<u>(191,899)</u>
<u>(191,899)</u>	<u>76,138</u>
186,265	495,341
501	991,946
<u>\$ 186,766</u>	<u>\$ 1,487,287</u>