

**Cassopolis Public Schools
Cassopolis, Michigan**

FINANCIAL STATEMENTS

June 30, 2017

Cassopolis Public Schools

Cassopolis, Michigan

June 30, 2017

BOARD OF EDUCATION

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Cassopolis Public Schools

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INDEPENDENT AUDITOR'S REPORT

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, 2017, 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, 2017, 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. 77, *Tax Abatement Disclosures*, during the year. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that were previously not consistently or comprehensively reported to the public. 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 accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplementary information is 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 25, 2017, 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, 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.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

September 25, 2017

Cassopolis Public Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

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, 2017. 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 and finance most of the activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

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 (\$399,653) (a negative net position) at June 30, 2017. The change in net position of the District's governmental activities is \$704,330 (see Table 2).

Cassopolis Public Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

The table below provides a summary of the District's net position as of June 30, 2017 and June 30, 2016:

**Table 1
Statement of Net Position**

	Governmental Activities 2017	Governmental Activities 2016
Assets		
Current and other assets	\$ 7,685,830	\$ 9,143,855
Capital assets	<u>22,533,208</u>	<u>21,744,741</u>
Total Assets	30,219,038	30,888,596
Deferred Outflows of Resources	1,592,269	1,186,008
Liabilities		
Current liabilities	4,989,230	2,621,219
Noncurrent liabilities	<u>26,422,912</u>	<u>29,681,746</u>
Total Liabilities	31,412,142	32,302,965
Deferred Inflows of Resources	<u>798,818</u>	<u>875,622</u>
Net Position		
Net investment in capital assets	4,455,089	3,983,637
Restricted	4,061,169	4,049,327
Unrestricted	<u>(8,915,911)</u>	<u>(9,136,947)</u>
Total Net Position	<u>\$ (399,653)</u>	<u>\$ (1,103,983)</u>

Net investment in capital assets, approximately \$4,445,089 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 \$4,061,169 is shown separately to recognize legal constraints from debt covenants, and sinking fund amounts. 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 (\$8,915,91) 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 0.04607% which equates to \$11,492,985. Please see Note G 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, 2017 and June 30, 2016.

Cassopolis Public Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

For the fiscal years ended June 30, 2017 and 2016, the district-wide results of operations were:

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

	Governmental Activities 2017	Governmental Activities 2016
Revenues:		
Program Revenues		
Charges for service	\$ 193,383	\$ 268,731
Operating and capital grants	2,819,725	2,938,531
General Revenues		
Property taxes	5,707,693	5,688,767
State school aid-unrestricted	3,103,421	2,828,500
Other	229,491	208,006
Total Revenues	12,053,713	11,932,535
Functions/Program Expenses:		
Instruction	4,992,980	5,336,947
Supporting services	4,075,357	3,741,911
Community services	339	697
Food services	646,807	635,770
Interest on long-term debt	691,066	852,381
Unallocated depreciation	942,834	879,514
Special item	-	601,654
Total Expenses	11,349,383	12,048,874
Change in Net Position	\$ 704,330	\$ (116,339)

Of the District's total revenues available to operate the District, 1.60% or approximately \$193,383 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 23.39% or approximately \$2,819,725.

Local property taxes at 47.35% or approximately \$5,707,693 of total revenue supported the remaining portion of the governmental activities. Property tax revenue increased by 0.33% due to changes in levy approved by voters in fiscal year 2017. 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 \$377,566 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 25.75% or approximately \$3,103,421 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, 2017

The expense portion of the table shows the financial support of each functional area required during the year. The overall decrease of 5.80% is due to cost saving measures implemented and overall tightening of spending controls. Being in the business of educating children, the largest expenses were incurred in instruction, which accounted for approximately \$4,992,980 or 43.99% of total expenses. Support services cost approximately \$4,075,357 or 35.91% of total expenses, which included such items as transportation, operations and maintenance, supervision and technology services and a variety of other services that support the District's mission of educating children.

The District experienced an increase in net position of approximately \$899,866. Overall revenue increased by 2.65%, while expenses decreased by 5.81%.

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 \$6,265,161, which is a decrease of approximately \$1,694,734 from the prior year.

Of the combined governmental fund balances, 29.48% or approximately \$1,746,307 constitutes unassigned fund balance in General Fund, which is available for spending at the District's discretion. The restricted fund balance, approximately \$184,238 is earmarked for food service, \$3,916,462 is earmarked for payments on long-term debt, and \$411,141 is earmarked for capital expenditures.

The General Fund is the principal operating fund of the District. At the end of the current fiscal year, total fund balance was \$1,753,320. 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 19.32% of total General Fund expenditures and transfers.

The fund balance of the District's General Fund increased by approximately \$63,068 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 and other financing sources were approximately \$62,926 less than the final amended budget, a negative variance of 0.68%.
- The District's General Fund expenditures were approximately \$125,994 less than the final amended budget, a variance of 1.37%. 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, 2017

Capital Asset and Debt Administration

Capital Assets. By June 30, 2017 the District has invested approximately \$22,533,208 in broad range of capital assets including school buildings, land, construction in progress, athletic facilities, furniture, and equipment. This represents a net increase of approximately \$788,467. This year's capital asset additions include purchasing a new lawn mower, a new roof on the Highschool, and improving masonry, doors and windows, and classroom interiors across multiple locations. More detailed information about capital assets is available in Note C to the financial statements.

	Balance <u>June 30, 2017</u>	Balance <u>June 30, 2016</u>
Land	\$ 141,420	\$ 141,420
Construction in progress	742,990	760,387
Building and building improvements	18,538,437	18,118,338
Site improvements	2,682,170	2,279,801
Equipment and furniture	250,118	217,242
Buses and other vehicles	<u>178,073</u>	<u>227,553</u>
Total historical cost	<u>\$ 22,533,208</u>	<u>\$ 21,744,741</u>

Debt

At year-end, the District had \$18,276,571 in general obligation bonds, \$35,238 in a van loan, and \$153,935 in compensated absences. The net decrease of \$1,239,878 is primarily due to not issuing any new debt in fiscal year 2017 and making all the required debt payments for the year. More detailed information about long-term debt is available in Note E to the financial statements.

	<u>2017</u>	<u>2016</u>
Bonds	\$ 18,276,571	\$ 19,474,893
Capital leases	-	96,978
Loan agreement	35,238	47,147
Compensated absences	<u>153,935</u>	<u>86,604</u>
Total	<u>\$ 18,465,744</u>	<u>\$ 19,705,622</u>

Factors Bearing on the District's Future

We considered many factors when setting the District's 2017-18 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 74% 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 2017-18, 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.

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 2015-16, the District saw a foundation allowance of \$7,391. For the 2016-17, the District saw a foundation allowance of \$7,511. This State funding was \$120 more than in the 2015-16 school year.

Cassopolis Public Schools

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Going into the budget planning cycle for 2017-18, the District is planning on right sizing the staffing to reflect the needs according to class size. The District has in place employee contracts that has compensation tied to increases or decreases in student enrollment. Although the teacher's contract is settled until June 30, 2019, any changes in student enrollment will have a direct impact on employee wages and fringes. The District will need to reduce line-items for supplies and materials and other operational costs significantly to balance the budget for the 2017-18 school year. It is the District's 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:

Dr. Angela Piazza, Superintendent
Cassopolis Public Schools
725 Center Street
Cassopolis, MI 49031
Office Telephone (269) 445-0500
Office Fax (269) 445-0505
Email apiazza@cassopolis.org

BASIC FINANCIAL STATEMENTS

Cassopolis Public Schools
STATEMENT OF NET POSITION
June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 3,390,365
Restricted cash - debt service	3,234,853
Accounts receivable	15,205
Due from other governmental units	1,038,394
Prepays	<u>7,013</u>
Total current assets	7,685,830
Noncurrent assets	
Capital assets not being depreciated	884,410
Capital assets, net of accumulated depreciation	<u>21,648,798</u>
Total noncurrent assets	<u>22,533,208</u>
TOTAL ASSETS	30,219,038
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	1,592,269
LIABILITIES	
Current liabilities	
Accounts payable	172,059
Accrued payroll	474,610
Other accrued liabilities	394,873
Due to other governmental units	190,824
Short-term notes payable	188,303
Accrued interest payable on long-term debt	32,744
Current portion of compensated absences	85,163
Current portion of long-term debt	<u>3,450,654</u>
Total current liabilities	4,989,230
Noncurrent liabilities	
Noncurrent portion of compensated absences	68,772
Noncurrent portion of long-term debt	14,861,155
Net pension liability	<u>11,492,985</u>
Total noncurrent liabilities	<u>26,422,912</u>
TOTAL LIABILITIES	31,412,142
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>798,818</u>
NET POSITION	
Net investment in capital assets	4,455,089
Restricted for debt service	3,883,718
Restricted for sinking fund	177,451
Unrestricted	<u>(8,915,911)</u>
TOTAL NET POSITION	<u>\$ (399,653)</u>

See accompanying notes to financial statements.

Cassopolis Public Schools
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 4,992,980	\$ 75,798	\$ 1,282,815	\$ (3,634,367)
Supporting services	4,075,357	32,043	488,064	(3,555,250)
Community services	339	-	-	(339)
Food service	646,807	85,542	493,922	(67,343)
Interest on long-term debt	691,066	-	554,924	(136,142)
Unallocated depreciation	942,834	-	-	(942,834)
	<u>\$ 11,349,383</u>	<u>\$ 193,383</u>	<u>\$ 2,819,725</u>	<u>(8,336,275)</u>
General revenues				
Property taxes, levied for general purposes				4,067,343
Property taxes, levied for debt service				1,263,070
Property taxes, levied for capital projects				377,280
State school aid - unrestricted				3,103,421
Interest and investment earnings				79,440
Other				150,051
				<u>9,040,605</u>
TOTAL GENERAL REVENUES				<u>9,040,605</u>
CHANGE IN NET POSITION				704,330
Net position, beginning of year				<u>(1,103,983)</u>
Net position, end of year				<u>\$ (399,653)</u>

See accompanying notes to financial statements.

Cassopolis Public Schools

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

	General Fund	Debt Service	
		2003 QZAB Bond	2009 Energy Conservation Bond
ASSETS			
Cash and cash equivalents	\$ 1,946,115	\$ -	\$ -
Cash - restricted	-	2,431,109	803,744
Accounts receivable	12,705	-	-
Due from other governmental units	1,011,308	-	-
Due from other funds	11,639	-	-
Prepays	7,013	-	-
TOTAL ASSETS	\$ 2,988,780	\$ 2,431,109	\$ 803,744
LIABILITIES			
Accounts payable	\$ 21,453	\$ -	\$ -
Accrued payroll	472,911	-	-
Other accrued liabilities	394,403	-	-
Due to other governmental units	158,390	-	-
Due to other funds	-	-	-
Short-term notes payable	188,303	-	-
TOTAL LIABILITIES	1,235,460	-0-	-0-
FUND BALANCES			
Nonspendable			
Prepays	7,013	-	-
Restricted			
Food service	-	-	-
Capital projects	-	-	-
Debt service	-	2,431,109	803,744
Unassigned	1,746,307	-	-
TOTAL FUND BALANCES	1,753,320	2,431,109	803,744
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,988,780	\$ 2,431,109	\$ 803,744

See accompanying notes to financial statements.

Debt Service	Capital Project Funds			Nonmajor Governmental Funds	Total
2010 Series A Bond	2015 Bond Capital Project	Sinking Fund	Nonmajor Governmental Funds	Total	Total
\$ 495,246	\$ 129,757	\$ 450,503	\$ 368,744	\$ 3,390,365	\$ 3,390,365
-	-	-	-	3,234,853	3,234,853
-	-	-	2,500	15,205	15,205
-	-	-	27,086	1,038,394	1,038,394
-	182,105	-	-	193,744	193,744
-	-	-	-	7,013	7,013
<u>\$ 495,246</u>	<u>\$ 311,862</u>	<u>\$ 450,503</u>	<u>\$ 398,330</u>	<u>\$ 7,879,574</u>	<u>\$ 7,879,574</u>
\$ -	\$ 78,172	\$ 72,219	\$ 215	\$ 172,059	\$ 172,059
-	-	-	1,699	474,610	474,610
-	-	-	470	394,873	394,873
17,125	-	7,460	7,849	190,824	190,824
-	-	193,373	371	193,744	193,744
-	-	-	-	188,303	188,303
17,125	78,172	273,052	10,604	1,614,413	1,614,413
-	-	-	-	7,013	7,013
-	-	-	184,238	184,238	184,238
-	233,690	177,451	-	411,141	411,141
478,121	-	-	203,488	3,916,462	3,916,462
-	-	-	-	1,746,307	1,746,307
<u>478,121</u>	<u>233,690</u>	<u>177,451</u>	<u>387,726</u>	<u>6,265,161</u>	<u>6,265,161</u>
<u>\$ 495,246</u>	<u>\$ 311,862</u>	<u>\$ 450,503</u>	<u>\$ 398,330</u>	<u>\$ 7,879,574</u>	<u>\$ 7,879,574</u>

Cassopolis Public Schools

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

June 30, 2017

Total fund balances - governmental funds \$ 6,265,161

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	\$ 36,830,865	
Accumulated depreciation is	<u>(14,297,657)</u>	
Capital assets, net		22,533,208

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	1,592,269	
Deferred inflows of resources related to pensions	<u>(798,818)</u>	
		793,451

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	(18,311,809)	
Accrued interest payable on long-term debt	(32,744)	
Compensated absences	(153,935)	
Net pension liability	<u>(11,492,985)</u>	
		<u>(29,991,473)</u>

Net position of governmental activities \$ (399,653)

Cassopolis Public Schools

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

Year Ended June 30, 2017

	General Fund	Debt Service	
		2003 QZAB Bond	2009 Energy Conservation Bond
REVENUES			
Local sources	\$ 4,284,287	\$ 70,713	\$ 799
State sources	4,288,678	-	-
Federal sources	524,431	-	-
TOTAL REVENUES	9,097,396	70,713	799
EXPENDITURES			
Current			
Instruction	5,036,007	-	-
Supporting services	3,900,533	-	-
Community services	339	-	-
Food service	-	-	-
Capital outlay	27,292	-	-
Debt service	111,892	-	-
TOTAL EXPENDITURES	9,076,063	-0-	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	21,333	70,713	799
OTHER FINANCING SOURCES			
Payments from other districts	41,735	-	-
NET CHANGE IN FUND BALANCES	63,068	70,713	799
Fund balances beginning of year	1,690,252	2,360,396	802,945
Fund balances end of year	<u>\$ 1,753,320</u>	<u>\$ 2,431,109</u>	<u>\$ 803,744</u>

See accompanying notes to financial statements.

Debt Service	Capital Project Funds			Nonmajor Governmental Funds	Total
2010 Series A Bond	2015 Bond Capital Project	Sinking Fund			
\$ 866,734	\$ 4,578	\$ 377,566	\$ 483,021	\$ 6,087,698	
8,572	-	7,292	28,857	4,333,399	
482,993	-	-	536,996	1,544,420	
1,358,299	4,578	384,858	1,048,874	11,965,517	
-	-	-	-	5,036,007	
-	-	-	-	3,900,533	
-	-	-	-	339	
-	-	-	618,955	618,955	
-	1,628,802	394,173	42,194	2,092,461	
1,444,224	-	-	544,036	2,100,152	
1,444,224	1,628,802	394,173	1,205,185	13,748,447	
(85,925)	(1,624,224)	(9,315)	(156,311)	(1,782,930)	
-	-	-	46,461	88,196	
(85,925)	(1,624,224)	(9,315)	(109,850)	(1,694,734)	
564,046	1,857,914	186,766	497,576	7,959,895	
<u>\$ 478,121</u>	<u>\$ 233,690</u>	<u>\$ 177,451</u>	<u>\$ 387,726</u>	<u>\$ 6,265,161</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, 2017

Net change in fund balances - total governmental funds \$ (1,694,734)

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	\$ 1,731,301	
Depreciation expense	<u>(942,834)</u>	
Excess of capital outlay over depreciation expense		788,467

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	1,298,887	
Net additions to issuance premium	<u>8,322</u>	
Excess of principal retirements over other debt related items		1,307,209

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	(214,223)	
Change in deferred outflows of resources related to pensions	406,261	
Change in deferred inflows of resources related to pensions	76,804	
Decrease in accrued interest payable	101,877	
(Increase) in compensated absences	<u>(67,331)</u>	
		<u>303,388</u>

Change in net position of governmental activities \$ 704,330

Cassopolis Public Schools

STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUND

June 30, 2017

	<u>Agency Fund</u>
ASSETS	
Cash	<u>\$ 179,082</u>
 LIABILITIES	
Due to student groups	<u>\$ 179,082</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 of the District 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 District 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. Separate financial statements are provided for governmental and fiduciary funds even though the latter are excluded from the district-wide financial statements.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

- c. 2009 Energy Conservation Bond Fund - The 2009 Energy Conservation Bond Fund, a debt service fund, was established to account for funds being accumulated that are restricted for payment of the energy conservation bonds when they come due.
- d. 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.
- e. 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.
- f. Sinking Fund - The Sinking Fund is used to account for restricted financial resources related to the District's sinking fund millage.

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, when applicable. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Accounting - continued

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

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

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 in the General Fund and at the total fund level in the Special Revenue Funds; 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 cash equivalents

Cash consists of checking and savings accounts.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Short-term Interfund Receivables/Payables

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

8. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan’s funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2017, to be paid in July and August 2017. The total amount of \$1,038,394 due from other governmental units consists of \$902,935 related to State Aid and \$135,459 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, 2017

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. Due to Other Governmental Units

Due to other governmental units consist of amounts due to Cass County related to an unfavorable Michigan Tax Tribunal case in which the District owes tax revenue back to a local business.

14. 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. Other monies collected in advance are also presented as unearned. These same amounts have been shown as "unearned revenue" on the Statement of Net Position and balance sheet, when applicable to indicate that the revenue has not been recognized because it has not been earned.

15. 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 2017, and anticipated State Aid is expected to be sufficient to cover this commitment.

16. Long-term Obligations

Long-term debt is recognized as a liability in the district-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

17. Net Pension Liability

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

18. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. 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 \$18.0000 per \$1,000 of taxable valuation on most nonprimary residence exempt property and \$6.0000 per \$1,000 of taxable valuation on commercial personal property for general governmental services, \$0.8365 per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for a sinking fund, and \$2.8000 per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service. The District is also permitted to levy additional amounts for enhancement and/or debt service if voter approval is obtained. The above millages generated \$4,225,733, \$384,750, and \$1,288,043 for the General Fund, Sinking Fund, and Debt Service funds, respectively.

19. 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, 2017, the foundation allowance was based on the average of pupil membership counts taken in September 2016 and February 2016. The average calculation was weighted 90% for the September 2016 count and 10% for the February 2016 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 18.0000 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.

20. 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.

21. 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.

Cassopolis Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

22. 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.

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: DEPOSITS

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, 2017, the carrying amount of the District's deposits was \$6,674,451 and the bank balance was \$6,868,253 of which \$914,265 was covered by Federal depository insurance. The balance of \$5,953,988 was uninsured and uncollateralized.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE B: DEPOSITS - 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, 2017, the District has \$129,749 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, 2017, 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, 2017

NOTE B: DEPOSITS - 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, 2017, the District's deposits were reported in the financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,390,365	\$ 179,082	\$ 3,569,447
Cash - restricted for debt service	<u>3,234,853</u>	<u>-</u>	<u>3,234,853</u>
	<u>\$ 6,625,218</u>	<u>\$ 179,082</u>	<u>\$ 6,804,300</u>

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

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Balance July 1, 2016</u>	<u>Additions/ Reclassification</u>	<u>Deletions/ Reclassification</u>	<u>Balance June 30, 2017</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 141,420	\$ -	\$ -	\$ 141,420
Construction in progress	<u>760,387</u>	<u>742,990</u>	<u>(760,387)</u>	<u>742,990</u>
Total capital assets not being depreciated	901,807	742,990	(760,387)	884,410
Capital assets being depreciated				
Buildings and building improvements	28,085,820	1,039,048	-	29,124,868
Site improvements	4,059,746	620,727	-	4,680,473
Equipment and furniture	946,573	88,923	-	1,035,496
Buses and other vehicles	<u>1,105,618</u>	<u>-</u>	<u>-</u>	<u>1,105,618</u>
Total capital assets being depreciated	34,197,757	1,748,698	-0-	35,946,455

Cassopolis Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE C: CAPITAL ASSETS - CONTINUED

	Balance July 1, 2016	Additions/ Reclassification	Deletions/ Reclassification	Balance June 30, 2017
Governmental activities - continued				
Less accumulated depreciation for:				
Buildings and building improvements	\$ (9,967,482)	\$ (618,949)	\$ -	\$ (10,586,431)
Site improvements	(1,779,945)	(218,358)	-	(1,998,303)
Equipment and furniture	(729,331)	(56,047)	-	(785,378)
Buses and other vehicles	(878,065)	(49,480)	-	(927,545)
Total accumulated depreciation	(13,354,823)	(942,834)	-0-	(14,297,657)
Net capital assets being depreciated	20,842,934	805,864	-0-	21,648,798
Net capital assets	<u>\$ 21,744,741</u>	<u>\$ 1,548,854</u>	<u>\$ (760,387)</u>	<u>\$ 22,533,208</u>

Total depreciation expense of \$942,834 was not allocated to government functions. It appears on the statement of activities as "unallocated."

NOTE D: SHORT-TERM NOTES PAYABLE

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 had a net outstanding balance of \$138,884 at June 30, 2016, were paid in full during the year ended June 30, 2017.

On August 22, 2016, the District issued short-term State School Aid Anticipation Notes in the amount of \$1,306,000 for the purpose of funding operating expenditures during periods of low cash flows. These short-term notes, including accrued interest through year-end, have a net outstanding balance of \$188,303 at June 30, 2017, are reported in the financial statements under the caption short-term notes payable.

NOTE E: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
2003 QZAB Bonds	\$ 2,230,000	\$ -	\$ -	\$ 2,230,000	\$ 2,230,000
2009 Energy Conservation Improvement Bonds	1,640,000	-	-	1,640,000	-
2010 Building & Site, Series A	9,820,000	-	(885,000)	8,935,000	885,000
2010 Building & Site, Series B	2,640,000	-	-	2,640,000	-
2015 Building & Site Bonds	3,070,000	-	(305,000)	2,765,000	315,000
2015 Building & Site Bond Premium	74,893	-	(8,322)	66,571	8,322
Passenger Bus Lease	95,226	-	(95,226)	-0-	-
Copier Purchase Agreement	1,752	-	(1,752)	-0-	-
Vehicle Loan Agreement	47,147	-	(11,909)	35,238	12,332
Compensated absences	86,604	115,244	(47,913)	153,935	85,163
Total	<u>\$ 19,705,622</u>	<u>\$ 115,244</u>	<u>\$ (1,355,122)</u>	<u>\$ 18,465,744</u>	<u>\$ 3,535,817</u>

Cassopolis Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE E: LONG-TERM DEBT - CONTINUED

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 5.00 to 6.25 percent, payable semi-annually. The District receives a subsidy of 85 to 95 percent of the interest cost from Qualified School Construction Bonds reducing the effective interest rate to 3.15 percent.	8,935,000
\$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 \$315,000 to \$375,000 through May 1, 2025, with interest ranging from 2.00 to 3.00 percent, payable semi-annually.	<u>2,765,000</u>
	<u><u>\$ 18,210,000</u></u>
\$49,942 Van Loan Agreement dated April 18, 2016, due in monthly installments ranging from \$1,011 to \$1,110 through April 18, 2020, with an interest rate of 3.49 percent, payable monthly.	<u><u>\$ 35,238</u></u>

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 \$153,935 as of June 30, 2017. This amount has been reported as current and noncurrent liabilities in the statement of net position.

Cassopolis Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE E: LONG-TERM DEBT - CONTINUED

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
2018	\$ 3,430,000	\$ 749,715	\$ (553,250)	\$ 196,465
2019	1,210,000	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	1,240,000	535,788	(368,540)	167,248
2023-2027	7,240,000	1,758,810	(1,116,991)	641,819
2028-2030	2,640,000	343,852	(154,732)	189,120
	<u>\$ 18,210,000</u>	<u>\$ 5,328,180</u>	<u>\$ (3,582,634)</u>	<u>\$ 1,745,546</u>

Year Ending June 30,	Van Loan	
	Principal	Interest
2018	\$ 12,332	\$ 1,064
2019	12,770	627
2020	10,136	176
	<u>\$ 35,238</u>	<u>\$ 1,867</u>

NOTE F: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2017, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	\$ 371
Sinking Fund	11,268
	<u>\$ 11,639</u>
Due to 2015 Bond Capital Project Fund from:	
Sinking Fund	\$ 182,105

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE G: 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, 2016, valuation will be amortized over a 20-year period for ORS' 2016 fiscal year.

Cassopolis Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

CONTRIBUTIONS AND FUNDING STATUS - CONTINUED

The schedule below summarizes pension contribution rates in effect for ORS' 2016 fiscal year.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	18.95%
Member Investment Plan	3.0 - 7.0%	18.95%
Pension Plus	3.0 - 6.4%	17.73%
Defined Contribution	0.0%	14.56%

Required contributions to the pension plan from the District were \$1,034,426 for the year ended September 30, 2016.

NET PENSION LIABILITY - NON-UNIVERSITY

Measurement of the MPSERS Net Pension Liability

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

MPSERS (Plan) Net Pension Liability - Non-University
As of September 30, 2016

Total Pension Liability	\$ 67,917,445,078
Plan Fiduciary Net Position	<u>42,968,263,308</u>
Net Pension Liability	<u>\$ 24,949,181,770</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.27%
Net Pension Liability as a percentage of Covered-Employee Payroll	295.81%

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

At June 30, 2017, the District reported a liability of \$11,492,985 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2015. 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, 2016, the District's proportion was 0.04606558 percent, which was a decrease of 0.00011149 percent from its proportion measure at September 30, 2015.

Cassopolis Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

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

For the year ended June 30, 2017, the District recognized total pension expense of \$945,044. At June 30, 2017, 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	\$ 143,233	\$ 27,239
Changes of assumptions	179,684	-
Net difference between projected and actual earnings on pension plan investments	191,013	-
Changes in proportion and differences between Cassopolis Public Schools' contributions and proportionate share of contributions	392	415,878
State Aid related to pensions	-	355,701
Cassopolis Public Schools' contributions subsequent to the measurement date	<u>1,077,947</u>	<u>-</u>
Total	<u>\$ 1,592,269</u>	<u>\$ 798,818</u>

\$1,077,947 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. \$355,701 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, 2018. 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>
2017	\$ (59,875)
2018	(74,896)
2019	166,598
2020	39,378

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE G: 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:

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return	
- MIP and Basic Plans (Non-Hybrid):	8.0%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. 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, 2016, are summarized in the following table:

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan 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%
\$ 14,800,072	\$ 11,492,985	\$ 8,704,793

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, 2017, was \$11,800.

NOTE H: 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>.

Cassopolis Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE H: OTHER POST-EMPLOYMENT BENEFITS -CONTINUED

PLAN DESCRIPTION - CONTINUED

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, 2017, are as follows:

	<u>Health Contribution Rate</u>	
	<u>Basic/MIP</u>	<u>Pension Plus</u>
July 1, 2016 - September 30, 2016	6.40 - 6.83%	6.40 - 6.83%
October 1, 2016 - June 30, 2017	5.69 - 5.91%	5.69 - 5.91%

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>
2017	\$ 234,768	\$ 11,247	\$ 11,247
2016	232,584	6,938	6,871
2015	404,675	12,132	7,129

NOTE I: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for boiler and machine, property, fleet, liability, in-land marine, data breach, terrorism and school violent acts, 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE J: SINKING FUND AND BONDED CONSTRUCTION FUNDS

The Sinking Fund of the District includes capital project activities funded by a voted millage for a sinking fund. For the expenditures recorded within the Sinking Fund, the District has complied with the applicable provisions of Section 1212 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.

NOTE K: 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.

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.

Cassopolis Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE L: SUBSEQUENT EVENTS

In August 2017, the District received funds from the Michigan Municipal Bond Authority short-term cash flow borrowing program. The loan in the amount of \$950,000 was for the purpose of funding operating expenditures until the fiscal year 2018 State Aid payments begin. Future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

In August 2017, the District entered into a leasing agreement for school buses. The leasing agreement spans from August 1, 2017 through August 1, 2021 and the District's payments during the leasing period total \$291,280. Future anticipated revenues and fund balance are expected to be sufficient to cover this commitment.

NOTE M: CONTRACTUAL COMMITMENTS

The District has entered into contracts related to ongoing construction projects that were not completed at June 30, 2017. The total contractual commitments outstanding at June 30, 2017 totaled \$72,973. Remaining bond proceeds, sinking fund revenues, and other future revenues are expected to be sufficient to cover these commitments.

NOTE N: TAX ABATEMENTS

Industrial facilities exemption (IFT)

Municipalities within the District's boundaries have entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. The IFT on a new plant and non-industrial property, such as some high-tech personal property, is computed at 50% of the property tax bill for new property. For rehabilitation properties, the taxable values can be frozen. The properties that have abatements are located in the City of Cassopolis, Penn Township, and Volinia Township.

For the year ended June 30, 2017, the District's property tax revenue for general operations, sinking fund operations, and debt fund operations were reduced under this program by the following:

General operations	\$	38,064
Sinking fund operations		2,391
Debt fund operations		<u>8,003</u>
	\$	<u><u>48,458</u></u>

NOTE O: CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 77, *Tax Abatement Disclosures*, was implemented during the year. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 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.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019-2020 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Cassopolis Public Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 4,066,800	\$ 4,394,500	\$ 4,284,287	\$ (110,213)
State sources	4,241,920	4,158,432	4,288,678	130,246
Federal sources	559,892	605,125	524,431	(80,694)
TOTAL REVENUES	8,868,612	9,158,057	9,097,396	(60,661)
EXPENDITURES				
Current				
Instruction				
Basic programs	3,822,145	3,824,803	3,784,591	40,212
Added needs	1,194,547	1,014,298	1,065,615	(51,317)
Adult/continuing education	194,288	172,570	185,801	(13,231)
Total instruction	5,210,980	5,011,671	5,036,007	(24,336)
Supporting services				
Pupil	316,825	316,010	300,262	15,748
Instructional staff	144,567	102,745	93,451	9,294
General administration	365,250	379,801	378,799	1,002
School administration	556,980	595,620	602,381	(6,761)
Business services	495,800	427,437	353,212	74,225
Operations and maintenance	1,088,850	1,195,362	1,129,899	65,463
Transportation	511,802	567,670	560,112	7,558
Central	169,500	157,150	145,827	11,323
Athletics	290,160	349,745	336,590	13,155
Total supporting services	3,939,734	4,091,540	3,900,533	191,007
Community services	350	350	339	11
Debt Service	39,248	88,996	111,892	(22,896)
Capital outlay	10,000	9,500	27,292	(17,792)
TOTAL EXPENDITURES	9,200,312	9,202,057	9,076,063	125,994
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(331,700)	(44,000)	21,333	65,333
OTHER FINANCING SOURCES				
Payments from other districts	45,000	44,000	41,735	(2,265)
NET CHANGE IN FUND BALANCE	(286,700)	-0-	63,068	63,068
Fund balance beginning of year	1,690,252	1,690,252	1,690,252	-0-
Fund balance end of year	\$ 1,403,552	\$ 1,690,252	\$ 1,753,320	\$ 63,068

Cassopolis Public Schools

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Michigan Public School Employee Retirement Plan

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Cassopolis Public Schools' proportion of net pension liability (%)	0.04902%	0.04168%	0.04607%
Cassopolis Public Schools' proportionate share of net pension liability	\$ 10,798,449	\$ 11,278,762	\$ 11,492,985
Cassopolis Public Schools' covered-employee payroll	\$ 4,180,894	\$ 3,991,667	\$ 3,900,665
Cassopolis Public Schools' proportionate share of net pension liability as a percentage of its covered-employee payroll	258.28%	282.56%	294.64%
Plan fiduciary net position as a percentage of total pension liability	66.20%	63.17%	63.27%

Cassopolis Public Schools
 SCHEDULE OF CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily required contributions	\$ 957,025	\$ 1,157,813	\$ 1,137,263
Contributions in relation to statutorily required contributions	<u>957,025</u>	<u>1,157,813</u>	<u>1,137,263</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Cassopolis Public Schools' covered employee payroll	\$ 3,953,683	\$ 3,882,154	4,217,970
Contributions as a percentage of covered-employee payroll	24.21%	29.82%	26.96%

Cassopolis Public Schools

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2017

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. The District's budgeted expenditures have been adopted at the functional classification level in the General Fund and at the total fund level for the Special Revenue Funds.

During the year ended June 30, 2017, 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			
Added needs	\$ 1,014,298	\$ 1,065,615	\$ 51,317
Adult/continuing education	172,570	185,801	13,231
Supporting services			
School administration	595,620	602,381	6,761
Debt service	88,996	111,892	22,896
Capital outlay	9,500	27,292	17,792

NOTE B: MICHIGAN PUBLIC SCHOOL EMPLOYEE RETIREMENT PLAN

Changes of benefit terms: There were no changes of benefit terms in the plan year 2016.

Changes of assumptions: There were no changes of assumptions in the plan year 2016.

OTHER SUPPLEMENTARY INFORMATION

Cassopolis Public Schools
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 June 30, 2017

	Special Revenue Fund	Debt Service Funds		Total
	Food Service	2010 Series B Bond	2015 Bond	
ASSETS				
Cash	\$ 157,407	\$ 66,198	\$ 145,139	\$ 368,744
Accounts receivable	2,500	-	-	2,500
Due from other governmental units	27,086	-	-	27,086
TOTAL ASSETS	\$ 186,993	\$ 66,198	\$ 145,139	\$ 398,330
LIABILITIES				
Accounts payable	\$ 215	\$ -	\$ -	\$ 215
Accrued wages	1,699	-	-	1,699
Other accrued liabilities	470	-	-	470
Due to other governmental units	-	448	7,401	7,849
Due to other funds	371	-	-	371
TOTAL LIABILITIES	2,755	448	7,401	10,604
FUND BALANCES				
Restricted				
Food service	184,238	-	-	184,238
Debt service	-	65,750	137,738	203,488
TOTAL FUND BALANCES	184,238	65,750	137,738	387,726
TOTAL LIABILITIES AND FUND BALANCES	\$ 186,993	\$ 66,198	\$ 145,139	\$ 398,330

Cassopolis Public Schools

Nonmajor Governmental Funds

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

Year Ended June 30, 2017

	Special	Debt Service Funds		Total
	Revenue Fund	2010	2015	
	Food	Series B	2015	
	Service	Bond	Bond	
REVENUES				
Local sources	\$ 85,795	\$ 22,736	\$ 374,490	\$ 483,021
State sources	20,285	8,572	-	28,857
Federal sources	465,065	71,931	-	536,996
TOTAL REVENUES	571,145	103,239	374,490	1,048,874
EXPENDITURES				
Current				
Food service	618,955	-	-	618,955
Capital outlay	42,194	-	-	42,194
Debt service				
Principal retirement	-	-	305,000	305,000
Interest, fiscal and other charges	-	172,737	66,299	239,036
TOTAL EXPENDITURES	661,149	172,737	371,299	1,205,185
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(90,004)	(69,498)	3,191	(156,311)
OTHER FINANCING SOURCES				
Payments from other districts	46,461	-	-	46,461
NET CHANGE IN FUND BALANCES	(43,543)	(69,498)	3,191	(109,850)
Fund balance beginning of year	227,781	135,248	134,547	497,576
Fund balance end of year	\$ 184,238	\$ 65,750	\$ 137,738	\$ 387,726