

HOPKINS PUBLIC SCHOOLS

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional
supplementary information)

YEAR ENDED JUNE 30, 2017

CONTENTS

	<u>Page</u>
Independent auditor's report	4 - 6
Management's Discussion and Analysis	7 - 13
Basic financial statements	14
Government-wide financial statements	
Statement of net position.....	15
Statement of activities	16
Fund financial statements	
Balance sheet - governmental funds	17 - 18
Statement of revenues, expenditures, and changes in fund balances - governmental funds.....	19 - 20
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities.....	21
Fiduciary fund	
Statement of fiduciary net position	22
Notes to financial statements.....	23 - 50
Required supplementary information	51
Budgetary comparison schedule - general fund	52
Schedule of the reporting unit's proportionate share of the net pension liability.....	53
Schedule of the reporting unit's contributions	54
Notes to required supplementary information	55

C O N T E N T S

	<u>Page</u>
Additional supplementary information	56
Nonmajor governmental fund types	
Combining balance sheet	57
Combining statement of revenues, expenditures, and changes in fund balances	58
General fund	
Detail of revenues and other financing sources	59
Detail of expenditures	60 - 64
Debt service funds	
Combining balance sheet	65
Combining statement of revenues, expenditures, and changes in fund balances	66
Fiduciary funds	
Statement of cash receipts, disbursements and liabilities by activity - agency fund.....	67 - 70
Long-term debt	
Bonded debt	71 - 75
School bond loan fund	76
Installment purchase agreement.....	77 - 78
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	79 - 80

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Hopkins Public Schools

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 Hopkins Public Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Hopkins Public Schools' 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*, issue 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 Hopkins 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, 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 Hopkins Public Schools basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional 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 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, this information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2017 on our consideration of Hopkins Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Hopkins Public Schools' 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 Hopkins Public Schools' internal control over financial reporting and compliance.

Manes Costeiran PC

October 16, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Hopkins Public Schools (HPS) annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

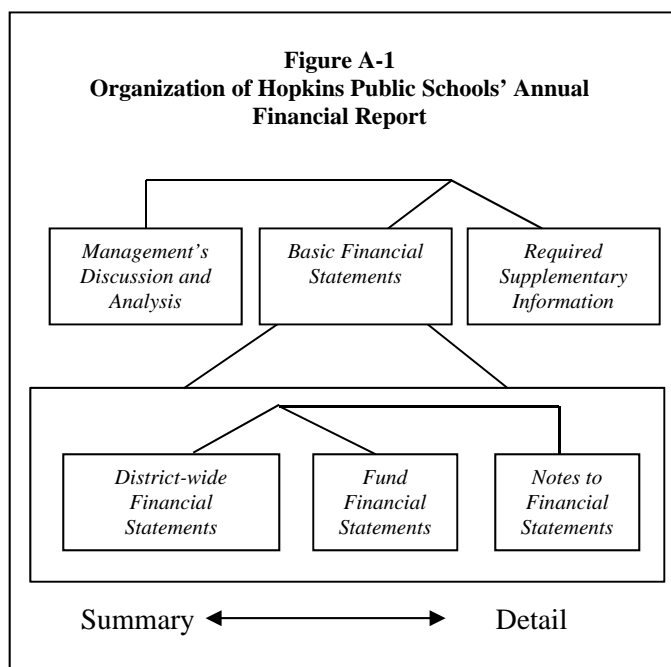
Fiscal year ending June 30, 2017 Hopkins Public Schools was able to once again add to their fund balance. Hopkins Public Schools ended the year with an excess in the general fund budget of just over \$345,000. As a result of the increased fund balance, the District was able to keep its borrowing flat at \$1.3 million. The State added an additional \$120 per pupil which brought the base foundation to \$7,511. The State reduced the Technology Infrastructure Grant (TRIG) funds by approximately \$26,000. There was an increase in Section 51c Special Education funding of over \$77,000 due to increased expenditures in 2015/16. The District was eligible to receive a total of just over \$285,000 in At Risk 31A funds. Additionally, they continued receiving the FIRST Robotics Grant, Early Literacy Targeted Instruction Grant, and Computer Adaptive Tests Grant. There was a slight reduction in their Vocation Education funding of just over \$22,000. The State once again increased the amount that they passed through in 147C dollars by over \$100,000. The State continued the pupil count calculation from the prior year of 90% funding coming from the fall count and 10% of funding from the *prior* winter count. The student count increased by 46 students, bringing the total to 1,684 students for the fall count day, which was then adjusted down by 4.10 FTE’s to 1,680 after all Section 25 adjustments were made. Section 25 allows for the movement of students between the fall and winter counts to be allocated correctly between districts and this was the third consecutive year the State allowed for this calculation. Our winter count came in slightly lower at 1,668. The District was able to purchase one new bus to help in the replacement schedule of their aging fleet.

The school lunch fund also added to their fund balance during the 2016-17 school year with a surplus of almost \$40,000 dollars and the debt retirement fund continued in a borrowing position from the state as property values in the District increased approximately 4%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District’s operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.



- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-wide and Fund Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net position include *all* of the District's assets, deferred outflows of resources, deferred inflows of resources, and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net position* and how they have changed. Net position - the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch).

The District has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position - The District's combined net position as of June 30, 2017 and 2016 was (\$21,013,278) and (\$22,602,250), respectively. This represents an increase of \$1,588,972, as recorded in the statement of activities.

Table A-3		
Hopkins Public Schools' Net Position		
	2017	2016
Assets:		
Current assets	\$ 5,437,254	\$ 5,859,993
Capital assets	30,530,180	31,265,124
Total assets	35,967,434	37,125,117
Deferred outflows of resources	4,075,094	3,324,514
Liabilities:		
Long-term liabilities outstanding	36,495,102	38,710,045
Other liabilities	2,759,380	3,511,738
Net pension liability	21,079,471	20,210,589
Total liabilities	60,333,953	62,432,372
Deferred inflows of resources	721,853	619,509
Net position:		
Net investment in capital assets	(4,573,672)	(1,246,635)
Restricted for debt service	244,850	606,007
Restricted for capital projects - sinking fund	304,672	-
Unrestricted	(16,989,128)	(21,961,622)
Total net position	\$ (21,013,278)	\$ (22,602,250)

Table A-4		
Changes in Hopkins Public Schools' Net Position		
	2017	2016
Revenues:		
Operating grants	\$ 2,228,333	\$ 2,221,612
Charges for services	544,853	441,347
General revenues:		
Property taxes	3,735,625	3,215,644
State aid - unrestricted	11,592,644	10,702,944
Contributions	-	67,005
Other	772,045	733,633
Total revenues	18,873,500	17,382,185
Expenses:		
Instruction	8,941,821	8,494,803
Support services	5,586,318	5,763,245
Community services	20,414	25,283
Food services	648,873	640,167
Interest on long-term debt	1,203,348	1,127,533
Unallocated depreciation	883,754	898,260
Total expenses	17,284,528	16,949,291
Change in net position	\$ 1,588,972	\$ 432,894

DISTRICT GOVERNMENTAL ACTIVITIES

The District's class sizes continue to be large with over \$20,000 in overloads and class size overages being paid out in instructional costs; however, ultimately these overages help to increase the District's bottom line. There was an additional 5th grade section that needed to be added at Hopkins Elementary, and the need for the two additional half-time teachers at the middle school continued. The increase in pension costs remained flat due to the MPSERS Offset funding and 147c funds the State of Michigan is passing through, the District continued to pay the state hard cap for health insurance and the dental/vision costs decreased due to the District moving from a self-funded plan to a premium plan.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's taxable values grew by 3.91% for 2017, and the 20-year average is 4.65%. The winter tax bills continued to reflect a rate of 10.34 mills to be levied for debt on all properties in order to allow the District to pay back their original bonds and also pay back their loan from the State's school bond loan fund in the time frame allowed. The District levied 1.60 mills for the first time in 2016 for the new sinking fund that voters approved on May 3, 2016. The mill is authorized to be levied for a period of 5 years.

The Hopkins Board of Education and district employees are encouraged by the steady turnaround of the financial position of the District. However, at the same time, they are discouraged by the reductions coming from the federal government and our local Educational Service Agency and also the use of the state's School Aid Fund to offset expenditures in the state's General Fund.

General Fund and Budget Highlights

The District is required to adopt an operating budget prior to the start of the fiscal year. Certain information is not known at the time of the budget adoption, such as the exact amount of state aid, the student enrollment, and the cost of employee contracts. During fiscal year 2017, the budget was amended twice to reflect changes and to recognize these changes with the Board of Education. For fiscal year 2016-17, these budget amendments included a large increase in the student count, final staffing changes, final contract settlements, utility costs, technology savings, and a new bus purchase. The District received greater funding than was anticipated based on our pupil enrollment, saved money on heating and fuel costs, received additional revenue from Allegan AESA, and received additional grants that helped offset general fund costs. The District also faced large contract settlements that were not yet known when the original budget was adopted and staff members were added in order to reduce classroom sizes.

Final budget amendments were presented to the Board of Education in June, based on information gathered through the middle of June. The final budget amendment anticipated a surplus of just over \$218,000 if spending was 100% in all line items. The actual year-end report showed a surplus of just over \$345,000, which was great news for the District.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital purchases in fiscal year 2017 increased slightly due to the acquisition of a new school bus. Replacement of technology as well as new technology furnishings comprised a portion of the spending as well.

Table A-5 Hopkins Public Schools' Capital Assets Net of Depreciation		
	2017	2016
Land	\$ 739,062	\$ 739,062
Building and additions	28,563,326	29,282,474
Furniture and equipment	634,741	615,752
Transportation equipment	593,051	627,836
Total	<u>\$ 30,530,180</u>	<u>\$ 31,265,124</u>

Long-term Debt

Table A-6 Hopkins Public Schools' Outstanding Long-Term Debt		
	2017	2016
General and limited obligation bonds	\$ 33,690,740	\$ 37,603,729
School bond loan fund	1,817,509	2,633
Other *	986,853	1,103,683
Total	<u>\$ 36,495,102</u>	<u>\$ 38,710,045</u>
* Installment purchase agreement, accrued sick pay, and termination benefits.		

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited the District is aware of several impact areas for 2017 and the future.

- The District budgeted an increase in State aid of \$200,000 for the 2017-2018 fiscal year. The 2016-2017 base State Aid Foundation allowance of \$7,511 will be increased next year by \$120 per student to the new base foundation of \$7,631 for future planning. The District will again receive 147c funding to offset employee retirement costs. The 2017-2018 budget also reflects additional At Risk funding of over \$170,000 based on the School Aid budget that was passed. The budget also reflects a slight decrease in federal grant funding levels as well as stable funding amounts from AAESA to offset special education costs.
- The blended student count for the District increased significantly in 2016-2017; however, the enrollment trend is not stable enough to plan on that continued increase. The District is budgeting the enrollment to increase only slightly from the Spring 2017 count.
- The Affordable Care Act continues to be an unknown in upcoming budget years. The District once again faced additional costs in 2016-2017 due to the new requirement of offering health insurance coverage to those employees who work 30 or more hours. As the health insurance marketplace is changing, there were additional employees who found it necessary to enroll in the coverage offered.

- The large increase in At-risk funding will continue to allow the District to make great improvements in the area of curriculum and allow them to purchase supplies and hardware that will be used as tools to support this new curriculum.
- The District's transportation fleet is still aging; however, the District has worked hard to budget for the purchase of nine new buses over the past three years, which has made an impact on the replacement process and anticipates purchasing one additional bus in 2017/2018.
- The District will need to hire additional staff members as class sizes have grown too large in some buildings to continue at their current size. However, there were a large amount of retirees in the 2016-2017 budget year, so some of these increases will be offset by that savings.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Hopkins Public Schools, 400 Clark Street, Hopkins, MI 49328.

BASIC FINANCIAL STATEMENTS

HOPKINS PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental activities
ASSETS:	
Cash and cash equivalents	\$ 2,702,433
Receivables:	
Accounts receivable	790
Intergovernmental	2,481,081
Inventories	60,305
Prepays	192,645
Capital assets, not being depreciated	739,062
Capital assets, net of accumulated depreciation	29,791,118
TOTAL ASSETS	35,967,434
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charges, net of amortization	755,910
Related to pensions	3,319,184
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,075,094
LIABILITIES:	
Accounts payable	112,689
Accrued salaries and related items	815,385
Accrued retirement	357,888
Accrued interest	173,418
State aid note payable	1,300,000
Noncurrent liabilities:	
Due within one year	4,006,599
Due in more than one year	32,488,503
Net pension liability	21,079,471
TOTAL LIABILITIES	60,333,953
DEFERRED INFLOWS OF RESOURCES:	
Related to pensions	64,286
Related to state aid funding for pension	657,567
TOTAL DEFERRED INFLOWS OF RESOURCES	721,853
NET POSITION:	
Net investment in capital assets	(4,573,672)
Restricted for debt service	244,850
Restricted for capital projects - sinking fund	304,672
Unrestricted	(16,989,128)
TOTAL NET POSITION	\$ (21,013,278)

**HOPKINS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net position
Governmental activities:				
Instruction	\$ 8,941,821	\$ -	\$ 1,503,146	\$ (7,438,675)
Support services	5,586,318	213,033	336,707	(5,036,578)
Community services	20,414	40,459	-	20,045
Food services	648,873	291,361	388,480	30,968
Interest on long-term debt	1,203,348	-	-	(1,203,348)
Unallocated depreciation	883,754	-	-	(883,754)
Total governmental activities	<u>\$ 17,284,528</u>	<u>\$ 544,853</u>	<u>\$ 2,228,333</u>	<u>(14,511,342)</u>
General revenues:				
Property taxes, levied for general purposes				669,898
Property taxes, levied for debt service				2,655,411
Property taxes, levied for sinking fund				410,316
State sources - unrestricted				11,592,644
Intermediate sources				602,705
Other				<u>169,340</u>
Total general revenues				<u>16,100,314</u>
CHANGE IN NET POSITION				1,588,972
NET POSITION, beginning of year				<u>(22,602,250)</u>
NET POSITION, end of year				<u><u>\$ (21,013,278)</u></u>

HOPKINS PUBLIC SCHOOLS

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2017

			Total nonmajor funds	Total governmental funds
	General fund	Sinking fund		
ASSETS:				
Cash and cash equivalents	\$ 1,696,689	\$ 382,397	\$ 623,347	\$ 2,702,433
Receivables:				
Accounts receivable	-	-	790	790
Intergovernmental	2,472,226	-	8,855	2,481,081
Due from other funds	-	-	4,541	4,541
Inventories	55,297	-	5,008	60,305
Prepaids	192,645	-	-	192,645
TOTAL ASSETS	\$ 4,416,857	\$ 382,397	\$ 642,541	\$ 5,441,795
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 33,509	\$ 77,725	\$ 1,455	\$ 112,689
Accrued salaries and related items	815,385	-	-	815,385
Accrued retirement	357,888	-	-	357,888
Due to other funds	4,541	-	-	4,541
State aid note payable	1,300,000	-	-	1,300,000
TOTAL LIABILITIES	2,511,323	77,725	1,455	2,590,503

See notes to financial statements.

	<u>General fund</u>	<u>Sinking fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
FUND BALANCES:				
Nonspendable:				
Inventories	\$ 55,297	\$ -	\$ 5,008	\$ 60,305
Prepays	192,645	-	-	192,645
Restricted:				
Debt service	-	-	418,268	418,268
Capital projects		304,672		304,672
Food service	-	-	89,262	89,262
Assigned:				
Capital projects funds	-		128,548	128,548
Unassigned:	1,657,592	-	-	1,657,592
TOTAL FUND BALANCES	<u>1,905,534</u>	<u>304,672</u>	<u>641,086</u>	<u>2,851,292</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,416,857</u>	<u>\$ 382,397</u>	<u>\$ 642,541</u>	<u>\$ 5,441,795</u>
Total governmental fund balances				\$ 2,851,292
Amounts reported for governmental activities in the statement of net position are different because:				
Deferred charges on refunding			\$ 957,501	
Accumulated amortization			<u>(201,591)</u>	
Deferred charge on refunding, net of amortization				755,910
Deferred outflows of resources - related to pensions				3,319,184
Deferred inflows of resources - related to pensions				(64,286)
Deferred inflows of resources - related to state pension funding				(657,567)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:				
The cost of the capital assets is			47,316,532	
Accumulated depreciation is			<u>(16,786,352)</u>	
				30,530,180
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Bonds and notes payable				(35,859,762)
Compensated absences and termination benefits				(635,340)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid				(173,418)
Net pension liability				<u>(21,079,471)</u>
Net position of governmental activities				<u>\$ (21,013,278)</u>

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	<u>General fund</u>	<u>Sinking fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ 669,898	\$ 410,316	\$ 2,655,411	\$ 3,735,625
Tuition	15,759	-	-	15,759
Food sales	-	-	288,733	288,733
Other	309,665	15	2,628	312,308
Total local sources	995,322	410,331	2,946,772	4,352,425
State sources	13,381,181	-	29,158	13,410,339
Federal sources	156,317	-	359,322	515,639
Incoming transfers and other	602,705	-	-	602,705
Total revenues	15,135,525	410,331	3,335,252	18,881,108
EXPENDITURES:				
Current:				
Instruction	8,762,022	-	-	8,762,022
Supporting services	5,855,452	-	-	5,855,452
Food service activities	-	-	629,500	629,500
Community service activities	29,435	-	-	29,435
Capital outlay	-	105,659	9,502	115,161

See notes to financial statements.

	<u>General fund</u>	<u>Sinking fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
EXPENDITURES (Concluded):				
Debt service:				
Principal repayment	\$ 227,190	\$ -	\$ 3,640,000	\$ 3,867,190
Interest	13,554	-	1,226,279	1,239,833
Other	-	-	1,650	1,650
Total expenditures	<u>14,887,653</u>	<u>105,659</u>	<u>5,506,931</u>	<u>20,500,243</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>247,872</u>	<u>304,672</u>	<u>(2,171,679)</u>	<u>(1,619,135)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from school loan revolving fund	-	-	1,803,771	1,803,771
Proceeds from shared services	<u>97,393</u>	<u>-</u>	<u>-</u>	<u>97,393</u>
Total other financing sources (uses)	<u>97,393</u>	<u>-</u>	<u>1,803,771</u>	<u>1,901,164</u>
NET CHANGE IN FUND BALANCES	<u>345,265</u>	<u>304,672</u>	<u>(367,908)</u>	<u>282,029</u>
FUND BALANCES:				
Beginning of year	<u>1,560,269</u>	<u>-</u>	<u>1,008,994</u>	<u>2,569,263</u>
End of year	<u>\$ 1,905,534</u>	<u>\$ 304,672</u>	<u>\$ 641,086</u>	<u>\$ 2,851,292</u>

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Net change in fund balances total governmental funds	\$ 282,029
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(1,178,093)
Capital outlay	446,306
Loss on disposal of capital assets	(3,157)
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	221,008
Accrued interest payable, end of the year	(173,418)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Payments on debt	3,867,190
Proceeds from school bond loan fund	(1,803,771)
Amortization of deferred loss on refunding	(58,312)
Amortization of bond premium	132,989
Long-term interest on school bond loan and revolving fund (accrued)	(11,105)
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences and termination benefits, beginning of the year	664,980
Accrued compensated absences and termination benefits, end of the year	(635,340)
Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Pension related items	495,233
Restricted Revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:	
State aid funding for pension	(657,567)
Change in net position of governmental activities	<u><u>\$ 1,588,972</u></u>

**HOPKINS PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017**

	<u>Agency fund</u>	<u>Private Purpose Trust Fund</u>
ASSETS:		
Cash	\$ 209,786	\$ -
Land	-	37,000
Land improvements	-	3,522
Building	-	40,000
Building improvements	-	1,097
TOTAL ASSETS	<u>209,786</u>	<u>81,619</u>
LIABILITIES:		
Due to student and other groups	<u>209,786</u>	<u>-</u>
NET POSITION:		
Restricted for school use	<u>-</u>	<u>81,619</u>
TOTAL NET POSITION	<u><u>\$ 209,786</u></u>	<u><u>\$ 81,619</u></u>

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Hopkins Public Schools. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

B. Reporting Entity

The Hopkins Public Schools (the “District”) is governed by the Hopkins Public Schools Board of Education (the “Board”), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District’s funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Continued)

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Included are all transactions related to the approved current operating budget.

The *sinking fund* accounts for the receipt of the sinking fund millage proceeds and acquisition of fixed assets or construction of capital projects. The District has complied with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95 relating to sinking funds.

Other Non-major Funds

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service activities in the special revenue fund.

The *capital improvement fund* accounts for the receipt of proceeds from the District's sale of its cable television channel and the acquisition or construction of capital facilities or equipment held by the District.

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

The *private purpose trust* fund is accounted for using the accrual method of accounting. The District's private purpose trust fund accounts for assets held for the educational enrichment of the students. These funds are not included in the District's government-wide financial statements.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Concluded)

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. 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 current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6.0 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

The private-purpose trust fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information (Concluded)

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

1. 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 of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). 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 be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2017. The District does not consider these amendments to be significant.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

2. Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

3. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

HOPKINS PUBLIC SCHOOLS **NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

4. Capital assets (Concluded)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land is not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Building and additions	50
Furniture and equipment	5 - 15
Transportation equipment	8

5. Defined benefit plan

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 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.

6. Deferred outflows/inflows of resources

Deferred outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the deferred charge on refunding and pension related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows are recognized for pension related items. These amounts are expensed in the plan years in which they apply.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

6. Deferred outflows/inflows of resources (Concluded)

Deferred inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two items that qualifies for reporting in this category. The first is the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary. The second is restricted sections 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period.

7. Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

In the computation of net invested in capital assets, school bond revolving fund principal proceeds of \$1,806,378 are considered capital-related debt. Accrued interest on the school bond revolving fund of \$11,130 has been included in the calculation of unrestricted net position.

8. Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Concluded)

9. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board of education has by resolution authorized the superintendent and finance director to assign fund balance. The board of education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2017, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	18.00
Commercial Personal Property	6.00
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	10.34
Sinking fund:	
PRE, Non-PRE, Commercial Personal Property	1.60

3. Compensated absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

4. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - DEPOSITS AND INVESTMENTS

Interest rate risk. In accordance with its investment policy, the District will minimize 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; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - 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, \$2,649,218 of the District's bank balance of \$3,149,218 was exposed to custodial credit risk because it was uninsured and uncollateralized. Interest bearing accounts and certificates of deposit are included in the above totals.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Fair value measurement. The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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 prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District does not have any investments subject to the fair value measurement.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

A reconciliation of cash and investments as shown on the combined statement of net position follows:

Carrying value:	
Cash on hand	\$ 500
Carrying amount of deposits	<u>2,911,719</u>
Total	<u><u>\$ 2,912,219</u></u>
Per financial statements:	
Cash - including agency funds of \$209,786	<u><u>\$ 2,912,219</u></u>

NOTE 3 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 739,062	\$ -	\$ -	\$ 739,062
Capital assets being depreciated:				
Buildings and additions	40,884,918	77,725	-	40,962,643
Furniture and equipment	4,214,510	284,611	(643,149)	3,855,972
Transportation equipment	1,674,885	83,970	-	1,758,855
Total capital assets being depreciated	<u>46,774,313</u>	<u>446,306</u>	<u>(643,149)</u>	<u>46,577,470</u>
Accumulated depreciation:				
Buildings and additions	11,602,444	796,873	-	12,399,317
Furniture and equipment	3,598,758	262,465	(639,992)	3,221,231
Transportation equipment	1,047,049	118,755	-	1,165,804
Total accumulated depreciation	<u>16,248,251</u>	<u>1,178,093</u>	<u>(639,992)</u>	<u>16,786,352</u>
Net capital assets being depreciated	<u>30,526,062</u>	<u>(731,787)</u>	<u>(3,157)</u>	<u>29,791,118</u>
Net governmental capital assets	<u><u>\$ 31,265,124</u></u>	<u><u>\$ (731,787)</u></u>	<u><u>\$ (3,157)</u></u>	<u><u>\$ 30,530,180</u></u>

Depreciation for the fiscal year ended June 30, 2017 amounted to \$1,178,093.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS (Concluded)

Depreciation expense was charged to programs of the primary government as follows:

Instruction	\$ 175,584
Support services	118,755
Unallocated depreciation	<u>883,754</u>
Total depreciation	<u><u>\$ 1,178,093</u></u>

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2017 at the fund level consist of the following:

	General fund	Total nonmajor funds	Total
State Aid - State of Michigan	\$ 2,422,179	\$ -	\$ 2,422,179
Federal grants	50,047	8,855	58,902
Other	<u>-</u>	<u>790</u>	<u>790</u>
	<u><u>\$ 2,472,226</u></u>	<u><u>\$ 9,645</u></u>	<u><u>\$ 2,481,871</u></u>

No allowance for doubtful accounts is considered necessary.

NOTE 5 - NOTES PAYABLE - STATE AID ANTICIPATION NOTES

At June 30, 2017, the District issued state aid anticipation notes payable in the amount of \$1,300,000 which bear interest rates between 3.13323% - 3.34041% and mature on August 21, 2017. Proceeds of the notes were used to fund school operations. The notes are secured by the full faith and credit of the District as well as pledged state aid, and were used to fund school operations.

Balance June 30, 2016	Additions	Payments	Balance June 30, 2017
<u>\$ 2,000,000</u>	<u>\$ 1,300,000</u>	<u>\$ 2,000,000</u>	<u>\$ 1,300,000</u>

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT AND LOANS PAYABLE

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

2009 general obligation refunding bonds due in annual installments of \$370,000 to \$415,000 through May 1, 2026 with interest at 3.25% to 4.125%.	\$ 3,485,000
2008 general obligation refunding bonds due in annual installments of \$415,000 through May 1, 2026 with interest at 4.00% to 5.00%.	3,735,000
2016 series A general obligation refunding bonds due in annual installments of \$715,000 to \$940,000 through May 1, 2032 with interest at 3.0% to 5.0%.	12,450,000
2016 series B general obligation refunding bonds due in annual installments of \$2,215,000 to \$2,605,000 through May 1, 2022 with interest at 1.39% to 2.24%.	12,010,000
2011 general obligation energy bond due in annual installment of \$145,000 on May 1, 2018 with interest at 1.75%.	145,000
Plus: premium on bond issuance, net of amortization	<u>1,865,740</u>
Total general obligation bonds	33,690,740
 Borrowings from the State of Michigan under the School Bond Loan Fund, including interest.	 1,817,509
Bus installment purchase agreement due in annual installments of \$42,215 and \$42,208 through June 23, 2020 with interest at 1.79%.	126,638
Bus installment purchase agreement due in annual installments of \$44,975 through February 23, 2022 with interest at 2.25%.	224,875
Accrued retirement benefits:	
Obligation under contract for compensated absences	433,740
Obligation under contract for termination benefits - severance	<u>201,600</u>
Total general long-term debt	<u><u>\$ 36,495,102</u></u>

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM DEBT AND LOANS PAYABLE (Continued)

The annual requirements to amortize the long-term obligations as of June 30, 2017, including interest of \$6,934,327 are as follows:

Year ending June 30,	Total
2018	\$ 5,040,022
2019	4,892,095
2020	4,893,343
2021	4,858,357
2022	4,856,157
2023 - 2027	9,249,616
2028 - 2032	5,321,250
	<u>39,110,840</u>
Borrowings from the State of Michigan under the School Bond Loan Fund, including interest	1,817,509
Premium on bond issuance	1,865,740
Accrued retirement benefits:	
Obligation under contract for compensated absences and termination benefits	<u>635,340</u>
Total general long-term debt and interest	<u><u>\$ 43,429,429</u></u>

An amount of \$418,268 is available in the debt service fund to service the general obligation debt. Interest expense for all funds for the year ended June 30, 2017 was \$1,239,833.

Borrowing from the State of Michigan - The school bond loans payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates of 3.13323% - 3.34041% for the School Loan Revolving Fund notes have been assessed for the year ended June 30, 2017. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.55 mills. The school district is required to levy 7.55 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT AND LOANS PAYABLE (Concluded)

The following is a summary of the changes in liabilities reported in the general long-term debt account group:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due within one year
General obligation bonds	\$ 37,603,729	\$ -	\$ 3,912,989	\$ 33,690,740	\$ 3,905,000
School bond loan fund	2,633	1,814,876	-	1,817,509	-
Bus installment purchase	438,703	-	87,190	351,513	87,190
Accumulated unpaid sick pay	463,380	-	29,640	433,740	14,409
Accrued termination benefits	201,600	-	-	201,600	-
Totals	<u>\$ 38,710,045</u>	<u>\$ 1,814,876</u>	<u>\$ 4,029,819</u>	<u>\$ 36,495,102</u>	<u>\$ 4,006,599</u>

At June 30, 2017 outstanding general obligation bonds of \$27,760,000 relating to the 1996, 1998 1999, and 2007 issues are considered to be defeased.

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) (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. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www://michigan.gov/mpers-cafr.

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 of the system.

Benefits Provided

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPERS is as follows:

<u>Plan name</u>	<u>Plan Type</u>	<u>Plan status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Benefits Provided (Concluded)

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - .0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund. Members who elected under option 1 to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP).

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Regular Retirement (no reduction factor for age)

Eligibility - Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus (PPP) members, age 60 with 10 years of credited service.

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation.

Pension Plus

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 - Credited Service after the Transition Date times 1.5% times FAC.

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

Option 3 - Credited Service after the Transition Date times 1.25% times FAC.

Option 4 - None (Member will receive benefit through a Defined Contribution plan). As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7%. Plan members electing the defined contribution plan are not required to make additional contributions.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of September 30, 2016 valuation will be amortized over a 20-year period for fiscal 2016.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

October 1, 2015 - September 30, 2016	14.56% - 18.95%
October 1, 2016 - September 30, 2017	15.27% - 19.03%

The District's pension contributions for the year ended June 30, 2017 were equal to the required contribution total. Pension contributions were approximately \$2,096,000, with \$2,033,000 specifically for the Defined Benefit Plan. These amounts include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. (72.88% for pension and 27.12% for OPEB).

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

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

Pension Liabilities

At June 30, 2017, the District reported a liability of \$21,079,471 for its proportionate share of the 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 date of September 30, 2015 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2016 and 2015, the District's proportion was .08449 and .08275 percent.

<u>MPERS (Plan) Non-university employers</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Total Pension Liability	\$ 67,917,445,078	\$ 66,312,041,902
Plan Fiduciary Net Position	\$ 42,968,263,308	\$ 41,887,015,147
Net Pension Liability	\$ 24,949,181,763	\$ 24,425,026,755
Proportionate share	0.08449%	0.08275%
Net Pension Liability for the District	\$ 21,079,471	\$ 20,210,589

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

For the year ended June 30, 2017, the District recognized pension expense of \$1,432,897. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate, these amounts have been recorded as a deferred outflow as of June 30, 2017.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded)

At June 30, 2017, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$ 329,561	\$ -
Net difference between projected and actual earnings on pension plan investments	350,341	-
Differences between expected and actual experience	262,706	(49,959)
Changes in proportion and difference between employer contributions and proportionate share of contributions	513,044	(14,327)
Reporting Unit's contributions subsequent to the measurement date	1,863,532	-
	<u>\$ 3,319,184</u>	<u>\$ (64,286)</u>

\$1,863,532, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended September 30,</u>	<u>Amount</u>
2017	\$ 320,904
2018	293,349
2019	642,240
2020	134,873

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Actuarial Assumptions

Investment rate of return - 8.0% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus Plan).

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation - 2.5%

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projection scale BB for men and women were used.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2015. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The long-term expected rate of return on pension plan investments - The rate was **8% (7% Pension Plus Plan)** net of investment and administrative expenses 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.

The target asset allocation at September 30, 2016 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment category</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic Equity Pools	28.00%	5.90%
Alternate Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate and Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short Term Investment Pools	2.00%	0.00%
	<u>100.00%</u>	

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

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Discount rate - The discount rate used to measure the total pension liability was **8% (7% for Pension Plus Plan)**. The discount rate did not change from the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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 Reporting Unit's proportionate share of the net pension liability calculated using the discount rate of **8% (7% for Pension Plus Plan)**, as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.0 - 7.0%)	Discount rate (7.0 - 8.0%)	1% Increase (8.0 - 9.0%)
Reporting Unit's proportionate share of the net pension liability	<u>\$ 27,145,053</u>	<u>\$ 21,079,471</u>	<u>\$ 15,965,603</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2016 Comprehensive Annual Financial Report.

Payable to the Pension Plan - At year end the School District is current on all required pension plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

Other Information

Discount Rate - Assumed Rate of Return

On February 23, 2017, in accordance with PA 300 of 1980, as amended, the Michigan Public Schools Employees' Retirement System's Board approved a decrease in the assumed investment rate of return (discount rate) used in the System's annual actuarial valuation for the non-hybrid defined benefit pension plan from 8% to 7.5% effective for the fiscal year 2016 valuation and following.

The September 30, 2016 Annual Actuarial Valuation Report will be used to establish the employer contribution for fiscal year beginning October 1, 2018 and will be based upon the 7.5% investment rate of return assumption. The actuarial computed employer contributions and the net pension liability will increase as a result of lowering the assumed investment rate of return.

Pension Reform 2017

Senate Bill 401, amends the Public School Employees Retirement Act (PA 300 of 1980, as amended).

The bill closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new option revised hybrid plan with similar plan benefit calculations but contains a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The bill includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefit Provisions - Other Postemployment

Introduction

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

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Concluded)

Benefit Provisions - Other Postemployment (Concluded)

Introduction (Concluded)

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

Retiree Healthcare Reform of 2012

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

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

Employer Contributions

The employer contribution rate ranged from 5.52% to 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015, 2.2% to 2.71% of covered payroll for the period from March 10, 2015 to September 30, 2015, and from 6.4% to 6.83% of covered payroll for the period from October 1, 2015 through September 30, 2016 5.69% to 5.91% of covered payroll for the period from October 1, 2016 through September 30, 2017 dependent upon the employee's date of hire and plan election.

The District postemployment healthcare contributions to MPSERS for the years ended June 30, 2017, 2016 and 2015 were approximately \$680,000, \$728,000, and \$887,000.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. With regard to injuries to employees, the District participates in an association of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The association is considered a public entity risk sharing pool. The District pays annual premiums to the association for its workers' disability compensation coverage. In the event the association's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the policy year may be subject to special assessment to make up the difference. The association maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. Participant's annual dental and vision benefits are limited.

Hopkins Public Schools is self-insured for dental and vision claims. Claims for the years ending June 30, 2017 and 2016 were approximately \$185,000 and \$233,000, respectively. The estimated liabilities for claims incurred but unreported as of June 30, 2017 and 2016 are not significant.

The District continues to carry commercial insurance for all other risks of loss, including property and casualty and other employee health and accident insurance.

NOTE 9 - INTER-FUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2017 are as follows:

<u>Payable fund</u>		<u>Receivable fund</u>	
General	\$ 4,541	Food Service	\$ 4,541

The outstanding balances between funds result mainly from the time lag between dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts are expected to be repaid within one year.

NOTE 10 - SUBSEQUENT EVENTS

Subsequent to year end, the District has approved borrowing \$1,300,000 for fiscal year 2018 to replace the notes payable as described in Note 5.

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued by the GASB in June 2015 and will be effective for the District's 2018 fiscal year. The Statement requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

REQUIRED SUPPLEMENTARY INFORMATION

**HOPKINS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	\$ 835,641	\$ 991,489	\$ 995,322	\$ 3,833
State sources	12,950,279	13,386,407	13,381,181	(5,226)
Federal sources	186,675	153,897	156,317	2,420
Incoming transfers and other	624,347	601,780	602,705	925
Total revenues	14,596,942	15,133,573	15,135,525	1,952
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	7,280,961	7,237,357	7,192,342	45,015
Added needs	1,434,851	1,581,345	1,569,680	11,665
Total instruction	8,715,812	8,818,702	8,762,022	56,680
Supporting services:				
Pupil	699,914	707,311	687,607	19,704
Instructional staff	216,553	201,782	187,802	13,980
General administration	322,498	326,747	334,920	(8,173)
School administration	860,813	918,379	910,890	7,489
Business	212,725	228,655	224,390	4,265
Operation/maintenance	1,502,399	1,511,334	1,530,038	(18,704)
Pupil transportation	874,030	972,768	926,936	45,832
Central services	527,011	649,621	641,466	8,155
Athletics	392,467	411,646	411,403	243
Total supporting services	5,608,410	5,928,243	5,855,452	72,791
Community services	31,602	24,983	29,435	(4,452)
Debt services	240,618	240,618	240,744	(126)
Total expenditures	14,596,442	15,012,546	14,887,653	124,893
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	500	121,027	247,872	126,845
OTHER FINANCING SOURCES (USES):				
Proceeds from shared services	-	97,393	97,393	-
Total other financing sources (uses)	-	97,393	97,393	-
NET CHANGE IN FUND BALANCE	\$ 500	\$ 218,420	345,265	\$ 126,845
FUND BALANCE:				
Beginning of year			1,560,269	
End of year			<u>\$ 1,905,534</u>	

**HOPKINS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 9/30 OF EACH FISCAL YEAR)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.08449%	0.08275%	0.08137%
Reporting unit's proportionate share of net pension liability	\$ 21,079,471	\$ 20,210,589	\$ 17,922,184
Reporting unit's covered-employee payroll	\$ 7,214,118	\$ 6,918,053	\$ 6,940,753
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	292.20%	292.14%	258.22%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years which information is available.

HOPKINS PUBLIC SCHOOLS
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 6/30 OF EACH FISCAL YEAR)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,897,258	\$ 1,596,266	\$ 1,448,006
Contributions in relation to statutorily required contributions	<u>1,897,258</u>	<u>1,596,266</u>	<u>1,448,006</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 7,373,865	\$ 7,104,003	\$ 6,908,669
Contributions as a percentage of covered-employee payroll	25.73%	22.47%	20.96%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

HOPKINS PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

Changes of benefits terms: There were no changes of benefits terms in 2016.

Changes of assumptions: There were no changes of benefit assumptions in 2016.

ADDITIONAL SUPPLEMENTARY INFORMATION

**HOPKINS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>Food service</u>	<u>Debt service</u>	<u>Capital improvement fund</u>	<u>Total nonmajor funds</u>
ASSETS				
ASSETS:				
Cash and cash equivalents	\$ 76,531	\$ 418,268	\$ 128,548	\$ 623,347
Accounts receivable	790	-	-	790
Intergovernmental	8,855	-	-	8,855
Due from other funds	4,541	-	-	4,541
Inventories	5,008	-	-	5,008
	<u>5,008</u>	<u>-</u>	<u>-</u>	<u>5,008</u>
TOTAL ASSETS	<u>\$ 95,725</u>	<u>\$ 418,268</u>	<u>\$ 128,548</u>	<u>\$ 642,541</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,455	\$ -	\$ -	\$ 1,455
	<u>1,455</u>	<u>-</u>	<u>-</u>	<u>1,455</u>
TOTAL LIABILITIES	<u>1,455</u>	<u>-</u>	<u>-</u>	<u>1,455</u>
FUND BALANCES:				
Nonspendable:				
Inventories	5,008	-	-	5,008
Restricted:				
Debt service	-	418,268	-	418,268
Food service	89,262	-	-	89,262
Assigned:				
Capital projects	-	-	128,548	128,548
	<u>-</u>	<u>-</u>	<u>128,548</u>	<u>128,548</u>
TOTAL FUND BALANCES	<u>94,270</u>	<u>418,268</u>	<u>128,548</u>	<u>641,086</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 95,725</u>	<u>\$ 418,268</u>	<u>\$ 128,548</u>	<u>\$ 642,541</u>

HOPKINS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	Food service	Debt service	Capital improvement fund	Total nonmajor funds
REVENUES:				
Local sources:				
Property taxes	\$ -	\$ 2,655,411	\$ -	\$ 2,655,411
Food sales	288,733	-	-	288,733
Other	2,628	-	-	2,628
Total local sources	291,361	2,655,411	-	2,946,772
State sources	29,158	-	-	29,158
Federal sources	359,322	-	-	359,322
Total revenues	679,841	2,655,411	-	3,335,252
EXPENDITURES:				
Current:				
Food service activities	629,500	-	-	629,500
Capital outlay	9,502	-	-	9,502
Debt service:				
Principal repayment	-	3,640,000	-	3,640,000
Interest	-	1,226,279	-	1,226,279
Other	-	1,650	-	1,650
Total expenditures	639,002	4,867,929	-	5,506,931
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	40,839	(2,212,518)	-	(2,171,679)
OTHER FINANCING SOURCES (USES):				
Proceed from school bond loan fund	-	1,803,771	-	1,803,771
Total other financing sources	-	1,803,771	-	1,803,771
NET CHANGE IN FUND BALANCES	40,839	(408,747)	-	(367,908)
FUND BALANCES:				
Beginning of year	53,431	827,015	128,548	1,008,994
End of year	\$ 94,270	\$ 418,268	\$ 128,548	\$ 641,086

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF REVENUES AND OTHER FINANCING SOURCES
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
LOCAL SOURCES:		
Property taxes	\$ 669,898	\$ 631,049
Tuition	15,759	27,395
Other local revenue	<u>309,665</u>	<u>179,187</u>
TOTAL LOCAL SOURCES	<u>995,322</u>	<u>837,631</u>
STATE SOURCES:		
Foundation grant	11,676,023	11,229,076
Special education	322,894	246,549
At risk	285,424	291,805
Other state revenue	<u>1,096,840</u>	<u>1,058,503</u>
TOTAL STATE SOURCES	<u>13,381,181</u>	<u>12,825,933</u>
FEDERAL SOURCES:		
Title I	119,584	111,863
Title II - improving teacher quality	25,993	54,940
Other federal revenue	<u>10,740</u>	<u>109,995</u>
TOTAL FEDERAL SOURCES	<u>156,317</u>	<u>276,798</u>
INCOMING TRANSFERS AND OTHER TRANSACTIONS:		
Special education	<u>602,705</u>	<u>579,063</u>
OTHER FINANCING SOURCES:		
Proceeds from sale of capital assets	-	3,998
Proceeds from shared services	97,393	89,083
Proceeds from installment purchase agreement	<u>-</u>	<u>269,850</u>
TOTAL OTHER FINANCING SOURCES	<u>97,393</u>	<u>362,931</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u><u>\$ 15,232,918</u></u>	<u><u>\$ 14,882,356</u></u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
INSTRUCTION:		
Basic programs:		
Elementary:		
Salaries	\$ 1,875,490	\$ 1,896,124
Benefits	1,625,139	1,575,603
Purchased services	93,146	62,936
Supplies and materials	66,813	44,156
Other expenses	4,150	2,615
Capital outlay	85	100
Total elementary	<u>3,664,823</u>	<u>3,581,534</u>
Middle school:		
Salaries	872,044	866,972
Benefits	524,069	517,104
Purchased services	44,346	30,094
Supplies and materials	29,228	13,905
Total middle school	<u>1,469,687</u>	<u>1,428,075</u>
High school:		
Salaries	1,200,136	1,145,965
Benefits	744,620	725,018
Purchased services	73,003	98,028
Supplies and materials	40,057	45,328
Other expenses	16	2,136
Total high school	<u>2,057,832</u>	<u>2,016,475</u>
Total basic programs	<u>7,192,342</u>	<u>7,026,084</u>
Added needs:		
Special education:		
Salaries	533,224	517,579
Benefits	395,514	341,587
Purchased services	79,356	86,139
Supplies and materials	2,085	3,807
Other expenses	-	500
Total special education	<u>1,010,179</u>	<u>949,612</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
INSTRUCTION (Concluded):		
Compensatory education:		
Salaries	\$ 244,892	\$ 216,656
Benefits	154,244	141,585
Supplies and materials	37,311	78,945
Capital outlay	-	14,659
Total compensatory education	<u>436,447</u>	<u>451,845</u>
Vocational education:		
Salaries	63,289	61,516
Benefits	46,619	43,617
Purchased services	9,871	6,587
Supplies and materials	2,100	4,132
Other expenses	1,175	1,334
Total vocational education	<u>123,054</u>	<u>117,186</u>
Total added needs	<u>1,569,680</u>	<u>1,518,643</u>
TOTAL INSTRUCTION	<u>8,762,022</u>	<u>8,544,727</u>
SUPPORTING SERVICES:		
Pupil services:		
Salaries	268,311	256,709
Benefits	185,967	175,901
Purchased services	224,708	249,571
Supplies and materials	6,833	5,101
Other expenses	1,788	5,721
Total pupil services	<u>687,607</u>	<u>693,003</u>
Instructional staff services:		
Salaries	98,054	99,095
Benefits	57,625	47,926
Purchased services	13,301	32,599
Supplies and materials	9,536	19,562
Other expenses	9,286	8,307
Total instructional staff services	<u>187,802</u>	<u>207,489</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
SUPPORTING SERVICES (Continued):		
General administration:		
Salaries	\$ 140,535	\$ 140,818
Benefits	78,514	76,167
Purchased services	101,985	103,275
Supplies and materials	1,499	10,736
Other expenses	<u>12,387</u>	<u>15,024</u>
Total general administration	<u>334,920</u>	<u>346,020</u>
School administration:		
Salaries	553,188	466,971
Benefits	339,344	294,951
Purchased services	9,558	7,113
Supplies and materials	4,948	4,530
Other expenses	<u>3,852</u>	<u>799</u>
Total school administration	<u>910,890</u>	<u>774,364</u>
Business services:		
Salaries	100,904	99,109
Benefits	57,143	55,923
Purchased services	56,977	45,303
Supplies and materials	3,264	3,083
Other expenses	<u>6,102</u>	<u>4,590</u>
Total business services	<u>224,390</u>	<u>208,008</u>
Operations and maintenance:		
Salaries	465,109	463,747
Benefits	374,982	351,019
Purchased services	299,285	303,398
Supplies and materials	385,472	377,231
Other expenses	<u>5,190</u>	<u>4,110</u>
Total operations and maintenance	<u>1,530,038</u>	<u>1,499,505</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
SUPPORTING SERVICES (Concluded):		
Transportation:		
Salaries	\$ 433,021	\$ 405,888
Benefits	272,803	254,234
Purchased services	45,436	31,938
Supplies and materials	84,940	99,392
Other expenses	6,766	6,456
Capital outlay	83,970	419,850
Total transportation	<u>926,936</u>	<u>1,217,758</u>
Central services:		
Salaries	192,726	195,422
Benefits	110,490	109,681
Purchased services	48,765	60,494
Supplies and materials	1,556	1,190
Other expenses	664	1,791
Capital outlay	287,265	153,140
Total central services	<u>641,466</u>	<u>521,718</u>
Athletics:		
Salaries	146,113	127,497
Benefits	71,534	66,019
Purchased services	126,146	121,222
Supplies and materials	31,181	27,084
Other expenses	19,831	18,726
Capital outlay	16,598	19,309
Total athletics	<u>411,403</u>	<u>379,857</u>
TOTAL SUPPORTING SERVICES	<u>5,855,452</u>	<u>5,847,722</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
COMMUNITY SERVICES:		
Salaries	\$ 17,559	\$ 13,834
Benefits	6,991	5,856
Purchased services	2,662	4,922
Supplies and materials	154	572
Other expenses	<u>2,069</u>	<u>1,943</u>
TOTAL COMMUNITY SERVICES	<u>29,435</u>	<u>27,127</u>
DEBT SERVICES:		
Principal payments	227,190	177,215
Interest	<u>13,554</u>	<u>10,122</u>
TOTAL DEBT SERVICES	<u>240,744</u>	<u>187,337</u>
TOTAL EXPENDITURES	<u><u>\$ 14,887,653</u></u>	<u><u>\$ 14,606,913</u></u>

**HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

	<u>2007</u>	<u>2008 Refunding</u>	<u>2009 Refunding</u>	<u>2016 Refunding A</u>	<u>2016 Refunding B</u>	<u>Total nonmajor debt service</u>
ASSETS						
ASSETS:						
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 11,114</u>	<u>\$ 11,184</u>	<u>\$ 346,029</u>	<u>\$ 49,941</u>	<u>\$ 418,268</u>
FUND BALANCES:						
Restricted for debt service	<u>\$ -</u>	<u>\$ 11,114</u>	<u>\$ 11,184</u>	<u>\$ 346,029</u>	<u>\$ 49,941</u>	<u>\$ 418,268</u>

**HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2017**

	2007	2008 Refunding	2009 Refunding	2016 Refunding A	2016 Refunding B	Total nonmajor debt service
REVENUES:						
Local sources:						
Property taxes	\$ 424,280	\$ 318,235	\$ 318,309	\$ 160,511	\$ 1,434,076	\$ 2,655,411
EXPENDITURES:						
Principal payments	675,000	415,000	425,000	-	2,125,000	3,640,000
Interest	33,750	175,856	143,176	594,385	279,112	1,226,279
Other	-	500	150	500	500	1,650
Total expenditures	708,750	591,356	568,326	594,885	2,404,612	4,867,929
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(284,470)	(273,121)	(250,017)	(434,374)	(970,536)	(2,212,518)
OTHER FINANCING SOURCES (USES):						
Proceeds from school bond loan fund	-	198,344	145,027	439,923	1,020,477	1,803,771
Transfers in (out)	(340,480)	-	-	340,480	-	-
Total other financing sources (uses)	(340,480)	198,344	145,027	780,403	1,020,477	1,803,771
NET CHANGE IN FUND BALANCES	(624,950)	(74,777)	(104,990)	346,029	49,941	(408,747)
FUND BALANCES:						
Beginning of year	624,950	85,891	116,174	-	-	827,015
End of year	\$ -	\$ 11,114	\$ 11,184	\$ 346,029	\$ 49,941	\$ 418,268

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND LIABILITY BY ACTIVITY
YEAR ENDED JUNE 30, 2017

	Balance 7/1/16	Receipts	Disbursements	Balance 6/30/17
Board of Ed Interest	\$ 359	\$ 1,006	\$ 573	\$ 792
Interest	12,337	3,065	10,341	5,061
HS Principal	1,686	577	-	2,263
Middle school principal	10,731	692	2,517	8,906
Yearbook	800	11,030	8,451	3,379
FFA	3,982	22,704	23,101	3,585
Band	545	8,908	8,744	709
HES Mackinaw City	5,500	54,672	57,775	2,397
S4SD	618	-	-	618
Destination Imagination	66	-	-	66
NHS	413	4,957	4,937	433
Spanish Club	155	650	766	39
Sp Ed - high school	51	-	8	43
Student Council - HS	3,217	14,870	15,770	2,317
Student Council - MS	2,471	1,498	1,027	2,942
Student Council - HES	2,648	13,516	8,925	7,239
Student Council - SYC	1,344	736	581	1,499
Drama Club	673	-	-	673
AP Classes	668	8,837	8,751	754
Class of 2019	1,288	2,035	2,125	1,198
Hockey	60	-	-	60
Robotics Club	24,493	9,247	24,838	8,902
HHS Scholarship	8,995	11,164	16,850	3,309
Class of 2021	400	200	-	600
Jobe Scholarship	756	1,272	750	1,278
Culture Committee	(286)	1,033	606	141
Pepsi Scholarship	558	111	-	669
Athletic Director	1,033	30	121	942
AD - Programs	1,519	3,554	20	5,053

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND LIABILITY BY ACTIVITY
YEAR ENDED JUNE 30, 2017

	Balance 7/1/16	Receipts	Disbursements	Balance 6/30/17
Cross Country	\$ 2,231	\$ 1,155	\$ 980	\$ 2,406
Basketball, Girls	4,517	8,770	9,200	4,087
Baseball	451	6,207	5,608	1,050
Softball	1,193	5,249	4,917	1,525
Class of 2018	1,029	6,840	5,382	2,487
Agriscience Lab	5,858	11,449	6,931	10,376
Wrestling	2,041	500	549	1,992
Class of 2017	2,803	-	2,611	192
Basketball, Boys	3,217	4,688	2,684	5,221
Golf	324	-	-	324
Bowling	174	1,005	1,151	28
Volleyball	5,447	12,762	9,330	8,879
Football	3,494	3,330	4,478	2,346
Cheer - Sideline	29	-	-	29
Art Club	76	4,697	4,015	758
6th Grade Camp	3,264	19,293	17,789	4,768
6th Grade Team	291	1,089	1,140	240
7th Grade Team	(196)	4,568	3,832	540
8th Grade Team	154	2,489	2,428	215
Science Fair	22	-	-	22
Track	121	600	323	398
Ski Club	433	1,854	1,839	448
Norg, Samantha	53	130	176	7
Modreske, Shelly	133	133	215	51
Soccer - Boys	6,228	2,545	2,718	6,055
Brethauer	219	100	-	319
Galligan, Anne	399	100	125	374
VanderMeulen	1	100	-	101
Young Authors	423	575	777	221
Pike, Tim	17	178	147	48
Yearbook	9,903	3,735	3,682	9,956
King, Jessica	125	1,139	1,155	109
Pickett, Chelsea	103	629	638	94
Ruthruff, Heather	855	100	252	703

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND LIABILITY BY ACTIVITY
YEAR ENDED JUNE 30, 2017

	Balance 7/1/16	Receipts	Disbursements	Balance 6/30/17
Thompson, Keith	\$ 365	\$ 100	\$ 402	\$ 63
Ball, Jackie	658	100	76	682
Duchene, Jill	333	2,847	2,937	243
Siebers, Kim	556	294	516	334
Craig, Sue	226	1,354	1,262	318
Hall, Shelly	145	100	41	204
Cimek	785	238	821	202
Hopkins El Library	3,373	5,574	5,585	3,362
Musical	17,286	26,239	21,179	22,346
Sycamore Mackinac Trip	1,037	47,879	47,576	1,340
Cheer - Competitive	1,485	4,227	4,784	928
Choir	5,540	12,052	10,417	7,175
Class of 2016	1,127	-	1,127	-
Misc	345	8,009	6,295	2,059
Field Trip	623	1,515	1,346	792
Hopkins El Art	225	100	129	196
Hopkins El Music	20	388	339	69
Phys Ed	520	100	145	475
Secor, Sharon	94	464	549	9
Zapolnik, Lisa	513	540	640	413
Behm, Marsha	350	-	-	350
Merren	292	1,375	1,312	355
Equestrian Team	108	150	200	58
Cardenas, D	344	2,445	2,030	759
Meyers, Holly	17	458	475	-
Kastran	398	100	246	252
1st - Rhonda Gilbert	266	1,074	1,196	144
3rd - Sarah McClish	430	482	439	473
Sycamore Spec. Ed - Santiago	153	75	99	129
VanDreumel	329	2,720	2,754	295

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND LIABILITY BY ACTIVITY
YEAR ENDED JUNE 30, 2017

	Balance 7/1/16	Receipts	Disbursements	Balance 6/30/17
Sycamore, Misc.	\$ 2,079	\$ 2,613	\$ 2,008	\$ 2,684
VanderWeg, Meghan	157	744	737	164
Sycamore Music	1,031	4,060	3,021	2,070
Sycamore Art	3	-	-	3
Sycamore Gym	15	-	-	15
Sycamore Young Authors	2,534	3,906	3,172	3,268
K - Leslie Hartuniewicz	129	733	600	262
Pickett, Chelsea	257	333	501	89
2nd - B Herman	169	290	298	161
Sycamore Library	714	4,686	4,185	1,215
Class of 2020	600	2,549	1,433	1,716
Seabert	3	100	65	38
EGGE	-	367	312	55
High School Spirit Shop	35	-	-	35
Cribley	100	100	199	1
Class of 2022	205	200	-	405
Class of 2015	777	-	-	777
Coots	74	1,106	459	721
Soccer - Girls	4,792	2,458	1,974	5,276
Kidsport	(38)	199	-	161
Skinner FFA Memorial Scholarship	915	-	-	915
MASA Region 3	-	3,956	989	2,967
BOE Organizational Grants	-	14,873	4,546	10,327
Class of 2023	-	200	-	200
Sleeman	-	100	100	-
	<u>\$ 195,006</u>	<u>\$ 446,945</u>	<u>\$ 432,165</u>	<u>\$ 209,786</u>

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
2009 REFUNDING BONDS
JUNE 30, 2017**

2009 Refunding Bonds

Fiscal year ended	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1	May 1		
2018	3.25%	\$ 64,681	\$ 64,681	\$ 415,000	\$ 544,362
2019	3.50%	57,938	57,938	405,000	520,876
2020	3.50%	50,850	50,850	400,000	501,700
2021	3.625%	43,850	43,850	390,000	477,700
2022	3.75%	36,781	36,781	380,000	453,562
2023	3.75%	29,656	29,656	380,000	439,312
2024	4.00%	22,531	22,531	375,000	420,062
2025	4.000%	15,031	15,031	370,000	400,062
2026	4.125%	7,631	7,631	370,000	385,262
Total 2009 bonded debt		<u>\$ 328,949</u>	<u>\$ 328,949</u>	<u>\$ 3,485,000</u>	<u>\$ 4,142,898</u>

Total amount of original issue was \$7,160,000.

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
2008 REFUNDING BONDS
JUNE 30, 2017**

2008 Refunding Bonds

Fiscal year ended	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1	May 1		
2018	5.00%	\$ 77,553	\$ 77,553	\$ 415,000	\$ 570,106
2019	5.00%	67,179	67,179	415,000	549,358
2020	4.00%	58,878	58,878	415,000	532,756
2021	4.00%	50,578	50,578	415,000	516,156
2022	4.00%	42,278	42,278	415,000	499,556
2023	4.00%	33,978	33,978	415,000	482,956
2024	4.00%	25,678	25,678	415,000	466,356
2025	4.125%	17,119	17,119	415,000	449,238
2026	4.125%	8,559	8,559	415,000	432,118
Total 2008 bonded debt		<u>\$ 381,800</u>	<u>\$ 381,800</u>	<u>\$ 3,735,000</u>	<u>\$ 4,498,600</u>

Total amount of original issue was \$7,465,000.

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
2016 SERIES A REFUNDING BONDS
JUNE 30, 2017**

2016 Refunding Bonds - Series A

Fiscal year ended June 30,	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1,	May 1,		
2018	4.00%	\$ 264,825	\$ 264,825	\$ 715,000	\$ 1,244,650
2019	4.00%	250,525	250,525	735,000	1,236,050
2020	4.00%	235,825	235,825	750,000	1,221,650
2021	3.00%	220,825	220,825	765,000	1,206,650
2022	3.00%	209,350	209,350	775,000	1,193,700
2023	3.00%	197,725	197,725	785,000	1,180,450
2024	4.00%	185,950	185,950	800,000	1,171,900
2025	4.00%	169,950	169,950	810,000	1,149,900
2026	4.00%	153,750	153,750	825,000	1,132,500
2027	5.00%	137,250	137,250	865,000	1,139,500
2028	5.00%	115,625	115,625	910,000	1,141,250
2029	5.00%	92,875	92,875	930,000	1,115,750
2030	5.00%	69,625	69,625	925,000	1,064,250
2031	5.00%	46,500	46,500	920,000	1,013,000
2032	5.00%	23,500	23,500	940,000	987,000
Total 2016 Series A bonded debt		<u>\$ 2,374,100</u>	<u>\$ 2,374,100</u>	<u>\$ 12,450,000</u>	<u>\$ 17,198,200</u>

Total amount of original issue was \$12,450,000.

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
2016 SERIES B REFUNDING BONDS
JUNE 30, 2017**

2016 Refunding Bonds - Series B

Fiscal year ended	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1	May 1		
2018	1.39%	\$ 111,925	\$ 111,925	\$ 2,215,000	\$ 2,438,850
2019	1.60%	96,531	96,531	2,300,000	2,493,062
2020	1.90%	78,131	78,131	2,390,000	2,546,262
2021	2.10%	55,426	55,426	2,500,000	2,610,852
2022	2.24%	29,176	29,176	2,605,000	2,663,352
Total 2016 Series B bonded debt		<u>\$ 371,189</u>	<u>\$ 371,189</u>	<u>\$ 12,010,000</u>	<u>\$ 12,752,378</u>

Total amount of original issue was \$14,135,000.

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
2011 ENERGY BONDS
JUNE 30, 2017**

2011 Energy Bonds

Fiscal year ended	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1	May 1		
2018	1.75%	\$ 1,269	\$ 1,268	\$ 145,000	\$ 147,537
Total 2011 bonded debt		<u>\$ 1,269</u>	<u>\$ 1,268</u>	<u>\$ 145,000</u>	<u>\$ 147,537</u>

The original amount of the issue was \$890,000

**HOPKINS PUBLIC SCHOOLS
SCHOOL BOND LOAN FUND
JUNE 30, 2017**

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan Fund. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State of Michigan under this program have been summarized as follows:

<u>Year ended June 30,</u>	<u>Loan proceeds (repayment)</u>	<u>Accrued interest</u>	<u>Net increase (decrease)</u>	<u>Balance</u>
1997	\$ 352,402	\$ 3,345	\$ 355,747	\$ 355,747
1998	795,365	39,786	835,151	1,190,898
1999	715,300	62,002	777,302	1,968,200
2000	735,978	138,033	874,011	2,842,211
2001	481,735	152,688	634,423	3,476,634
2002	475,473	157,175	632,648	4,109,282
2003	337,000	146,604	483,604	4,592,886
2004	257,000	134,798	391,798	4,984,684
2005	212,606	152,227	364,833	5,349,517
2006	74,593	220,718	295,311	5,644,828
2007	(210,000)	266,875	56,875	5,701,703
2008	6,600	256,255	262,855	5,964,558
2009	625,829	303,348	929,177	6,893,735
2010	597,221	404,576	1,001,797	7,895,532
2011	701,479	405,961	1,107,440	9,002,972
2012	746,268	411,287	1,157,555	10,160,527
2013	730,394	420,256	1,150,650	11,311,177
2014	681,945	411,670	1,093,615	12,404,792
2015	460,677	438,541	899,218	13,304,010
2016	(13,629,724)	328,347	(13,301,377)	2,633
2017	1,803,771	11,105	1,814,876	1,817,509

HOPKINS PUBLIC SCHOOLS
SCHEDULE OF INSTALLMENT PURCHASE AGREEMENT
JUNE 30, 2017

<u>Fiscal year ended</u>	<u>Interest rate</u>	<u>Principal due June 23</u>	<u>Interest due June 23</u>	<u>Total due annually</u>
2018	1.79%	\$ 42,215	\$ 2,267	\$ 44,482
2019	1.79%	42,215	1,511	43,726
2020	1.79%	<u>42,208</u>	<u>756</u>	<u>42,964</u>
Total installment purchase agreement		<u>\$ 126,638</u>	<u>\$ 4,534</u>	<u>\$ 131,172</u>

The above installment purchase agreement payable dated August 28, 2014 was issued for the purpose of acquiring school buses. The original amount of issuance was \$253,283.

HOPKINS PUBLIC SCHOOLS
SCHEDULE OF INSTALLMENT PURCHASE AGREEMENT
JUNE 30, 2017

<u>Fiscal year ended</u>	<u>Interest rate</u>	<u>Principal due June 23</u>	<u>Interest due June 23</u>	<u>Total due annually</u>
2018	2.25%	\$ 44,975	\$ 5,060	\$ 50,035
2019	2.25%	44,975	4,048	49,023
2020	2.25%	44,975	3,036	48,011
2021	2.25%	44,975	2,024	46,999
2022	2.25%	<u>44,975</u>	<u>1,012</u>	<u>45,987</u>
Total installment purchase agreement		<u>\$ 224,875</u>	<u>\$ 15,180</u>	<u>\$ 240,055</u>

The above installment purchase agreement payable dated March 11, 2016 was issued for the purpose of acquiring school buses. The original amount of issuance was \$269,850.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Hopkins Public Schools

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins Public Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Hopkins Public Schools' basic financial statements and have issued our report thereon dated October 16, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Maney Costeiran PC

October 16, 2017

October 16, 2017

To the Board of Directors
Hopkins Public Schools

We have audited the financial statements of Hopkins Public Schools for the year ended June 30, 2017, and have issued our report thereon dated October 16, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Hopkins Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Hopkins Public Schools' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

1. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Hopkins Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Estimates have been used to calculate the net pension liability.

Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

2. Difficulties Encountered in Performing the Audit

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

3. Corrected and Uncorrected Misstatements

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

4. *Disagreements with Management*

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

5. *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 16, 2017.

6. *Management Consultations with Other Independent Accountants*

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

7. *Other Audit Findings or Issues*

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

8. *Other Matters*

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

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

A separate management letter was not issued.

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

Very truly yours,

Maney Costeiran PC