# HOPKINS PUBLIC SCHOOLS

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

## YEAR ENDED JUNE 30, 2016

Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

# CONTENTS

**C O N T E N T S**

Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

Maner Costerisan PC
2425 E. Grand River Ave.
Suite 1
Lansing, MI 48912-3291
T: 517 323 7500
F: 517 323 6346
www.manercpa.com

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, 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, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the 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 17, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hopkins Public Schools' internal control over financial reporting and compliance.

Maner Costerisan PC

October 17, 2016

## 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, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## FINANCIAL HIGHLIGHTS

Fiscal year ending June 30, 2016 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 $275,000. As a result of the increased fund balance, the district was able to reduce its borrowing by $1.1 million. The State rolled the previous year's foundation equity payment of $125/pupil into the base foundation of $7,126, and added an additional $140 per pupil which brought the base foundation to $7,391. The State eliminated the Best Practice Incentive, which was a $50 per pupil reduction for Hopkins Public Schools, and also eliminated the Performance-Based Funding, which was a $70 per pupil reduction. The State additionally reduced the Technology Infrastructure Grant funds by approximately $15,000. The district was eligible to receive additional At Risk funds of just over $70,000 and also apply for and receive new grants including a School Safety Grant, Early Literacy Targeted Instruction Grant, and Computer Adaptive Tests Grant. The State increased the amount that they passed through in 147C dollars by over $200,000 which caused an increase in our revenues and expenses by this amount. These 147C dollars are used to buy down the retirement rate. The State returned to the pupil count calculation from two years prior which included 90% of funding from the fall count and 10% of funding from the *prior* winter count. The student count did drop slightly down to 1,636 for fall, which was then adjusted down by 1.73 FTE's to 1,634 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 second consecutive year the State allowed for this calculation. Our winter count came in quite low at 1,617. The district received a $100,000 grant from the United States Environmental Protection Agency through the National Clean Diesel Rebate Program towards the purchase of five new buses. The district was able to pay the additional cost of the buses from the general fund and additional financing of $270,000 over six years. This helped greatly in the replacement schedule of our aging fleet. The district received new funding from the Allegan Area Educational Service Agency's Headlee Restoration millage that was passed of over $150,000 and an additional $70,000 from the service agency's excess special education fund balance that is shared with the local districts.

The school lunch fund also added to their fund balance during the 2015/16 school year with a surplus of almost twenty seven thousand dollars and the debt retirement fund continued in a borrowing position from the state as property values in the district increased only slightly.

## OVERVIEW OF THE FINANCIAL STATEMENTS

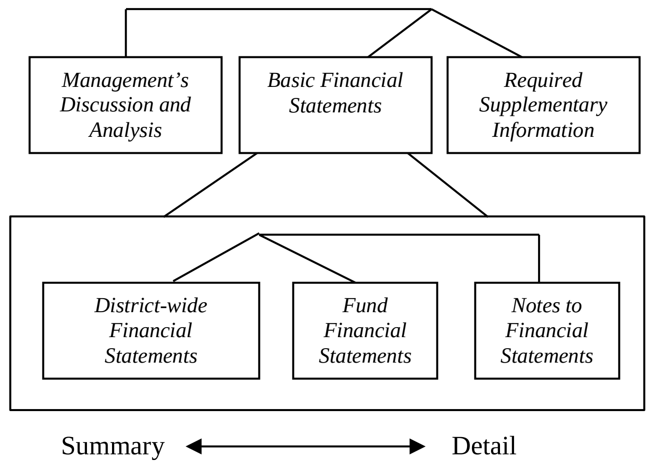
This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- 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.

**Figure A-1**
**Organization of Hopkins Public Schools' Annual Financial Report**




- 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 | Fund Financial Statements: 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<br>* Statement of activities | * Balance sheet<br>* 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, 2016

**Table A-3**
**Hopkins Public Schools' Net Position**

| | 2016 | 2015 |
|---|---|---|
| Assets: | | |
| Current assets | $ 5,859,993 | $ 5,821,852 |
| Capital assets | 31,265,124 | 31,759,045 |
| Total assets | 37,125,117 | 37,580,897 |
| Deferred outflows of resources | 3,324,514 | 2,182,113 |
| Liabilities: | | |
| Long-term liabilities outstanding | 38,710,045 | 38,454,731 |
| Other liabilities | 3,511,738 | 4,439,934 |
| Net Pension Liability | 20,210,589 | 17,922,184 |
| Total liabilities | 62,432,372 | 60,816,849 |
| Deferred inflows of resources | 619,509 | 1,981,305 |
| Net position: | | |
| Net investment in capital assets | (1,246,635) | (1,049,225) |
| Restricted for debt service | 606,007 | - |
| Unrestricted | (21,961,622) | (21,985,919) |
| Total net position | $ (22,602,250) | $ (23,035,144) |

**Table A-4**
**Changes in Hopkins Public Schools' Net Position**

| | 2016 | 2015 |
|---|---|---|
| Revenues: | | |
| Operating grants | $ 2,221,612 | $ 1,965,183 |
| Charges for services | 441,347 | 424,119 |
| General revenues: | | |
| Property taxes | 3,215,644 | 2,785,111 |
| State aid - unrestricted | 10,702,944 | 11,322,735 |
| Contributions | 67,005 | - |
| Other | 733,633 | 450,049 |
| Total revenues | 17,382,185 | 16,947,197 |
| Expenses: | | |
| Instruction | 8,494,803 | 8,281,971 |
| Support services | 5,763,245 | 5,370,720 |
| Community services | 25,283 | 24,204 |
| Food services | 640,167 | 627,415 |
| Interest on long-term debt | 1,127,533 | 1,577,421 |
| Unallocated depreciation | 898,260 | 897,372 |
| Total expenses | 16,949,291 | 16,779,103 |
| Change in net position | $ 432,894 | $ 168,094 |

## DISTRICT GOVERNMENTAL ACTIVITIES

The district's class sizes continue to be large with over twenty thousand dollars in overloads and class size overages being paid out in instructional costs; however, ultimately these overages help to increase the district's bottom line. The addition of two half-time teachers at the middle school was needed shortly after the school year began to help reduce the large class sizes moving into the middle school. The increase in pension costs remained flat due to the MPSERS Offset funding and 147C funds the State of Michigan is passing through and health & dental/vision insurance rates increased only slightly as well.

The food service department continued to work hard at offering healthy options that still tasted good and were enticing to students. Although our lunch count decreased by over three thousand meals, the department was still able to make a profit and add money to their fund balance for 2015/16. The department did a great job of creatively marketing the food they had to offer and also coming up with new ways to encourage breakfast and lunch participation. The department works hard at getting applications returned from all families in the district, especially those who may be free or reduced-lunch eligible.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Michigan economy is slowly improving as is evidenced by the student grant and equity payment increases. The diversion of School Aid dollars to offset colleges and universities continues to be a major obstacle to bringing the student foundation grant to its previous levels. There is also a large amount of dollars that will be needed in the future in order to restructure Detroit Public Schools and also improve the deteriorating Michigan roads.

The district's taxable values grew by 3.27% for 2016, and our 20-year average is 4.79%. The winter tax bills reflected a new rate of 10.34 mills to be levied on all properties in order to allow the district pay back their original bonds and also pay back their loan from the State's school bond loan fund in the timeframe allowed. The district was able to refund its 2007 Bond and also the school bond loan fund debt in order to save the taxpayers additional money.

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

During fiscal year 2016, the budget was amended twice to reflect changes and to recognize these changes with the Board of Education so that they were aware of the challenges facing the district. Major impacts on the budget that were unknown when the budget was developed in May and June of 2015 included the final at risk allocation, as well as utility cost increases, final staffing changes, final contract settlements, fuel price changes and district student counts. The district received greater at risk funding than was anticipated, 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 needed to be added after the school year had began 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 $200,000 if spending was 100% in all line items. The actual year-end report showed a surplus of almost $276,000, which was great news for the District.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

Capital purchases in fiscal year 2016 increased slightly due to the acquisition of five new school buses. 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**

| | 2016 | 2015 |
|---|---|---|
| Land | $ 739,062 | $ 739,062 |
| Building and additions | 29,282,474 | 29,996,591 |
| Furniture and equipment | 615,752 | 719,404 |
| Transportation equipment | 627,836 | 303,988 |
| Total | $ 31,265,124 | $ 31,759,045 |

### Long-term Debt

**Table A-6**
**Hopkins Public Schools' Outstanding Long-Term Debt**

| | 2016 | 2015 |
|---|---|---|
| General and limited obligation bonds | $ 37,603,729 | $ 24,337,773 |
| School bond loan fund | 2,633 | 13,304,010 |
| Other * | 1,103,683 | 812,948 |
| Total | $ 38,710,045 | $ 38,454,731 |

* 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 2016 and the future.

- While the District looks upon the increase in MPSERS offset money as a good thing for the 16/17 school year, we remain concerned about future pension costs. Rates have doubled from less than 12% to over 27% of salary dollars, and future projections are for numbers to be above 30%. The huge amount of varying rates within the system also is an area of concern as it makes balancing the budget for these actual costs increasingly challenging.

- The district was encouraged by the increased special education fund balance at the Allegan Area Education Service Agency that reflected an almost seventy thousand dollar increase in revenue to our budget for fiscal year 2016. We are optimistic that AAESA is spending at a consistent level so that these dollars will remain flat in the future.

- The Affordable Care Act will cause the district to offer health insurance coverage to those employees who are working 30 or more hours in a week, which will include groups of employees who have not received health care coverage with the district previously. This will have a significant impact on insurance costs and/or penalties in future budgets.

- Student count data shows the district's enrollment picture for 16/17 as slightly lower than in 15/16, especially when taking into consideration the very low spring count number of 1,617. The Board of Education wanted to stay conservative and budgeted for a decline of ten students.

- There is a great deal of pressure on the State legislature to allocate money to roads and Detroit Public Schools. One plan would take this money from sources which have been dedicated to State School Aid. With the amount of money already diverted from K-12 education, another raid on funding will increase pressure even more on a weak foundation grant.

- The large increase in At-risk funding for 15/16 was very encouraging to the district. The state added a large amount of dollars to this category, and the State intends to keep that funding at the same level moving forward with the 16/17 budget. This allowed the district to make great improvements to the elementary Math and ELA curriculum and to purchase supplies and hardware that will be used as tools for support of this new curriculum.

- The District's transportation fleet is still aging; however, with the acquisition of the five new buses in addition to the three purchased last year, the district has definitely made an impact on the replacement process. The reimbursement the district was able to receive through the federal grant was a great savings to the general fund budget.

- It appears that Federal funding for 16/17 will remain flat. We continue to spend more on our Title I programs than we receive. While federal money represents a small amount of the district's revenues, the programs they fund have a large impact on students and their achievement. However, some of these programs may need to be cut in order to reduce spending to the level that we are receiving.

.

## 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, 2016**

| | Governmental activities |
|---|---|
| **ASSETS:** | |
| Cash and cash equivalents | $ 3,210,848 |
| Receivables: | |
| Accounts receivable | 3,577 |
| Intergovernmental | 2,414,140 |
| Inventories | 54,565 |
| Prepaids | 176,863 |
| Capital assets, not being depreciated | 739,062 |
| Capital assets, net of accumulated depreciation | 30,526,062 |
| **TOTAL ASSETS** | 37,125,117 |
| **DEFERRED OUTFLOWS OF RESOURCES:** | |
| Deferred charges, net of amortization | 814,222 |
| Related to pensions | 2,510,292 |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | 3,324,514 |
| **LIABILITIES:** | |
| Accounts payable | 112,092 |
| Accrued salaries and related items | 832,633 |
| Accrued retirement | 339,205 |
| Accrued interest | 221,008 |
| State aid note payable | 2,000,000 |
| Unearned revenue | 6,800 |
| Noncurrent liabilities: | |
| Due within one year | 3,897,829 |
| Due in more than one year | 34,812,216 |
| Net pension liability | 20,210,589 |
| **TOTAL LIABILITIES** | 62,432,372 |
| **DEFERRED INFLOWS OF RESOURCES:** | |
| Related to pensions | 66,943 |
| Related to state aid funding for pension | 552,566 |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | 619,509 |
| **NET POSITION:** | |
| Net investment in capital assets | (1,246,635) |
| Restricted for debt service | 606,007 |
| Unrestricted | (21,961,622) |
| **TOTAL NET POSITION** | $ (22,602,250) |

See notes to financial statements.

# HOPKINS PUBLIC SCHOOLS
# STATEMENT OF ACTIVITIES
# YEAR ENDED JUNE 30, 2016

| Functions/programs | Expenses | Program revenues: Charges for services | Program revenues: Operating grants | Governmental activities: Net (expense) revenue and changes in net position |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Instruction | $ 8,494,803 | $ - | $ 1,533,136 | $ (6,961,667) |
| Support services | 5,763,245 | 104,201 | 314,085 | (5,344,959) |
| Community services | 25,283 | 40,892 | - | 15,609 |
| Food services | 640,167 | 296,254 | 374,391 | 30,478 |
| Interest on long-term debt | 1,127,533 | - | - | (1,127,533) |
| Unallocated depreciation | 898,260 | - | - | (898,260) |
| Total governmental activities | $ 16,949,291 | $ 441,347 | $ 2,221,612 | (14,286,332) |
| General revenues: | | | | |
| Property taxes, levied for general purposes | | | | 631,049 |
| Property taxes, levied for debt service | | | | 2,584,595 |
| State sources - unrestricted | | | | 10,702,944 |
| Intermediate sources | | | | 579,063 |
| Contributions | | | | 67,005 |
| Other | | | | 154,570 |
| Total general revenues | | | | 14,719,226 |
| **CHANGE IN NET POSITION** | | | | 432,894 |
| **NET POSITION**, beginning of year | | | | (23,035,144) |
| **NET POSITION**, end of year | | | | $ (22,602,250) |

See notes to financial statements.

**HOPKINS PUBLIC SCHOOLS**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**JUNE 30, 2016**

| | General Fund | Capital Improvement Fund | Total nonmajor funds | Total governmental funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **ASSETS:** | | | | |
| Cash and cash equivalents | $ 2,218,523 | $ 128,548 | $ 863,777 | $ 3,210,848 |
| Receivables: | | | | |
| Accounts receivable | - | - | 3,577 | 3,577 |
| Intergovernmental | 2,405,775 | - | 8,365 | 2,414,140 |
| Due from other funds | - | - | 8,673 | 8,673 |
| Inventories | 47,928 | - | 6,637 | 54,565 |
| Prepaids | 176,863 | - | - | 176,863 |
| **TOTAL ASSETS** | $ 4,849,089 | $ 128,548 | $ 891,029 | $ 5,868,666 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| **LIABILITIES:** | | | | |
| Accounts payable | $ 102,795 | $ - | $ 9,297 | $ 112,092 |
| Accrued salaries and related items | 831,347 | - | 1,286 | 832,633 |
| Accrued retirement | 339,205 | - | - | 339,205 |
| Due to other funds | 8,673 | - | - | 8,673 |
| Unearned revenue | 6,800 | - | - | 6,800 |
| State aid note payable | 2,000,000 | - | - | 2,000,000 |
| **TOTAL LIABILITIES** | 3,288,820 | - | 10,583 | 3,299,403 |

See notes to financial statements.

| | General Fund | Capital Improvement Fund | Total nonmajor funds | Total governmental funds |
|---|---|---|---|---|
| **FUND BALANCES:** | | | | |
| Nonspendable: | | | | |
| Inventories | $ 47,928 | $ - | $ 6,637 | $ 54,565 |
| Prepaids | 176,863 | - | - | 176,863 |
| Restricted: | | | | |
| Debt service | - | - | 827,015 | 827,015 |
| Food service | - | - | 46,794 | 46,794 |
| Assigned: | | | | |
| Capital projects funds | - | 128,548 | - | 128,548 |
| Unassigned: | 1,335,478 | - | - | 1,335,478 |
| **TOTAL FUND BALANCES** | 1,560,269 | 128,548 | 880,446 | 2,569,263 |
| **TOTAL LIABILITIES AND FUND BALANCES** | $ 4,849,089 | $ 128,548 | $ 891,029 | $ 5,868,666 |
| **Total governmental fund balances** | | | | $ 2,569,263 |
| Amounts reported for governmental activities in the statement of net position are different because: | | | | |
| Deferred charges on refunding | | | $ 957,501 | |
| Accumulated amortization | | | (143,279) | |
| Deferred charge on refunding, net of amortization | | | | 814,222 |
| Deferred outflows of resources - related to pensions | | | | 2,510,292 |
| Deferred inflows of resources - related to pensions | | | | (66,943) |
| Deferred inflows of resources - related to state pension funding | | | | (552,566) |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds | | | | |
| The cost of the capital assets is | | | 47,513,375 | |
| Accumulated depreciation is | | | (16,248,251) | |
| | | | | 31,265,124 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds: | | | | |
| Bonds and notes payable | | | | (38,045,065) |
| Compensated absences and termination benefits | | | | (664,980) |
| Accrued interest is not included as a liability in governmental funds, it is recorded when paid | | | | (221,008) |
| Net pension liability | | | | (20,210,589) |
| **Net position of governmental activities** | | | | $ (22,602,250) |

See notes to financial statements.

**HOPKINS PUBLIC SCHOOLS**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**GOVERNMENTAL FUNDS**
**YEAR ENDED JUNE 30, 2016**

| | General Fund | 2016 Refunding Series B | Capital Improvement Fund | Total nonmajor funds | Total governmental funds |
|---|---|---|---|---|---|
| **REVENUES:** | | | | | |
| Local sources: | | | | | |
| Property taxes | $ 631,049 | $ - | $ - | $ 2,584,595 | $ 3,215,644 |
| Tuition | 27,395 | - | - | - | 27,395 |
| Food sales | - | - | - | 295,524 | 295,524 |
| Other | 179,187 | - | - | 730 | 179,917 |
| Total local sources | 837,631 | - | - | 2,880,849 | 3,718,480 |
| State sources | 12,825,933 | - | - | 31,191 | 12,857,124 |
| Federal sources | 276,798 | - | - | 343,200 | 619,998 |
| Incoming transfers and other | 579,063 | - | - | - | 579,063 |
| Total revenues | 14,519,425 | - | - | 3,255,240 | 17,774,665 |
| **EXPENDITURES:** | | | | | |
| Current: | | | | | |
| Instruction | 8,544,727 | - | - | - | 8,544,727 |
| Supporting services | 5,847,722 | - | - | - | 5,847,722 |
| Food service activities | - | - | - | 634,002 | 634,002 |
| Community service activities | 27,127 | - | - | - | 27,127 |
| Capital outlay | - | - | - | 9,667 | 9,667 |

See notes to financial statements.

| | General Fund | 2016 Refunding Series B | Capital Improvement Fund | Total nonmajor funds | Total governmental funds |
|---|---|---|---|---|---|
| **EXPENDITURES (Concluded):** | | | | | |
| Debt service: | | | | | |
| Principal repayment | $ 177,215 | $ 9,328,941 | $ - | $ 1,480,000 | $ 10,986,156 |
| Interest | 10,122 | 4,719,059 | - | 749,170 | 5,478,351 |
| Bond issuance costs | - | 152,000 | - | 139,179 | 291,179 |
| Other | - | - | - | 4,889 | 4,889 |
| Total expenditures | 14,606,913 | 14,200,000 | - | 3,016,907 | 31,823,820 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | (87,488) | (14,200,000) | - | 238,333 | (14,049,155) |
| **OTHER FINANCING SOURCES (USES):** | | | | | |
| Proceeds from sale of bond | - | 14,135,000 | - | 12,450,000 | 26,585,000 |
| Payments to refunded bond escrow | - | - | - | (14,189,935) | (14,189,935) |
| Bond premium | - | - | - | 1,879,114 | 1,879,114 |
| Proceeds from school loan revolving fund | - | - | - | 418,276 | 418,276 |
| Proceeds from sale of capital assets | 3,998 | - | - | - | 3,998 |
| Proceeds from shared services | 89,083 | - | - | - | 89,083 |
| Proceeds from installment purchase agreement | 269,850 | - | - | (65,000) | 204,850 |
| Transfers in | - | 65,000 | - | - | 65,000 |
| Total other financing sources (uses) | 362,931 | 14,200,000 | - | 492,455 | 15,055,386 |
| **NET CHANGE IN FUND BALANCES** | 275,443 | - | - | 730,788 | 1,006,231 |
| **FUND BALANCES:** | | | | | |
| Beginning of year | 1,284,826 | - | 128,548 | 149,658 | 1,563,032 |
| End of year | $ 1,560,269 | $ - | $ 128,548 | $ 880,446 | $ 2,569,263 |

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, 2016**

| | |
|---|---|
| **Net change in fund balances total governmental funds** | $ 1,006,231 |
| 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 | (1,134,880) |
| Capital outlay | 640,959 |
| 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 | 181,114 |
| Accrued interest payable, end of the year | (221,008) |
| 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 | 2,075,491 |
| Proceeds from school bond loan fund | (418,276) |
| Proceeds from the issuance of bonds | (26,585,000) |
| Payment to escrow agent | 14,189,935 |
| Premium on issuance of bonds | (1,879,114) |
| Amortization of deferred loss on refunding | (27,250) |
| Amortization of bond premium | 55,875 |
| Principal and interest payment for SBLF and SLRF | 13,629,724 |
| Long-term interest on school bond loan and revolving fund (accrued) | (328,347) |
| Proceeds from installment purchase agreement | (269,850) |
| 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 | 601,880 |
| Accrued compensated absences and termination benefits, end of the year | (664,980) |
| 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 | 132,956 |
| 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 | (552,566) |
| **Change in net position of governmental activities** | $ 432,894 |

See notes to financial statements.

**HOPKINS PUBLIC SCHOOLS**
**STATEMENT OF FIDUCIARY NET POSITION**
**JUNE 30, 2016**

| | Agency fund | Private Purpose Trust Fund |
|---|---|---|
| **ASSETS:** | | |
| Cash | $ 195,504 | $ - |
| Land | - | 37,000 |
| Land improvements | - | 3,522 |
| Building | - | 40,000 |
| Building improvements | - | 1,097 |
| **TOTAL ASSETS** | 195,504 | 81,619 |
| **LIABILITIES:** | | |
| Due to student and other groups | 195,504 | - |
| **NET POSITION:** | | |
| Restricted for school use | - | 81,619 |
| **TOTAL NET POSITION** | $ 195,504 | $ 81,619 |

See 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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 *2016 Refunding - Series B debt service fund* accounts for resources accumulated and payments made on bonds issued for payment of principal and interest on debt obligations to the State of Michigan.

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.

**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 *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).

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.

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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

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).

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Measurement Focus and Basis of Accounting (Concluded)**

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.

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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### F. Budgetary Information (Concluded)

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, 2016. 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.

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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Investments (Concluded)

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 fair value at the date of donation.

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.

## 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)

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:

| Capital asset classes | Lives |
|---|---|
| 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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

## 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 one item that qualifies for reporting in this category. It 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 $2,607 are considered capital-related debt. Accrued interest on the school bond revolving fund of $25 has been included in the calculation of unrestricted net position.

In addition, during the year ended June 30, 2016, the District issued bonded debt in the amount of $14,135,000 used to make principal and interest payments related to the School Bond Loan Fund and School Loan Revolving Fund. Approximately 34% of these proceeds at June 30, 2016 are not considered capital related debt as this amount was used to pay off accrued interest.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

## 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, 2016, 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 |

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.

## 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, 2016, $3,117,742 of the District's bank balance of $3,617,742 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.

## 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.

## 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 | $ 352 |
| Carrying amount of deposits | 3,406,000 |
| Total | $ 3,406,352 |
| Per financial statements: | |
| Cash - including agency funds of $195,504 | $ 3,406,352 |

## NOTE 3 - CAPITAL ASSETS

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

| | Balance July 1, 2015 | Additions | Deletions | Balance June 30, 2016 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 739,062 | $ - | $ - | $ 739,062 |
| Capital assets being depreciated: | | | | |
| Buildings and additions | 40,802,490 | 82,428 | - | 40,884,918 |
| Furniture and equipment | 4,075,829 | 138,681 | - | 4,214,510 |
| Transportation equipment | 1,569,299 | 419,850 | (314,264) | 1,674,885 |
| Total capital assets being depreciated | 46,447,618 | 640,959 | (314,264) | 46,774,313 |
| Accumulated depreciation: | | | | |
| Buildings and additions | 10,805,899 | 796,545 | - | 11,602,444 |
| Furniture and equipment | 3,356,425 | 242,333 | - | 3,598,758 |
| Transportation equipment | 1,265,311 | 96,002 | (314,264) | 1,047,049 |
| Total accumulated depreciation | 15,427,635 | 1,134,880 | (314,264) | 16,248,251 |
| Net capital assets being depreciated | 31,019,983 | (493,921) | - | 30,526,062 |
| Net governmental capital assets | $ 31,759,045 | $ (493,921) | $ - | $ 31,265,124 |

Depreciation for the fiscal year ended June 30, 2016 amounted to $1,134,880.

## NOTE 3 - CAPITAL ASSETS (Concluded)

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

| | |
|---|---|
| Instruction | $ 140,618 |
| Support services | 96,002 |
| Unallocated depreciation | 898,260 |
| Total depreciation | $ 1,134,880 |

## NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2016 at the fund level consist of the following:

| | General fund | Total nonmajor funds | Total |
|---|---|---|---|
| State Aid - State of Michigan | $ 2,334,219 | $ - | $ 2,334,219 |
| Federal grants | 59,840 | 8,365 | 68,205 |
| Other | 11,716 | - | 11,716 |
| | $ 2,405,775 | $ 8,365 | $ 2,414,140 |

No allowance for doubtful accounts is considered necessary.

## NOTE 5 - NOTES PAYABLE

At June 30, 2016, the District has outstanding a $2,000,000 revenue note (state-aid note). The notes mature August 22, 2016. The notes are secured by the full faith and credit of the District as well as pledged state aid.

| Balance June 30, 2015 | Additions | Payments | Balance June 30, 2016 |
|---|---|---|---|
| $ 3,100,000 | $ 2,000,000 | $ 3,100,000 | $ 2,000,000 |

## 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 $425,000 through May 1, 2026 with interest at 3.25% to 4.125%. | $ 3,910,000 |
| 2008 general obligation refunding bonds due in annual installments of $415,000 through May 1, 2026 with interest at 4.00% to 5.00%. | 4,150,000 |
| 2007 general obligation refunding bonds due in an annual installment of $675,000 through May 1, 2017 with interest at 5.00%. | 675,000 |
| 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 $2,125,000 to $2,605,000 through May 1, 2022 with interest at 1.17% to 2.24%. | 14,135,000 |
| 2011 general obligation energy bond due in annual installments of $140,000 to $145,000 through May 1, 2018 with interest at 1.50% to 1.75%. | 285,000 |
| Plus: premium on bond issuance, net of amortization | 1,998,729 |
| Total general obligation bonds | 37,603,729 |
| Borrowings from the State of Michigan under the School Bond Loan Fund, including interest. | 2,633 |
| Bus installment purchase agreement due in annual installments of $42,215 and $42,208 through June 23, 2020 with interest at 1.79%. | 168,853 |
| Bus installment purchase agreement due in annual installments of $44,975 through February 23, 2022 with interest at 2.25%. | 269,850 |
| Accrued retirement benefits: | |
| Obligation under contract for compensated absences | 463,380 |
| Obligation under contract for termination benefits - severance | 201,600 |
| Total general long-term debt | $ 38,710,045 |

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

The annual requirements to amortize the long-term obligations as of June 30, 2016, including interest of $8,174,034 are as follows:

| Year ending June 30, | Total |
|---|---|
| 2017 | $ 5,106,897 |
| 2018 | 5,040,022 |
| 2019 | 4,892,095 |
| 2020 | 4,893,343 |
| 2021 | 4,858,357 |
| 2022 - 2026 | 12,966,273 |
| 2027 - 2031 | 5,473,750 |
| 2032 | 987,000 |
| | 44,217,737 |
| Borrowings from the State of Michigan under the School Bond Loan Fund, including interest | 2,633 |
| Premium on bond issuance | 1,998,729 |
| Accrued retirement benefits: | |
| Obligation under contract for compensated absences and termination benefits | 664,980 |
| Total general long-term debt and interest | $ 46,884,079 |

An amount of $827,015 is available in the debt service fund to service the general obligation debt. Interest expense for all funds for the year ended June 30, 2016 was $1,126,319.

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 3.34041% - 3.43165 for the School Loan Revolving Fund notes and 3.34041% - 3.43165 for the School Bond Loan Fund notes have been assessed for the year ended June 30, 2016. 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.

## 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, 2015 | Additions | Reductions | Balance June 30, 2016 | Due within one year |
|---|---|---|---|---|---|
| General obligation bonds | $ 24,337,773 | $ 28,069,237 | $ 14,803,281 | $ 37,603,729 | $ 3,780,000 |
| School bond loan fund | 13,304,010 | 328,347 | 13,629,724 | 2,633 | - |
| Bus installment purchase | 211,068 | 269,850 | 42,215 | 438,703 | 87,190 |
| Accumulated unpaid sick pay | 432,880 | 30,500 | - | 463,380 | 30,639 |
| Accrued termination benefits | 169,000 | 32,600 | - | 201,600 | - |
| Totals | $ 38,454,731 | $ 28,730,534 | $ 28,475,220 | $ 38,710,045 | $ 3,897,829 |

At June 30, 2016 outstanding general obligation bonds of $29,385,000 relating to the 1996, 1998 1999, and 2007 issues are considered to be defeased.

On March 17, 2016, the District issued general obligation bonds of $12,450,000 with interest rates ranging from 3.00% and 5.00% to refund the District’s outstanding 2007 bonds with an interest rate of 4.00% to 6.00%. The bonds mature at various times through May 1, 2032. The general obligation bonds were issued at a premium of $1,879,114, after paying issuance costs of $139,179, the net proceeds were $14,189,935. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District’s government-wide financial statements. As a result of the advance refunding, the District reduced its total debt service requirements by $2,158,103, which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of $1,838,329.

The District also issued general obligation bonds of $14,135,000 with interest ranging from 1.17% and 2.24% to refund the outstanding School Bond Loan Fund with an interest rate of 3.34% as of June 30, 2016. The bonds mature at various times through May 1, 2022. After paying issuance costs of $152,000, the net proceeds were $14,048,000. The net proceeds from the issuance of the general obligation bonds were used to pay-off the District’s outstanding school bond loan fund and school loan revolving fund debt. As a result, of the advance refunding, the District reduced its total debt service requirement by $1,446,304, which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of $741,585.

## NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS

### Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at http://michigan.gov/mpsers-cafr.

### 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 MPSERS is as follows:

| Plan name | Plan Type | Plan status |
|---|---|---|
| Basic | Defined Benefit | Closed |
| Member Investment Plan (MIP) | Defined Benefit | Closed |
| Pension Plus | Hybrid | Open |
| Defined Contribution | Defined Contribution | Open |

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.

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% -7.0%.

### 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 (MPSERS) who became a member of MPSERS 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.

**NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**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).

**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, any age 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 60$^{th}$ 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.

**NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

**Pension Plus (Concluded)**

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.

**Employer Contributions**

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

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:

| | |
|---|---|
| March 10, 2015 - September 30, 2015 | 18.76% - 23.07% |
| October 1, 2015 - September 30, 2016 | 14.56% - 18.95% |

The District's pension contributions for the year ended June 30, 2016 were equal to the required contribution total. Pension contributions were approximately $1,920,000, with $1,853,000 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. (69.45% for pension and 30.55% for OPEB).

**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, 2016, the District reported a liability of $20,210,589 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2014 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, 2015 and 2014, the District's proportion was .08275 and .08137 percent.

| *MPSERS (Plan) Net Pension Liability*: | September 30, 2015 | September 30, 2014 |
|---|---|---|
| Total Pension Liability | $ 66,312,041,902 | $ 65,160,887,182 |
| Plan Fiduciary Net Position | $ 41,887,015,147 | $ 43,134,384,072 |
| Net Pension Liability | $ 24,425,026,755 | $ 22,026,503,110 |
| Proportionate share | 0.08275% | 0.08137% |
| Net Pension liability for the District | $ 20,210,589 | $ 17,922,184 |

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

For the year ended June 30, 2016, the District recognized pension expense of $1,167,804 This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate, these amounts have been recorded as a deferred outflow as of June 30, 2016.

**NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)**

At June 30, 2016, 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 | $ 497,627 | $ - |
| Net difference between projected and actual earnings on pension plan investments | 103,159 | - |
| Differences between expected and actual experience | - | (66,943) |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 257,102 | - |
| Reporting Unit's contributions subsequent to the measurement date | 1,652,404 | - |
| | $ 2,510,292 | $ (66,943) |

$1,652,404, 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 year ended June 30, 2016.

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

| Year ended September 30, | Amount |
|---|---|
| 2016 | $ 125,909 |
| 2017 | 125,909 |
| 2018 | 98,922 |
| 2019 | 440,205 |

## 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 2020 using projection scale AA for men and women were used.

**Experience study -** The annual actuarial valuation report of the System used for these statements is dated September 30, 2014. 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 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Investment category | Target allocation | Long-term expected real rate of return* |
|---|---|---|
| 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% |
| | 100.00% | |

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

## 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 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 8.0 percent (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% Lower (6.0 - 7.0%) | Discount rate (7.0 - 8.0%) | 1% Higher (8.0 - 9.0%) |
|---|---|---|---|
| Reporting Unit's proportionate share of the net pension liability | $ 26,056,630 | $ 20,210,589 | $ 15,282,137 |

### 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 2014 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.

## NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Continued)

### 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.

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 December 1, 2012.

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.

## NOTE 7 - RETIREMENT AND POST RETIREMENT BENEFITS (Concluded)

***Employer Contributions***

The employer contribution rate ranged from 5.52% - 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 June 30, 2016 dependent upon the employee's date of hire and plan election.

The District postemployment healthcare contributions to MPSERS for the years ended June 30, 2016, 2015 and 2014 were approximately $728,000, $887,000 and $447,000.

## 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 year ending June 30, 2016 were approximately $233,000 and $245,000, respectively. The estimated liabilities for claims incurred but unreported as of June 30, 2016 and 2015 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, 2016 are as follows:

| Payable fund | | Receivable fund | |
|---|---|---|---|
| General | $ 8,673 | Food Service | $ 8,673 |

## NOTE 9 - INTER-FUND RECEIVABLES AND PAYABLES (Concluded)

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 2017 to replace the notes payable as described in Note 5.

## 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. 77, *Tax Abatement Disclosures*, was issued by the GASB in August 2015 and will be effective for the District's 2017 year end. The Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements in the footnotes of the financial statements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatements recipients.

## NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS (Concluded)

- The gross dollar amount of taxes abated during the period

- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

This Statement will improve the user's ability on how tax abatements affect the reporting unit's financial positions and results of operations, including their ability to raise resources in the future.

## REQUIRED SUPPLEMENTARY INFORMATION

**HOPKINS PUBLIC SCHOOLS**
**REQUIRED SUPPLEMENTAL INFORMATION**
**BUDGETARY COMPARISON SCHEDULE**
**GENERAL FUND**
**YEAR ENDED JUNE 30, 2016**

| | Original budget | Final budget | Actual | Variance with final budget |
|---|---|---|---|---|
| **REVENUES:** | | | | |
| Local sources | $ 874,606 | $ 829,939 | $ 837,631 | $ 7,692 |
| State sources | 12,455,009 | 12,832,772 | 12,825,933 | (6,839) |
| Federal sources | 156,202 | 288,965 | 276,798 | (12,167) |
| Incoming transfers and other | 534,645 | 578,235 | 579,063 | 828 |
| Total revenues | 14,020,462 | 14,529,911 | 14,519,425 | (10,486) |
| **EXPENDITURES:** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Basic programs | 6,771,569 | 7,042,872 | 7,026,084 | 16,788 |
| Added needs | 1,507,357 | 1,539,794 | 1,518,643 | 21,151 |
| Total instruction | 8,278,926 | 8,582,666 | 8,544,727 | 37,939 |
| Supporting services: | | | | |
| Pupil | 699,329 | 696,978 | 693,003 | 3,975 |
| Instructional staff | 206,203 | 220,363 | 207,489 | 12,874 |
| General administration | 323,040 | 331,935 | 346,020 | (14,085) |
| School administration | 770,635 | 782,347 | 774,364 | 7,983 |
| Business | 200,634 | 210,930 | 208,008 | 2,922 |
| Operation/maintenance | 1,445,713 | 1,474,650 | 1,499,505 | (24,855) |
| Pupil transportation | 860,402 | 1,283,210 | 1,217,758 | 65,452 |
| Central services | 467,981 | 512,169 | 521,718 | (9,549) |
| Athletics | 408,398 | 383,972 | 379,857 | 4,115 |
| Total supporting services | 5,382,335 | 5,896,554 | 5,847,722 | 48,832 |
| Community services | 28,198 | 25,100 | 27,127 | (2,027) |
| Debt services | 187,318 | 187,318 | 187,337 | (19) |
| Total expenditures | 13,876,777 | 14,691,638 | 14,606,913 | 84,725 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | 143,685 | (161,727) | (87,488) | 74,239 |
| **OTHER FINANCING SOURCES (USES):** | | | | |
| Proceeds from sale of capital assets | - | 4,000 | 3,998 | (2) |
| Proceeds from shared services | - | 90,000 | 89,083 | (917) |
| Proceeds from installment purchase agreement | - | 270,000 | 269,850 | (150) |
| Total other financing sources (uses) | - | 364,000 | 362,931 | (1,069) |
| **NET CHANGE IN FUND BALANCE** | $ 143,685 | $ 202,273 | 275,443 | $ 73,170 |
| **FUND BALANCE:** | | | | |
| Beginning of year | | | 1,284,826 | |
| End of year | | | $ 1,560,269 | |

**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)**

| | 2015 | 2014 |
|---|---|---|
| Reporting unit's proportion of net pension liability (%) | 0.08275% | 0.08137% |
| Reporting unit's proportionate share of net pension liability | $ 20,210,589 | $ 17,922,184 |
| Reporting unit's covered-employee payroll | $ 6,918,053 | $ 6,940,753 |
| Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll | 292.14% | 258.22% |
| Plan fiduciary net position as a percentage of total pension liability | 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)**

| | 2016 | 2015 |
|---|---|---|
| Statutorily required contributions | $ 1,596,266 | $ 1,448,006 |
| Contributions in relation to statutorily required contributions | 1,596,266 | 1,448,006 |
| Contribution deficiency (excess) | $ - | $ - |
| Reporting unit's covered-employee payroll | $ 7,104,003 | $ 6,908,669 |
| Contributions as a percentage of covered-employee payroll | 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, 2016

**Changes of benefits terms:** There were no changes of benefits terms in 2015.

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

## ADDITIONAL SUPPLEMENTARY INFORMATION

**HOPKINS PUBLIC SCHOOLS**
**COMBINING BALANCE SHEET**
**NONMAJOR GOVERNMENTAL FUNDS**
**JUNE 30, 2016**

| | Food service | Debt service | Total nonmajor funds |
|---|---|---|---|
| **ASSETS** | | | |
| **ASSETS:** | | | |
| Cash and cash equivalents | $ 36,762 | $ 827,015 | $ 863,777 |
| Accounts receivable | 3,577 | - | 3,577 |
| Intergovernmental | 8,365 | - | 8,365 |
| Due from other funds | 8,673 | - | 8,673 |
| Inventories | 6,637 | - | 6,637 |
| **TOTAL ASSETS** | $ 64,014 | $ 827,015 | $ 891,029 |
| **LIABILITIES AND FUND BALANCES** | | | |
| **LIABILITIES:** | | | |
| Accounts payable | $ 9,297 | $ - | $ 9,297 |
| Accrued salaries and related items | 1,286 | - | 1,286 |
| **TOTAL LIABILITIES** | 10,583 | - | 10,583 |
| **FUND BALANCES:** | | | |
| Nonspendable: | | | |
| Inventories | 6,637 | - | 6,637 |
| Restricted: | | | |
| Debt service | - | 827,015 | 827,015 |
| Food service | 46,794 | - | 46,794 |
| **TOTAL FUND BALANCES** | 53,431 | 827,015 | 880,446 |
| **TOTAL LIABILITIES AND FUND BALANCES** | $ 64,014 | $ 827,015 | $ 891,029 |

**HOPKINS PUBLIC SCHOOLS**
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**
**AND CHANGES IN FUND BALANCES**
**NONMAJOR GOVERNMENTAL FUNDS**
**YEAR ENDED JUNE 30, 2016**

| | Food service | Debt service | Total nonmajor funds |
|---|---|---|---|
| **REVENUES:** | | | |
| Local sources: | | | |
| Property taxes | $ - | $ 2,584,595 | $ 2,584,595 |
| Food sales | 295,524 | - | 295,524 |
| Other | 730 | - | 730 |
| Total local sources | 296,254 | 2,584,595 | 2,880,849 |
| State sources | 31,191 | - | 31,191 |
| Federal sources | 343,200 | - | 343,200 |
| Total revenues | 670,645 | 2,584,595 | 3,255,240 |
| **EXPENDITURES:** | | | |
| Current: | | | |
| Food service activities | 634,002 | - | 634,002 |
| Capital outlay | 9,667 | - | 9,667 |
| Debt service: | | | |
| Principal repayment | - | 1,480,000 | 1,480,000 |
| Interest | - | 749,170 | 749,170 |
| Bond issuance costs | - | 139,179 | 139,179 |
| Other | - | 4,889 | 4,889 |
| Total expenditures | 643,669 | 2,373,238 | 3,016,907 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | 26,976 | 211,357 | 238,333 |
| **OTHER FINANCING SOURCES (USES):** | | | |
| Proceeds from sale of refunding bonds | - | 12,450,000 | 12,450,000 |
| Payment to refunded bond escrows | - | (14,189,935) | (14,189,935) |
| Bond premium | - | 1,879,114 | 1,879,114 |
| Proceed from school bond loan fund | - | 418,276 | 418,276 |
| Total other financing sources | - | 492,455 | 492,455 |
| **NET CHANGE IN FUND BALANCES** | 26,976 | 703,812 | 730,788 |
| **FUND BALANCES:** | | | |
| Beginning of year | 26,455 | 123,203 | 149,658 |
| End of year | $ 53,431 | $ 827,015 | $ 880,446 |

**HOPKINS PUBLIC SCHOOLS**
**GENERAL FUND**
**DETAIL OF REVENUES AND OTHER FINANCING SOURCES**
**YEARS ENDED JUNE 30, 2016 AND 2015**

| | 2016 | 2015 |
|---|---|---|
| **LOCAL SOURCES:** | | |
| Property taxes | $ 631,049 | $ 649,624 |
| Tuition | 27,395 | 21,945 |
| Investment earnings | - | 1,231 |
| Other local revenue | 179,187 | 216,036 |
| **TOTAL LOCAL SOURCES** | 837,631 | 888,836 |
| **STATE SOURCES:** | | |
| Foundation grant | 11,229,074 | 10,897,356 |
| Special education | 246,549 | 355,892 |
| At risk | 291,805 | 226,015 |
| Other state revenue | 1,058,505 | 1,231,143 |
| **TOTAL STATE SOURCES** | 12,825,933 | 12,710,406 |
| **FEDERAL SOURCES:** | | |
| Title I | 111,863 | 161,715 |
| Title II - improving teacher quality | 54,940 | 42,457 |
| Other federal revenue | 109,995 | 10,211 |
| **TOTAL FEDERAL SOURCES** | 276,798 | 214,383 |
| **INCOMING TRANSFERS AND OTHER TRANSACTIONS:** | | |
| Special education | 579,063 | 332,863 |
| **OTHER FINANCING SOURCES:** | | |
| Proceeds from sale of capital assets | 3,998 | 12,705 |
| Proceeds from shared services | 89,083 | - |
| Proceeds from installment purchase agreement | 269,850 | 253,283 |
| **TOTAL OTHER FINANCING SOURCES** | 362,931 | 265,988 |
| **TOTAL REVENUES AND OTHER FINANCING SOURCES** | $ 14,882,356 | $ 14,412,476 |

**HOPKINS PUBLIC SCHOOLS**
**GENERAL FUND**
**DETAIL OF EXPENDITURES**
**YEARS ENDED JUNE 30, 2016 AND 2015**

| | 2016 | 2015 |
|---|---|---|
| **INSTRUCTION:** | | |
| Basic programs: | | |
| Elementary: | | |
| Salaries | $ 1,896,124 | $ 1,745,780 |
| Benefits | 1,575,603 | 1,479,326 |
| Purchased services | 62,936 | 52,532 |
| Supplies and materials | 44,156 | 65,910 |
| Other expenses | 2,615 | 32,230 |
| Capital outlay | 100 | 37 |
| Total elementary | 3,581,534 | 3,375,815 |
| Middle school: | | |
| Salaries | 866,972 | 882,458 |
| Benefits | 517,104 | 521,895 |
| Purchased services | 30,094 | 28,188 |
| Supplies and materials | 13,905 | 13,383 |
| Other expenses | - | 399 |
| Total middle school | 1,428,075 | 1,446,323 |
| High school: | | |
| Salaries | 1,145,965 | 1,098,850 |
| Benefits | 725,018 | 719,303 |
| Purchased services | 98,028 | 76,510 |
| Supplies and materials | 45,328 | 97,887 |
| Other expenses | 2,136 | 18 |
| Total high school | 2,016,475 | 1,992,568 |
| Total basic programs | 7,026,084 | 6,814,706 |
| Added needs: | | |
| Special education: | | |
| Salaries | 517,579 | 473,300 |
| Benefits | 341,587 | 312,708 |
| Purchased services | 86,139 | 92,789 |
| Supplies and materials | 3,807 | 4,317 |
| Other expenses | 500 | 152 |
| Total special education | 949,612 | 883,266 |

**HOPKINS PUBLIC SCHOOLS**
**GENERAL FUND**
**DETAIL OF EXPENDITURES**
**YEARS ENDED JUNE 30, 2016 AND 2015**

| | 2016 | 2015 |
|---|---|---|
| **INSTRUCTION (Concluded):** | | |
| Compensatory education: | | |
| Salaries | $ 216,656 | $ 267,109 |
| Benefits | 141,585 | 147,934 |
| Purchased services | - | 2,080 |
| Supplies and materials | 78,945 | 9,867 |
| Capital outlay | 14,659 | - |
| Total compensatory education | 451,845 | 426,990 |
| Vocational education: | | |
| Salaries | 61,516 | 61,911 |
| Benefits | 43,617 | 43,518 |
| Purchased services | 6,587 | 7,387 |
| Supplies and materials | 4,132 | 2,345 |
| Other expenses | 1,334 | 1,455 |
| Total vocational education | 117,186 | 116,616 |
| Total added needs | 1,518,643 | 1,426,872 |
| **TOTAL INSTRUCTION** | 8,544,727 | 8,241,578 |
| **SUPPORTING SERVICES:** | | |
| Pupil services: | | |
| Salaries | 256,709 | 249,592 |
| Benefits | 175,901 | 165,305 |
| Purchased services | 249,571 | 245,225 |
| Supplies and materials | 5,101 | 5,931 |
| Other expenses | 5,721 | 880 |
| Total pupil services | 693,003 | 666,933 |
| Instructional staff services: | | |
| Salaries | 99,095 | 73,817 |
| Benefits | 47,926 | 34,385 |
| Purchased services | 32,599 | 64,327 |
| Supplies and materials | 19,562 | 10,987 |
| Other expenses | 8,307 | 7,526 |
| Total instructional staff services | 207,489 | 191,042 |

**HOPKINS PUBLIC SCHOOLS**
**GENERAL FUND**
**DETAIL OF EXPENDITURES**
**YEARS ENDED JUNE 30, 2016 AND 2015**

| | 2016 | 2015 |
|---|---|---|
| **SUPPORTING SERVICES (Continued):** | | |
| General administration: | | |
| Salaries | $ 140,818 | $ 139,530 |
| Benefits | 76,167 | 74,777 |
| Purchased services | 103,275 | 84,745 |
| Supplies and materials | 10,736 | 2,104 |
| Other expenses | 15,024 | 14,697 |
| Total general administration | 346,020 | 315,853 |
| School administration: | | |
| Salaries | 466,971 | 453,958 |
| Benefits | 294,951 | 285,398 |
| Purchased services | 7,113 | 8,631 |
| Supplies and materials | 4,530 | 8,835 |
| Other expenses | 799 | 2,472 |
| Total school administration | 774,364 | 759,294 |
| Business services: | | |
| Salaries | 99,109 | 92,528 |
| Benefits | 55,923 | 49,076 |
| Purchased services | 45,303 | 41,617 |
| Supplies and materials | 3,083 | 2,352 |
| Other expenses | 4,590 | 8,309 |
| Total business services | 208,008 | 193,882 |
| Operations and maintenance: | | |
| Salaries | 463,747 | 457,789 |
| Benefits | 351,019 | 337,073 |
| Purchased services | 303,398 | 289,066 |
| Supplies and materials | 377,231 | 383,497 |
| Other expenses | 4,110 | 4,025 |
| Capital outlay | - | 5,800 |
| Total operations and maintenance | 1,499,505 | 1,477,250 |

**HOPKINS PUBLIC SCHOOLS**
**GENERAL FUND**
**DETAIL OF EXPENDITURES**
**YEARS ENDED JUNE 30, 2016 AND 2015**

| | 2016 | 2015 |
|---|---|---|
| **SUPPORTING SERVICES (Concluded):** | | |
| Transportation: | | |
| Salaries | $ 405,888 | $ 401,609 |
| Benefits | 254,234 | 248,795 |
| Purchased services | 31,938 | 36,764 |
| Supplies and materials | 99,392 | 133,805 |
| Other expenses | 6,456 | 6,756 |
| Capital outlay | 419,850 | 253,283 |
| Total transportation | 1,217,758 | 1,081,012 |
| Central services: | | |
| Salaries | 195,422 | 160,950 |
| Benefits | 109,681 | 89,609 |
| Purchased services | 60,494 | 74,740 |
| Supplies and materials | 1,190 | 2,140 |
| Other expenses | 1,791 | 1,114 |
| Capital outlay | 153,140 | 134,883 |
| Total central services | 521,718 | 463,436 |
| Athletics: | | |
| Salaries | 127,497 | 153,289 |
| Benefits | 66,019 | 69,429 |
| Purchased services | 121,222 | 121,031 |
| Supplies and materials | 27,084 | 27,601 |
| Other expenses | 18,726 | 14,808 |
| Capital outlay | 19,309 | 17,375 |
| Total athletics | 379,857 | 403,533 |
| **TOTAL SUPPORTING SERVICES** | 5,847,722 | 5,552,235 |

**HOPKINS PUBLIC SCHOOLS**
**GENERAL FUND**
**DETAIL OF EXPENDITURES**
**YEARS ENDED JUNE 30, 2016 AND 2015**

| | 2016 | 2015 |
|---|---|---|
| **COMMUNITY SERVICES:** | | |
| Salaries | $ 13,834 | $ 12,313 |
| Benefits | 5,856 | 4,762 |
| Purchased services | 4,922 | 80 |
| Supplies and materials | 572 | 305 |
| Other expenses | 1,943 | 1,348 |
| **TOTAL COMMUNITY SERVICES** | 27,127 | 18,808 |
| **DEBT SERVICES:** | | |
| Principal payments | 177,215 | 167,215 |
| Interest | 10,122 | 11,446 |
| **TOTAL DEBT SERVICES** | 187,337 | 178,661 |
| **TOTAL EXPENDITURES** | $ 14,606,913 | $ 13,991,282 |

**HOPKINS PUBLIC SCHOOLS**
**DEBT SERVICE FUNDS**
**COMBINING BALANCE SHEET**
**JUNE 30, 2016**

| ASSETS | 2007 | 2008 Refunding | 2009 Refunding | 2016 Refunding A | Total nonmajor debt service |
|---|---|---|---|---|---|
| **ASSETS:** | | | | | |
| Cash and cash equivalents | $ 624,950 | $ 85,891 | $ 116,174 | $ - | $ 827,015 |
| **FUND BALANCES:** | | | | | |
| Restricted for debt service | $ 624,950 | $ 85,891 | $ 116,174 | $ - | $ 827,015 |

**HOPKINS PUBLIC SCHOOLS**
**DEBT SERVICE FUNDS**
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**
**AND CHANGES IN FUND BALANCES**
**YEAR ENDED JUNE 30, 2016**

| | 2007 | 2008 Refunding | 2009 Refunding | 2016 Refunding A | Total nonmajor debt service |
|---|---|---|---|---|---|
| **REVENUES:** | | | | | |
| Local sources: | | | | | |
| Property taxes | $ 1,349,788 | $ 599,906 | $ 634,901 | $ - | $ 2,584,595 |
| Total revenues | 1,349,788 | 599,906 | 634,901 | - | 2,584,595 |
| **EXPENDITURES:** | | | | | |
| Principal payments | 625,000 | 415,000 | 440,000 | - | 1,480,000 |
| Interest | 396,188 | 196,606 | 156,376 | - | 749,170 |
| Bond issuance costs | - | - | - | 139,179 | 139,179 |
| Other | 2,930 | 1,136 | 823 | - | 4,889 |
| Total expenditures | 1,024,118 | 612,742 | 597,199 | 139,179 | 2,373,238 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | 325,670 | (12,836) | 37,702 | (139,179) | 211,357 |
| **OTHER FINANCING SOURCES (USES):** | | | | | |
| Proceeds from sale of refunding bonds | - | - | - | 12,450,000 | 12,450,000 |
| Payment to refunded bond escrows | - | - | - | (14,189,935) | (14,189,935) |
| Bond premium | - | - | - | 1,879,114 | 1,879,114 |
| Proceeds from school bond loan fund | 338,058 | 25,379 | 54,839 | - | 418,276 |
| Transfers out | (65,000) | - | - | - | (65,000) |
| Total other financing sources (uses) | 273,058 | 25,379 | 54,839 | 139,179 | 492,455 |
| **NET CHANGE IN FUND BALANCES** | 598,728 | 12,543 | 92,541 | - | 703,812 |
| **FUND BALANCES:** | | | | | |
| Beginning of year | 26,222 | 73,348 | 23,633 | - | 123,203 |
| End of year | $ 624,950 | $ 85,891 | $ 116,174 | $ - | $ 827,015 |

**HOPKINS PUBLIC SCHOOLS**
**AGENCY FUND**
**(INTERNAL FUNDS)**
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND LIABILITY BY ACTIVITY**
**YEAR ENDED JUNE 30, 2016**

| | Balance 7/1/15 | Receipts | Disbursements | Balance 6/30/16 |
|---|---|---|---|---|
| Board of Ed Interest | $ 367 | $ 525 | $ 533 | $ 359 |
| Interest | 9,358 | 11,012 | 8,033 | 12,337 |
| HS Principal | 1,177 | 579 | 70 | 1,686 |
| Middle school principal | 11,377 | 955 | 1,601 | 10,731 |
| Yearbook | (1,562) | 12,080 | 9,718 | 800 |
| FFA | 4,809 | 18,821 | 19,648 | 3,982 |
| Band | 452 | 4,381 | 4,288 | 545 |
| HES Mackinaw City | 8,377 | 58,789 | 61,666 | 5,500 |
| S4SD | 618 | - | - | 618 |
| Destination Imagination | 66 | - | - | 66 |
| NHS | 561 | 5,623 | 5,771 | 413 |
| Spanish Club | 16 | 809 | 670 | 155 |
| Sp Ed - high school | - | 19,551 | 19,500 | 51 |
| Student Council - HS | 2,224 | 11,538 | 10,545 | 3,217 |
| Student Council - MS | 2,384 | 2,232 | 2,145 | 2,471 |
| Student Council - HES | 6,175 | 13,618 | 17,145 | 2,648 |
| Student Council - SYC | 1,481 | 1,726 | 1,863 | 1,344 |
| Drama Club | 673 | - | - | 673 |
| AP Classes | 935 | 5,493 | 5,760 | 668 |
| Class of 2019 | 600 | 2,203 | 1,515 | 1,288 |
| Hockey | (1) | 61 | - | 60 |
| Robotics Club | 23,156 | 19,451 | 18,114 | 24,493 |
| HHS Scholarship | 2,625 | 15,170 | 8,800 | 8,995 |
| Class of 2021 | 200 | 200 | - | 400 |
| Jobe Scholarship | 26 | 980 | 250 | 756 |
| Culture Committee | - | 665 | 951 | (286) |
| Pepsi Scholarship | 48 | 510 | - | 558 |
| Athletic Director | 882 | 151 | - | 1,033 |
| AD - Programs | 2,856 | 640 | 1,977 | 1,519 |

**HOPKINS PUBLIC SCHOOLS**
**AGENCY FUND**
**(INTERNAL FUNDS)**
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND LIABILITY BY ACTIVITY**
**YEAR ENDED JUNE 30, 2016**

| | Balance 7/1/15 | Receipts | Disbursements | Balance 6/30/16 |
|---|---|---|---|---|
| Cross Country | $ 2,320 | $ 1,597 | $ 1,686 | $ 2,231 |
| Basketball, Girls | 6,068 | 7,364 | 8,915 | 4,517 |
| Baseball | 408 | 7,512 | 7,469 | 451 |
| Softball | 1,359 | 6,784 | 6,950 | 1,193 |
| Class of 2018 | 1,054 | 345 | 370 | 1,029 |
| Agriscience Lab | 48,622 | 24,472 | 67,236 | 5,858 |
| Wrestling | 2,639 | 605 | 1,203 | 2,041 |
| Class of 2017 | 1,059 | 6,621 | 4,877 | 2,803 |
| Basketball, Boys | 2,331 | 21,306 | 20,420 | 3,217 |
| Golf | 324 | - | - | 324 |
| Bowling | 44 | 262 | 132 | 174 |
| Volleyball | 7,965 | 6,692 | 9,210 | 5,447 |
| Football | 1,135 | 5,875 | 3,516 | 3,494 |
| Cheer - Sideline | 29 | - | - | 29 |
| Art Club | 554 | 1,934 | 2,412 | 76 |
| 6th Grade Camp | 2,748 | 22,063 | 21,547 | 3,264 |
| 6th Grade Team | 197 | 1,558 | 1,464 | 291 |
| 7th Grade Team | 83 | 4,611 | 4,890 | (196) |
| 8th Grade Team | (70) | 2,285 | 2,061 | 154 |
| Science Fair | 86 | - | 64 | 22 |
| Track | 106 | 660 | 645 | 121 |
| Ski Club | 426 | 1,684 | 1,677 | 433 |
| Norg, Samantha | 242 | 300 | 489 | 53 |
| Modreske, Shelly | 50 | 146 | 63 | 133 |
| Soccer - Boys | 7,029 | 1,384 | 2,185 | 6,228 |
| Brethauer | (90) | 352 | 43 | 219 |
| Galligan, Anne | 341 | 100 | 42 | 399 |
| VanderMeulen | 6 | 100 | 105 | 1 |
| Young Authors | 291 | 935 | 803 | 423 |
| Hall, Shelly | 10 | 156 | 149 | 17 |
| Yearbook | 8,047 | 6,975 | 5,119 | 9,903 |
| King, Jessica | 60 | 900 | 835 | 125 |
| Pickett, Chelsea | 421 | 603 | 921 | 103 |
| Ruthruff, Heather | 735 | 120 | - | 855 |

# HOPKINS PUBLIC SCHOOLS
## AGENCY FUND
## (INTERNAL FUNDS)
## STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND LIABILITY BY ACTIVITY
## YEAR ENDED JUNE 30, 2016

| | Balance 7/1/15 | Receipts | Disbursements | Balance 6/30/16 |
|---|---|---|---|---|
| Thompson, Keith | $ 278 | $ 150 | $ 63 | $ 365 |
| Ball, Jackie | 903 | 267 | 512 | 658 |
| Duchene, Jill | 43 | 1,605 | 1,315 | 333 |
| Siebers, Kim | 595 | 717 | 756 | 556 |
| Craig, Sue | 100 | 1,598 | 1,472 | 226 |
| Hall, Shelly | 144 | 100 | 99 | 145 |
| Cimek | 264 | 1,080 | 559 | 785 |
| Hopkins El Library | 3,984 | 4,391 | 5,002 | 3,373 |
| Musical | 18,709 | 11,779 | 13,202 | 17,286 |
| Sycamore Mackinac Trip | 1,141 | 35,863 | 35,967 | 1,037 |
| Cheer - Competitive | 1,202 | 1,410 | 1,127 | 1,485 |
| Choir | 5,346 | 15,552 | 15,358 | 5,540 |
| Class of 2016 | 3,069 | 50 | 1,992 | 1,127 |
| Misc | 1,654 | 5,400 | 6,709 | 345 |
| Field Trip | 696 | 1,087 | 1,160 | 623 |
| Hopkins El Art | 347 | 100 | 222 | 225 |
| Hopkins El Music | 116 | 356 | 452 | 20 |
| Phys Ed | 679 | 100 | 259 | 520 |
| Secor, Sharon | 9 | 604 | 519 | 94 |
| Zapolnik, Lisa | 626 | 674 | 787 | 513 |
| Behm, Marsha | 350 | - | - | 350 |
| Merren | 11 | 3,582 | 3,301 | 292 |
| Equestrian Team | 108 | - | - | 108 |
| Cardenas, D | 290 | 138 | 84 | 344 |
| Meyers, Holly | 23 | 472 | 478 | 17 |
| Berkimer | 198 | 200 | - | 398 |
| 1st - Rhonda Gilbert | 349 | 921 | 1,004 | 266 |
| 3rd - Sarah McClish | 352 | 725 | 647 | 430 |
| Sycamore Spec. Ed - Santiago | 78 | 75 | - | 153 |
| VanDreumel | 291 | 3,049 | 3,011 | 329 |

**HOPKINS PUBLIC SCHOOLS**
**AGENCY FUND**
**(INTERNAL FUNDS)**
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND LIABILITY BY ACTIVITY**
**YEAR ENDED JUNE 30, 2016**

| | Balance 7/1/15 | Receipts | Disbursements | Balance 6/30/16 |
|---|---|---|---|---|
| Sycamore, Misc. | $ 2,667 | $ 17,265 | $ 17,853 | $ 2,079 |
| VanderWeg, Meghan | 253 | 779 | 875 | 157 |
| Sycamore Music | 5 | 3,953 | 2,929 | 1,029 |
| Sycamore Art | 3 | - | - | 3 |
| Sycamore Gym | 15 | - | - | 15 |
| Sycamore Young Authors | 3,662 | 3,555 | 4,683 | 2,534 |
| K - Leslie Hartuniewicz | 113 | 819 | 803 | 129 |
| 3rd - Terry Bardelmeier | 134 | 275 | 152 | 257 |
| 2nd - B Herman | 637 | 659 | 1,127 | 169 |
| Sycamore Library | 1,395 | 5,581 | 6,262 | 714 |
| Class of 2020 | 400 | 200 | - | 600 |
| Seabert | 49 | 105 | 151 | 3 |
| EGGE | 117 | 293 | 411 | (1) |
| High School Spirit Shop | 35 | - | - | 35 |
| Class of 2011 | 479 | - | - | 479 |
| Cribley | (111) | 245 | 34 | 100 |
| Class of 2014 | 5 | 200 | - | 205 |
| Class of 2015 | 777 | - | - | 777 |
| 2nd - Jen Belka | 73 | 2,060 | 2,059 | 74 |
| Soccer - Girls | 4,197 | 2,983 | 2,388 | 4,792 |
| Class of 2013 | 22 | - | - | 22 |
| Kidsport | 121 | 149 | 308 | (38) |
| Skinner FFA Memorial Scholarship | 915 | - | - | 915 |
| | $ 234,427 | $ 475,230 | $ 514,153 | $ 195,504 |

**HOPKINS PUBLIC SCHOOLS**
**PRINCIPAL AND INTEREST REQUIREMENTS**
**2009 REFUNDING BONDS**
**JUNE 30, 2016**

2009 Refunding Bonds

| Fiscal year ended | Interest rate | Interest due November 1 | Interest due May 1 | Principal due May 1, | Total due annually |
|---|---|---|---|---|---|
| 2017 | 3.25% | $ 71,588 | $ 71,588 | $ 425,000 | $ 568,176 |
| 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 | | $ 400,537 | $ 400,537 | $ 3,910,000 | $ 4,711,074 |

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

# HOPKINS PUBLIC SCHOOLS
## PRINCIPAL AND INTEREST REQUIREMENTS
## 2008 REFUNDING BONDS
## JUNE 30, 2016

2008 Refunding Bonds

| Fiscal year ended | Interest rate | Interest due November 1 | Interest due May 1 | Principal due May 1, | Total due annually |
|---|---|---|---|---|---|
| 2017 | 5.00% | $ 87,928 | $ 87,928 | $ 415,000 | $ 590,856 |
| 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 | | $ 469,728 | $ 469,728 | $ 4,150,000 | $ 5,089,456 |

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

**HOPKINS PUBLIC SCHOOLS**
**PRINCIPAL AND INTEREST REQUIREMENTS**
**2007 BUILDING AND SITE BONDS**
**JUNE 30, 2016**

| Fiscal year ended June 30, | Interest rate | Interest due November 1, | Interest due May 1, | Principal due May 1, | Total due annually |
|---|---|---|---|---|---|
| 2017 | 5.00% | $ 16,875 | $ 16,875 | $ 675,000 | $ 708,750 |

The original amount of the issue was $17,590,000.

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

2016 Refunding Bonds - Series A

| Fiscal year ended June 30, | Interest rate | Interest due November 1, | Interest due May 1, | Principal due May 1, | Total due annually |
|---|---|---|---|---|---|
| 2017 | 4.00% | $ 329,560 | $ 264,825 | $ - | $ 594,385 |
| 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 | | $ 2,703,660 | $ 2,638,925 | $ 12,450,000 | $ 17,792,585 |

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

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

2016 Refunding Bonds - Series B

| | | Interest due | | | |
|---|---|---|---|---|---|
| Fiscal year ended | Interest rate | November 1 | May 1 | Principal due May 1, | Total due annually |
| 2017 | 1.17% | $ 154,755 | $ 124,357 | $ 2,125,000 | $ 2,404,112 |
| 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 | | $ 525,944 | $ 495,546 | $ 14,135,000 | $ 15,156,490 |

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

**HOPKINS PUBLIC SCHOOLS**
**PRINCIPAL AND INTEREST REQUIREMENTS**
**2011 ENERGY BONDS**
**JUNE 30, 2016**

2011 Energy Bonds

| | | Interest due | | | |
|---|---|---|---|---|---|
| Fiscal year ended | Interest rate | November 1 | May 1 | Principal due May 1, | Total due annually |
| 2017 | 1.50 - 1.75% | $ 2,319 | $ 2,319 | $ 140,000 | $ 144,638 |
| 2018 | 1.75% | 1,269 | 1,268 | 145,000 | 147,537 |
| Total 2011 bonded debt | | $ 3,588 | $ 3,587 | $ 285,000 | $ 292,175 |

The original amount of the issue was $890,000

**HOPKINS PUBLIC SCHOOLS**
**SCHOOL BOND LOAN FUND**
**JUNE 30, 2016**

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:

| Year ended June 30, | Loan proceeds (repayment) | Accrued interest | Net increase (decrease) | Balance |
|---|---|---|---|---|
| 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 |

**HOPKINS PUBLIC SCHOOLS**
**SCHEDULE OF INSTALLMENT PURCHASE AGREEMENT**
**JUNE 30, 2016**

Installment Purchase Agreement

| Fiscal year ended | Interest rate | Principal due June 23 | Interest due June 23 | Total due annually |
|---|---|---|---|---|
| 2017 | 1.79% | $ 42,215 | $ 3,022 | $ 45,237 |
| 2018 | 1.79% | 42,215 | 2,267 | 44,482 |
| 2019 | 1.79% | 42,215 | 1,511 | 43,726 |
| 2020 | 1.79% | 42,208 | 756 | 42,964 |
| Total installment purchase agreement | | $ 168,853 | $ 7,556 | $ 176,409 |

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

**HOPKINS PUBLIC SCHOOLS**
**SCHEDULE OF INSTALLMENT PURCHASE AGREEMENT**
**JUNE 30, 2016**

Installment Purchase Agreement Dated March 11, 2016

| Fiscal year ended | Interest rate | Principal due June 23 | Interest due June 23 | Total due annually |
|---|---|---|---|---|
| 2017 | 2.25% | $ 44,975 | $ 5,768 | $ 50,743 |
| 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% | 44,975 | 1,012 | 45,987 |
| Total installment purchase agreement | | $ 269,850 | $ 20,948 | $ 290,798 |

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

Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

Maner Costerisan PC
2425 E. Grand River Ave.
Suite 1
Lansing, MI 48912-3291
T: 517 323 7500
F: 517 323 6346
www.manercpa.com

# 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, 2016, 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 17, 2016.

## 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.

Maner Costerisan PC

October 17, 2016

Maner Costerisan
Certified Public Accountants
Business & Technology Advisors

Maner Costerisan PC
2425 E. Grand River Ave.
Suite 1
Lansing, MI 48912-3291
T: 517 323 7500
F: 517 323 6346
www.manercpa.com

October 17, 2016

To the Board of Directors
Hopkins Public Schools

We have audited the financial statements of Hopkins Public Schools for the year ended June 30, 2016, and have issued our report thereon dated October 17, 2016. 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. 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 17, 2016.

*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,

Maner Costerisan PC