

PINE RIVER AREA SCHOOLS

LEROY, MICHIGAN

JUNE 30, 2017



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

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PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

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August 18, 2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Pine River Area Schools
LeRoy, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pine River Area Schools, LeRoy, Michigan as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pine River Area Schools, LeRoy, Michigan as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages iv through xii and 36-39 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 Pine River Area Schools' basic financial statements. The Combining and Individual Fund Financial Statements, and Other Information section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Other Information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2017, on our consideration of Pine River Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pine River Area Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pine River Area Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

Pine River Area Schools, a K-12 school district located in Lake, Osceola and Wexford Counties, Michigan, offers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of the following three components: government-wide financial statements, fund financial statements, and notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

A. Government-Wide Financial Statements

The government-wide statements provide short-term and long-term financial information about the District's overall financial status. The government-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The *Statement of Net Position* includes all of the District's assets and liabilities. All of the year's revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

Over time, increases and decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District requires consideration of additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are all shown in one category titled "Governmental Activities". These activities, including regular and special education, transportation, administration, food services, athletic activities, and community services, are primarily financed with state and federal aid and property taxes.

B. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Pine River Area Schools, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

The fund financial statements provide more detailed information about the District’s funds, focusing on its most significant or “major” funds, rather than the District as a whole. Funds that do not meet the threshold to be classified as major funds are called “non-major” funds. Detailed financial information for non-major funds can be found in the combining and individual fund statements section.

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 may establish other funds to control and manage money for particular purposes.

The District maintains the following kinds of funds:

Governmental Funds – The District’s basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can be 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 to determine whether there are more or less 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 government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

Fiduciary Funds – The District is a trustee, or fiduciary, for assets that belong to other organizations. 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. The District’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

C. Summary of Net Position

The following schedule summarizes the net position at fiscal year ended June 30.

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets	\$ 9,245,585	\$ 4,699,648
Non Current Assets		
Capital Assets	14,192,075	12,721,125
Less Accumulated Depreciation	<u>(8,240,867)</u>	<u>(8,530,412)</u>
Total Non Current Assets	<u>5,951,208</u>	<u>4,190,713</u>
Total Assets	<u>15,196,793</u>	<u>8,890,361</u>
Deferred Outflows of Resources	<u>1,859,067</u>	<u>1,311,591</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>
Liabilities		
Current Liabilities	4,047,759	3,365,526
Non Current Liabilities	<u>21,264,326</u>	<u>15,987,898</u>
Total Liabilities	<u>25,312,085</u>	<u>19,353,424</u>
Deferred Inflows of Resources	<u>758,722</u>	<u>593,156</u>
Net Position		
Net Investment in Capital Assets	1,517,132	1,377,128
Restricted for Debt Service	198,212	96,403
Unrestricted (Deficit)	<u>(10,730,291)</u>	<u>(11,218,159)</u>
Total Net Position (Deficit)	<u>\$ (9,014,947)</u>	<u>\$ (9,744,628)</u>

D. Analysis of Financial Position

During the fiscal year ended June 30, 2017, the District's net position increased by \$729,681. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2017, \$267,308 was recorded for depreciation expense.

2. Pension Expense

GASB 68 now requires the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability increase or decreases in any given year. For the year ended June 30, 2017, the District reported an increase in net position related to GASB 68 in the amount of \$307,856.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

3. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2017, expenditures of \$2,027,803 were capitalized and recorded as assets of the District. Additions to the District's capital assets are depreciated over time as explained above.

The net effect of the new capital assets, assets sold during the year, and the current year's depreciation is a net increase in capital assets in the amount of \$1,760,495 for the fiscal year ended June 30, 2017

E. Results of Operations

The following schedule summarizes the results of operations, on a district-wide basis, for the fiscal year ended June 30.

	<u>2017</u>	<u>2016</u>
General Revenues		
Property Taxes	\$ 2,752,326	\$ 2,552,788
Investment Earnings	35,787	2,699
State Sources	5,877,342	5,849,056
Proceeds from the Sale of Capital Assets	9,497	0
Other	117,053	127,835
Total General Revenues	<u>8,792,005</u>	<u>8,532,378</u>
Program Revenues		
Charges for Services	230,361	214,805
Operating Grants and Contributions	2,202,174	1,781,035
Capital Grants and Contributions	0	174,800
Total Program Revenues	<u>2,432,535</u>	<u>2,170,640</u>
Total Revenues	<u>11,224,540</u>	<u>10,703,018</u>
Expenses		
Instruction	6,036,999	6,142,240
Supporting Services	3,434,674	3,317,980
Community Activities	1,933	2,072
Facilities Acquisition, Construction and Improvements	19,634	10,122
Food Service Activities	457,375	477,953
Interest on Long-Term Debt	220,858	143,483
Bond Issuance Costs	55,428	0
Other Transactions	650	150
Unallocated Depreciation	267,308	289,825
Total Expenses	<u>10,494,859</u>	<u>10,383,825</u>
Change in Net Position	<u>\$ 729,681</u>	<u>\$ 319,193</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

F. Financial Analysis of the District's Funds

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	<u>2017</u>	<u>2016</u>	Increase (Decrease)
Major Fund			
General Fund	\$ 1,807,147	\$ 1,624,182	\$ 182,965
2016 Capital Projects Fund	3,722,306	0	3,722,306
Nonmajor Funds			
Food Service	115,161	138,537	(23,376)
2010 School Improvement Debt Retirement	11,171	12,651	(1,480)
2009 Debt Retirement	120,614	103,374	17,240
2016 School Building and Site Debt	<u>90,440</u>	<u>0</u>	<u>90,440</u>
 Total Governmental Funds	 <u>\$ 5,866,839</u>	 <u>\$ 1,878,744</u>	 <u>\$ 3,988,095</u>

In 2017, the General Fund balance increased primarily due to conservative spending which resulted in revenues being greater than expenditures. Of the fund balance of \$1,807,147, \$26,912 is nonspendable for prepaid expenditures and inventory, \$154,185 is assigned for a budgeted loss in 2017-2018, and the remainder of \$1,626,050 is unassigned.

The 2016 Capital Projects Fund increased due to receiving bond proceeds of \$5,835,000 and incurring related expenditures that were less than the proceeds received. The entire fund balance of \$3,722,306 is restricted for capital projects.

The Food Service Fund balance decreased primarily due to expenditures exceeding revenues for the fiscal year. Of the fund balance of \$115,161, \$6,029 is nonspendable for prepaid expenditures and inventory, and the remainder of \$109,132 is restricted for food service.

The 2010 School Improvement Debt Fund balance decreased due to principal and interest expenditures exceeding tax revenues. The entire fund balance of \$11,171 is restricted for debt service.

The 2009 Pine River Debt Fund balance increased due to tax revenues exceeding principal and interest expenditures. The entire fund balance of \$120,614 is restricted for debt service.

The 2016 School Building and Site Debt Fund increased primarily due to tax revenues exceeding principal and interest expenditures and a transfer from the 2016 Capital Projects Fund. The entire fund balance of \$90,440 is restricted for debt service.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

G. Analysis of Significant Revenues and Expenditures

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District levies 18.0000 mills of property taxes for operations on non-homestead properties, after the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2016-2017 fiscal year, the District levied \$1,932,646 in non-homestead property taxes. This represented an increase of .02% from the prior year.

The following table summarizes the non-principal residence exemption property tax levies for operations for the past five years:

Fiscal Year	Non-Principal Residence Exemption Tax Levy	% Increase (Decrease) from Prior Year
2016-2017	\$ 1,932,646	0.02%
2015-2016	1,932,324	1.44%
2014-2015	1,904,861	5.24%
2013-2014	1,810,001	1.92%
2012-2013	1,775,746	-0.50%

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. For the 2016-2017 fiscal year, the District received \$7,511 per student FTE.

3. Student Enrollment

The following schedule summarizes the blended student enrollment for the past five fiscal years:

Fiscal Year	Blended Student FTE	FTE Change from Prior Year
2016-2017	1,044	(15)
2015-2016	1,059	(28)
2014-2015	1,087	(37)
2013-2014	1,124	(50)
2012-2013	1,174	(34)

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2017, federal, state, and other grants accounted for \$2,202,174. This represents an increase of \$421,139 over the total grant sources of \$1,781,035 received for the 2015-2016 fiscal year.

H. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2016-2017 fiscal year, the District amended the general fund budget various times throughout the year. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget, and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>	\$ 10,056,590	\$ 9,992,358	\$ 9,951,409
<u>EXPENDITURES</u>			
Instruction	\$ 6,459,727	\$ 6,479,582	\$ 6,380,333
Supporting Services	3,556,003	3,519,399	3,389,209
Community Activities	2,700	2,400	1,933
Total Expenditures	<u>\$ 10,018,430</u>	<u>\$ 10,001,381</u>	<u>\$ 9,771,475</u>

The change from the total revenue original budget to final budget was a decrease of \$64,232. This was mainly due to a decrease in Local & Federal Sources. The total revenue variance between final budget and actual was minimal.

The variances between the total expenditures original budget to final budget were minimal. The variance from total expenditures final budget to actual was a decrease of \$229,906. This was mainly due to a carefully managed budget by the District.

I. Capital Asset and Debt Administration

1. Capital Assets

By the end of the 2016-17 fiscal year, the District had invested \$5,951,208 net of accumulated depreciation in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. Depreciation expense for the year amounted to \$267,308 bringing the total accumulated depreciation to \$8,240,867 as of June 30, 2017.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

Major capital assets additions for the 2016-2017 school year include:

- A roof in the amount of \$698,163.
- A well in the amount of \$228,110.
- Construction in Progress for various school improvements related to the 2016 bonds in the amount of \$1,093,645.

In addition to purchasing the above assets, the School has committed to spend roughly \$3,000,000 for building and site improvements within the district that will be added to capital assets in the 2017-2018 fiscal year.

2. Long-Term Debt

At June 30, 2017, the District had \$21,909,326 in long-term debt outstanding.

J. Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- In May 2016, the residents of Pine River Area Schools approved the \$5,835,000 2016 Building and Site Bonds (General Obligation-Unlimited Tax). Areas to be addressed include: roofs; secure entries at the main offices of the elementary, middle and high school offices; new well and back-up well at the middle-high school, parking lots; boiler replacement and upgrades to the heating system; new doors and windows; new bleachers outside at the track and football field and inside in the high school gym; and various other projects. The improvements help promote academic success and financial stability along with preparing Pine River Area Schools for a safe, dry and secure future. The bonds were sold at a premium with interest rates lower than originally estimated which will benefit taxpayers for years to come. Building and site improvements are in full swing after the passing of the Building and Site Bonds in 2016. The roof and well projects are virtually finished. The majority of the other projects have been started. The district looks forward to a bright and prosperous future.
- Both of the District's union contracts expire in August 2017. Negotiations are currently in progress with both groups. We do expect a positive negotiating atmosphere as all groups look to work together in order to improve Pine River Area Schools' financial and academic success.
- While the costs of healthcare have continued to escalate, the District has moved its health insurance plans to a less costly provider. Both union and non-union staff have a "hard cap" in place that is below the maximum established by the State of Michigan.
- The current foundation allowance is scheduled to increase \$120 from \$7,511 to \$7,631 for the 2017-2018 school year. Uncertainty does still surround the state and federal levels at which districts will be funded now and in the future.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

K. 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 financial information, please contact the Superintendent, Pine River Area Schools, 17445 Pine River Road, LeRoy, Michigan 49655.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2017

ASSETS

CURRENT ASSETS

Cash	\$ 3,145,147
Restricted Investments	4,618,131
Accounts Receivable	7,564
Due from Other Governments	1,441,802
Prepaid Expenses	23,054
Inventory	9,887
	<hr/>
Total Current Assets	9,245,585

NON CURRENT ASSETS

Capital Assets	14,192,075
Less Accumulated Depreciation	(8,240,867)
	<hr/>
Total Non Current Assets	5,951,208

TOTAL ASSETS

15,196,793

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources Related to Pensions	1,828,006
Deferred Charges on Refunding	31,061
	<hr/>

TOTAL DEFERRED OUTFLOWS OF RESOURCES

1,859,067

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	1,007,473
State Aid Loan Payable	1,400,000
Accrued Expenses	365,752
Accrued Interest Payable	24,013
Salaries Payable	512,103
Unearned Revenue	93,418
Current Portion of Non Current Liabilities	645,000
	<hr/>

Total Current Liabilities

4,047,759

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2017

NON CURRENT LIABILITIES

Bonds Payable - Net	8,187,443
Compensated Absences	205,828
Net Pension Liability	13,516,055
Less Current Portion of Non Current Liabilities	<u>(645,000)</u>

Total Non Current Liabilities 21,264,326

TOTAL LIABILITIES 25,312,085

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources Related to Pensions 758,722

NET POSITION

Net Investment in Capital Assets	1,517,132
Restricted for Debt Service	198,212
Unrestricted (Deficit)	<u>(10,730,291)</u>

TOTAL NET POSITION (Deficit) \$ (9,014,947)

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	GOVERNMENTAL ACTIVITIES			GOVERNMENTAL ACTIVITIES NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 6,036,999	\$ 47,600	\$ 1,686,650	\$ 0	\$ (4,302,749)
Supporting Services	3,434,674	66,464	154,135	0	(3,214,075)
Community Activities	1,933	0	0	0	(1,933)
Facilities Acquisition, Construction and Improvements	19,634	0	0	0	(19,634)
Food Service Activities	457,375	116,297	361,389	0	20,311
Interest on Long-Term Debt	220,858	0	0	0	(220,858)
Bond Issuance Costs	55,428	0	0	0	(55,428)
Other Transactions	650	0	0	0	(650)
Unallocated Depreciation	267,308	0	0	0	(267,308)
TOTAL GOVERNMENTAL ACTIVITIES	\$10,494,859	\$ 230,361	\$ 2,202,174	\$ 0	(8,062,324)
<u>GENERAL REVENUES</u>					
Property Taxes -Levied for General Purposes					1,941,898
Property Taxes -Levied for Debt Service					810,428
Investment Earnings					35,787
State Sources					5,877,342
Proceeds from the Sale of Capital Assets					9,497
Other					117,053
Total General Revenues					8,792,005
Change in Net Position					729,681
<u>NET POSITION</u> - Beginning of Year (Deficit)					(9,744,628)
<u>NET POSITION</u> - End of Year (Deficit)					\$ (9,014,947)

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2017

	GENERAL FUND	2016 CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash	\$ 2,822,267	\$ 0	\$ 322,880	\$ 3,145,147
Restricted Investments	0	4,618,131	0	4,618,131
Accounts Receivable	5,708	0	1,856	7,564
Due from Other Funds	0	0	3,225	3,225
Due from Other Governments	1,438,406	0	3,396	1,441,802
Prepaid Expenditures	22,122	0	932	23,054
Inventory	4,790	0	5,097	9,887
TOTAL ASSETS	\$ 4,293,293	\$ 4,618,131	\$ 337,386	\$ 9,248,810
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts and Retainage Payable	\$ 111,648	\$ 895,825	\$ 0	\$ 1,007,473
State Aid Loan Payable	1,400,000	0	0	1,400,000
Accrued Expenses	365,752	0	0	365,752
Salaries Payable	512,103	0	0	512,103
Due to Other Funds	3,225	0	0	3,225
Unearned Revenue	93,418	0	0	93,418
Total Liabilities	2,486,146	895,825	0	3,381,971
<u>FUND BALANCES</u>				
Nonspendable				
Prepaid Expenditures	22,122	0	932	23,054
Inventory	4,790	0	5,097	9,887
Restricted for:				
Debt Service	0	0	222,225	222,225
Food Service	0	0	109,132	109,132
Capital Projects	0	3,722,306	0	3,722,306
Assigned for:				
Subsequent Year Budget Shortfall	154,185	0	0	154,185
Unassigned	1,626,050	0	0	1,626,050
Total Fund Balances	1,807,147	3,722,306	337,386	5,866,839
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,293,293	\$ 4,618,131	\$ 337,386	\$ 9,248,810

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

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

JUNE 30, 2017

Total Governmental Fund Balances \$ 5,866,839

Amounts reported for governmental activities in the Statement of
Net Position are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the funds.

The cost of the capital assets is	\$14,192,075	
Accumulated depreciation is	<u>(8,240,867)</u>	5,951,208

Other long-term assets are not available for pay for current period expenditures
and, therefore, are deferred in the funds. These assets consist of:

Deferred Loss on Refunding	31,061
Bond Premium	(47,443)

Long-term liabilities are not due and payable in the current period and are not
reported in the funds.

Bonds Payable	(8,140,000)
Compensated Absences	(205,828)

Some liabilities, including net pension obligations, are not due and payable
in the current period and, therefore, are not reported in the funds.

Net Pension Liability	(13,516,055)
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Deferred outflows and inflows of resources related to pensions are applicable
to future periods and, therefore, are not reported in the funds.

Deferred Outflows of Resources Related to Pensions	1,828,006
Deferred Inflows of Resources Related to Pensions	(758,722)

Accrued interest is not included as a liability in governmental funds, it is
recorded when paid.

(24,013)

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (9,014,947)</u></u>
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The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

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

YEAR ENDED JUNE 30, 2017

	GENERAL FUND	2016 CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 2,113,997	\$ 32,740	\$ 927,049	\$ 3,073,786
State Sources	7,120,588	0	28,260	7,148,848
Federal Sources	512,716	0	322,977	835,693
Other Transactions	204,108	0	0	204,108
Total Revenues	9,951,409	32,740	1,278,286	11,262,435
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	4,740,495	0	0	4,740,495
Added Needs	1,639,838	0	0	1,639,838
Supporting Services				
Pupil	156,527	0	0	156,527
Instructional Staff	158,104	0	0	158,104
General Administration	307,404	0	0	307,404
School Administration	564,808	0	0	564,808
Business	113,916	50,454	0	164,370
Operation and Maintenance	954,146	0	0	954,146
Pupil Transportation Services	691,797	0	0	691,797
Central	130,440	0	0	130,440
Athletics	312,067	0	0	312,067
Community Activities	1,933	0	0	1,933
Facilities Acquisition, Construction and Improvements				
Site Improvement Services	0	194,240	0	194,240
Architecture and Engineering Services	0	420,199	0	420,199
Building Improvement Services	0	1,425,113	0	1,425,113
Food Service	0	0	492,608	492,608
Debt Service				
Principal	0	0	550,000	550,000
Interest	0	0	210,426	210,426
Bond Issuance Costs	0	55,428	0	55,428
Other Transactions	0	0	650	650
Total Expenditures	9,771,475	2,145,434	1,253,684	13,170,593
Excess (Deficiency) of Revenues Over Expenditures	179,934	(2,112,694)	24,602	(1,908,158)
<u>OTHER FINANCING SOURCES (USES)</u>				
Premium on Bonds Issued	0	0	51,756	51,756
Proceeds from the Sale of Capital Assets	9,497	0	0	9,497
Transfers In (Out)	(6,466)	0	6,466	0
Face Value of Bonds	0	5,835,000	0	5,835,000
Total Other Financing Sources (Uses)	3,031	5,835,000	58,222	5,896,253
Net Change in Fund Balances	182,965	3,722,306	82,824	3,988,095
<u>FUND BALANCES</u> - Beginning of Year	1,624,182	0	254,562	1,878,744
<u>FUND BALANCES</u> - End of Year	\$ 1,807,147	\$ 3,722,306	\$ 337,386	\$ 5,866,839

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

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

YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances Total Governmental Funds \$ 3,988,095

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures. In the Statement of Activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(267,308)
Capital Outlay	2,027,803

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 Year	19,622
Accrued Interest Payable - End of Year	(24,013)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. 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.

Repayment of Bond Principal	550,000
Amortization of Deferred Charges	(10,354)
Amortization of Bond Premium	4,313
Face Value of Bonds	(5,835,000)
Premium on Bond Issuance	(51,756)

Employees Retirement Incentive and Accumulated Sick Pay 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:

Retirement Incentive - Beginning of Year	11,355
Retirement Incentive - End of Year	0
Compensated Absences - Beginning of Year	214,896
Compensated Absences - End of Year	(205,828)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Changes in Pension Related Items	355,248
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Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to Section 147 C pension contributions subsequent to the measurement date.

Change in State Aid Funding for Pension	<u>(47,392)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 729,681</u></u>
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The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2017

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
Cash	\$ 29,355	\$ 114,145
<u>LIABILITIES</u>		
Due to Groups and Organizations	<u>0</u>	<u>114,145</u>
<u>NET POSITION</u>		
Restricted for Trust Activities	<u>\$ 29,355</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2017

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	\$ 19
<u>DEDUCTIONS</u>	
Change in Net Position	0
<u>NET POSITION</u> - Beginning of Year	<u>29,336</u>
<u>NET POSITION</u> - End of Year	<u>\$ 29,355</u>

The notes to the financial statements are an integral part of this statement.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District ("the District") is located in Lake, Osceola and Wexford Counties with its administrative offices located in LeRoy, Michigan. The District operates under an elected 7-member board of education and provides services to its 1,044 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government 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 generally accepted accounting principles. 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.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The School District does not have any business-type activities or component units.

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 government'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, each displayed in a separate column. 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.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The District reports the following major governmental fund:

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.

The *2016 capital projects fund* accounts for the acquisition of capital assets or the construction of major capital projects.

Other non-major funds:

The *special revenue (Food Service) fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes. The District accounts for its food service activities in a special revenue fund.

The *2009, 2010, and 2016 debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the District reports the following fund type:

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. These funds can be custodial in nature and not involve measurement of results of operations. Accordingly, this type of fiduciary fund would present only a *Statement of Fiduciary Net Position* and not present a *Statement of Changes in Fiduciary Net Position*. Another type of fiduciary fund is a trust fund which 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 District reports the following fiduciary funds:

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.

The *private purpose trust funds* are accounted for using the accrual method of accounting. Private purpose trust funds account for contributions earmarked for scholarships available to qualifying students of the District.

During the course of operations the government 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, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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 government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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 government considers revenues to be available if they are 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). 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). All other revenue items are considered to be measurable and available only when cash is received by the government.

The private-purpose trust funds are 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.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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

- a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. 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 financial 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.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the school district, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted on June 20, 2016, or as amended by the School Board of Education throughout the year.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. *Excess of Expenditures Over Appropriations*

General Fund Supporting Services – Pupil expenditures of \$156,527 exceeded appropriations of \$153,099 by \$3,428.

Food Service Fund – Expenditures of \$492,608 exceeded appropriations of \$465,000 by \$27,608.

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. The District considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

2. *Investments*

Investments are carried at amortized cost which approximates fair value. The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.
- b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d) Michigan Investment Liquid Asset Fund Plus (MILAF+).

Investments in the U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100 percent of the available reserves.

All investments must mature or be redeemable within two (2) years of the date of purchase.

The District's deposits and investments are held separately by several of the District's funds.

3. *Inventory and Prepaid Items*

Inventory is valued at cost using the first-in/first-out method. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Certain payments made 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.

The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

4. *Capital Assets*

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are measured at acquisition value on the date received.

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.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5-15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

5. *Unearned Revenue*

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District has unearned revenue related to state grants received and unspent due to restrictions on how they can be spent.

6. *Pension*

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

7. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of*

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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. One is the deferred charge on refunding 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 funding debt. The other deferred outflow relates to the pension plan for its employees. Details can be found in footnote 3-E.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The 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, which is related to the pension plan for its employees. Details can be found in footnote 3-E.

8. *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.

9. *Fund Balance Flow Assumption*

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.

10. *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 governing board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) 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 may 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.

11. Use of Estimates

The process of preparing basic 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 expenditures. 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.

12. Restricted Assets

Certain cash resources are classified as restricted assets on the balance sheet because their use is limited by applicable spending requirements and they are maintained in separate bank accounts.

H. Revenues and Expenditures/Expenses

1. State Revenue

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 year ended June 30, 2017 the foundation allowance was based on pupil membership counts taken in February 2016 and October of 2016. For fiscal year ended June 30, 2017, the per pupil foundation allowance was \$7,511 for Pine River Area Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2016 to August 2017. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

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governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

2. Program Revenues

Amounts reported as program revenue 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 or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are billed as of December 1. The due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

The various counties in which the School District is located have tax revolving funds which allow the counties to pay off the various taxing units for their share of the current year real property taxes returned delinquent. Taxes receivable are uncollected delinquent personal property taxes.

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

Fund	Mills
General Fund – Non-Principal Residence Exemption (PRE)	18.000
General Fund – Commercial Personal Property	6.000
Debt Service Fund – PRE, Non-PRE, Commercial Personal Property	3.350

4. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

5. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities 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.

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In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 issuance 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 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of Expenditures Over Appropriations, describes budgetary violations that occurred for the year ended June 30, 2017.

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2017, the District's bank balance was \$3,594,376 and \$2,875,057 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the District's funds. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

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 (NRSOs).

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.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

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As of June 30, 2017, the District had the following investments:

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF+ External Investment Pool - Max Class	\$ 4,027,851	0.0027	AAAm	87.22%
MILAF+ External Investment Pool - Cash Mgmt	590,280	0.0027	AAAm	12.78%
	<u>\$ 4,618,131</u>			<u>100.00%</u>
Portfolio Weighted Average Maturity		<u>0.0027</u>		

1 Day Maturity Equals 0.0027, One Year Equals 1.000

The District invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund Plus (MILAF+). MILAF+ is a local government investment pool of “qualified” investments for Michigan school districts. MILAF+ is not regulated nor is it registered with the SEC. MILAF+ reports as of June 30, 2017, the fair value of the District’s investments is the same as the value of the pooled shares. MILAF, as defined by GASB, is recorded at amortized cost which approximates fair value. The MILAF+ portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only class that has limitations or restrictions on withdrawals is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures.

Fair Market Value Disclosure - 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 reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market

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activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

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. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

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

The carrying amount of deposits and investments is as follows:

	<u>Total</u>
Deposits – including Fiduciary Funds of \$143,500	\$ 3,288,647
Restricted Investments	4,618,131
	\$ 7,906,778

The above amounts are reported in the financial statements as follows:

	<u>Total</u>
Cash - Fiduciary Funds	\$ 143,500
Cash - District-Wide	3,145,147
Restricted Investments	4,618,131
	\$ 7,906,778

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor are as follows:

	General	Nonmajor and Other Funds	Total
Receivables			
Accounts	\$ 5,708	\$ 1,856	\$ 7,564
Due from Other Governmental Units	1,438,406	3,396	1,441,802
	\$1,444,114	\$ 5,252	\$1,449,366

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Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

C. Capital Assets

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

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets:				
Buildings and additions	\$ 9,225,546	\$ 926,273	\$ 0	\$10,151,819
Machinery and equipment	2,222,763	7,885	0	2,230,648
Transportation equipment	1,272,816	0	556,853	715,963
Construction in Progress	0	1,093,645	0	1,093,645
Subtotal	12,721,125	2,027,803	556,853	14,192,075
Less accumulated depreciation for:				
Buildings and additions	5,325,069	168,964	0	5,494,033
Machinery and equipment	2,041,832	40,071	0	2,081,903
Transportation equipment	1,163,511	58,273	556,853	664,931
Accumulated Depreciation	8,530,412	267,308	556,853	8,240,867
Net capital assets	\$ 4,190,713	\$1,760,495	\$ 0	\$ 5,951,208

Depreciation for the fiscal year ended June 30, 2017, amounted to \$267,308. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Defined Benefit Plan and Post-Retirement Benefits

Plan Description – The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

Benefit Provisions- Pension

Introduction

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:

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

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

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

Prior to pension reform of 2010 there were two plans commonly referred to as Basic and Member Investment Plan (MIP). Basic plan member's contributions range from 0% to 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% to 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

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defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

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

Regular Retirement

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

Option 1: Credited service after the transition date times 1.5% times final average compensation.

Option 2: Credited service after the transition date (until total service reaches 30 years) times 1.5% times final average compensation, plus credited service after the transition date and over 30 years times 1.25% times final average compensation.

Option 3: Credited service after the transition date times 1.25% times final average compensation.

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

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

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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.

Members Contributions

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

Employers 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. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20 year period for the 2016 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

Pension Contribution Rates

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

The District's pension contributions for the year ended June 30, 2017 were equal to the required contribution total. Pension contributions were approximately \$1,321,956. These amounts include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (72.88% for pension and 27.12% for OPEB).

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

Pension Liabilities

At June 30, 2017, the District reported a liability of \$13,516,055 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of

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September 30, 2015 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2016 and 2015, the District's proportion was .0541743% and .0549913%.

MPSERS (Plan) Net Pension Liability – As of September 30, 2016 and September 30, 2015

	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Total Pension Liability	\$ 67,917,445,078	\$ 66,312,041,902
Plan Fiduciary Net Position	42,968,263,308	41,887,015,147
Net Pension Liability	<u>\$ 24,949,181,770</u>	<u>\$ 24,425,026,755</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.27%	63.17%
Net Pension Liability as a Percentage of Covered-Employee Payroll	295.81%	292.61%

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

For the year ended June 30, 2017, the District recognized total pension expense of \$554,667. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 168,446	\$ 32,033
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	412,040
Changes of assumptions	211,313	0
Net difference between projected and actual earnings on pension plan investments	224,637	0
Changes in proportion and differences between District contributions and proportionate share of contributions	18,897	314,649
District contributions subsequent to the measurement date	<u>1,204,713</u>	<u>0</u>
Total	<u>\$ 1,828,006</u>	<u>\$ 758,722</u>

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\$1,204,713 reported as deferred outflows of resources and \$412,040 reported as deferred inflows or resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2017	\$ 12,469
2018	(5,194)
2019	245,210
2020	24,126
	\$ 276,611

F. Actuarial Valuations and Assumptions of the Pension Plan

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.50%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid):	8.00%
-Pension Plus Plan (Hybrid):	7.00%
Projected Salary Increases:	3.5-12.3 % including wage inflation at 3.5%
Cost of Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combine Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

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Notes:

- 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 total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.6273.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report.

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016, are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity Pools	28.00%	5.90%
Alternative Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate & Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short-Term Investment Pools	2.00%	0.00%
	<u>100%</u>	

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

Discount Rate

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

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position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
\$ 17,405,276	\$ 13,516,055	\$ 10,237,067

G. Pension Plan Fiduciary Net Position

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

H. Payables to the Pension Plan

As of June 30, 2017, the District is current on all required pension plan payments. As of June 30, 2017, the District reported payables in the amount of \$170,047 to the pension plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

I. Benefit Provisions – Other Post-Employment

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.

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

Retiree Healthcare Reform of 2012

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

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

Employer Contributions

The employer contribution rate ranged from 5.52% - 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015; from 2.20% - 2.71% of covered payroll for the period from March 10, 2015 to September 30, 2015; from 6.40% - 6.83% of covered payroll for the period from October 1, 2015 through September 30, 2016; and 5.69% - 5.91% of covered payroll for the period from October 1, 2016 through September 30, 2017 dependent upon the employee's date of hire and plan election.

The District's contributions to MPSERS for post-employment healthcare contributions for the years ended June 30, 2017, 2016 and 2015 were approximately \$450,000, \$420,000 and \$115,000.

J. Risk Management

Pine River Area Schools are exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation).

The Schools participate in a distinct pool within educational institutions within the State of Michigan for workers' disability compensation as well as liability insurance. The pools are considered public entity risk pools. The Schools pay annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Schools have not been informed of any special assessments being required.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

K. Lease Information

The rental expense for the year ended June 30, 2017, was \$172,067.

The rental expense consists of copier and bus lease agreements. The future minimum lease payments are as follows:

<u>YEAR ENDING</u>	<u>PAYABLES</u>
2018	\$ 185,528
2019	151,418
2020	111,264
2021	51,368
2022	<u>3,398</u>
	<u>\$ 502,976</u>

L. Short-Term Debt

On August 22, 2016, the District issued a State Aid Note in the amount of \$1,400,000. The note matures on August 21, 2017, with interest at 0.99%. The District pledged its State Aid revenue for payment of this liability at maturity. The purpose of the note was to provide for cash flow needs at the beginning of the school year. Interest expense for the year was \$13,553.

The following is a summary of the Short-Term Debt transactions for the School District for the year ended June 30, 2017:

Short-Term Debt at July 1, 2016	\$ 1,700,000
New Debt Issued	1,400,000
Debt Retired and Paid	<u>(1,700,000)</u>
Short-Term Debt at June 30, 2017	<u>\$ 1,400,000</u>

M. Long-Term Liabilities

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.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The following is a summary of the governmental long-term liability transactions for the District for the year ended June 30, 2017:

	GENERAL OBLIGATION SERIAL BONDS	COMPENSATED ABSENCES	NET PENSION LIABILITY	TOTAL
Long-Term Debt at July 1, 2016	\$ 2,855,000	\$ 214,896	\$ 13,431,647	\$ 16,501,543
Increase in Debt	5,835,000	0	1,300,921	7,135,921
Reductions in Debt	(550,000)	(9,068)	(1,216,513)	(1,775,581)
LONG-TERM DEBT AT JUNE 30, 2017	\$ 8,140,000	\$ 205,828	\$ 13,516,055	\$ 21,861,883

The District's liability obligations at June 30, 2017, are comprised of the following issues:

General Obligation Serial Bonds

2009 Refunding Bonds Due in Annual Installments of \$485,000 to \$520,000 through May 1, 2021, Plus Interest at 4.00% to 4.35%	\$ 2,025,000
2010 School Improvement Bonds Due in Annual Installments of \$60,000 to \$100,000 through May 1, 2021, Plus Interest at 4.10%	305,000
2016 School Building and Site Bonds Due in Annual Installments of \$100,000 to \$590,000 through May 1, 2031, Plus Interest at 2.00%	5,810,000

Compensated Absences

205,828

Net Pension Liability

13,516,055

\$ 21,861,883

The annual requirements to amortize all long-term liability outstanding as of June 30, 2017, including interest payments of \$1,417,838 are as follows:

Year Ending June 30,	Bonds		Amount Payable
	Principal	Interest	
2018	\$ 645,000	\$ 220,918	\$ 865,918
2019	670,000	197,058	867,058
2020	700,000	171,438	871,438
2021	725,000	144,174	869,174
2022	475,000	115,350	590,350
2023-2027	2,600,000	428,250	3,028,250
2028-2032	2,325,000	140,650	2,465,650
	\$ 8,140,000	\$ 1,417,838	9,557,838

Compensated Absences and Net Pension

13,721,883

\$ 23,279,721

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The annual requirements to amortize the compensated absences and net pension liability are uncertain because it is unknown when the employees will use the sick leave or when the pension liability obligations will be paid out.

Compensated absences and the net pension liability will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

N. Interfund Receivables and Payables

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 0	\$ 3,225
Debt Service Fund - 2016 Building and Site Debt	604	0
Debt Service Fund - 2010 School Improvement Debt	280	0
Debt Service Fund - 2009 Pine River Debt	2,341	0
	\$ 3,225	\$ 3,225

The outstanding balances between funds result mainly from the time lag between the dates that (1) Interfund 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 Interfund balances outstanding at June 30, 2017, are expected to be repaid within one year.

O. Interfund Transfers

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 0	\$ 6,466
Food Service Fund	6,466	0
	\$ 6,466	\$ 6,466

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

P. 2016 School Building and Site Capital Projects Fund

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

Q. Other Information

1. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the district.

Commitments – The District received \$5,835,000 in principal general obligation bonds on August 2, 2016 for various school building site improvements. The District has completed projects related to these bond proceeds worth approximately \$930,000 and has another \$1,100,000 of construction in progress as of the end of the fiscal year. Also, the District has entered into agreements as of the end of the fiscal year with R.C. Hendrick and Son Inc. for about \$1,700,000, Graham Construction for \$829,500, and Elmers Crane & Dozer, Inc. for \$476,691. The entire amount of bond proceeds are expected to be spent before the end of the 2017-2018 fiscal year.

2. Single Audit

Current federal guidelines require entities with federal expenditures exceeding \$750,000 to have a “single audit” of federally funded programs. This audit is being performed and the reports based thereon will be issued under a separate cover.

R. Subsequent Events

Subsequent to June 30, 2017, the following items are noted for disclosure:

- The District has applied for a State Aid Note in the amount of \$1,250,000 to help meet the District’s cash flow needs for the beginning of the 2017-2018 fiscal year.
- Since June 30, 2017, the District has entered into a three year lease agreement with Capital City International Trucks, Inc. for four buses. The annual cost of the lease is \$54,348 with the first payment due at July 15, 2017 and the last payment due July 15, 2020.

No adjustment was made to the financial statements for the year ending June 30, 2017 related to this subsequent event.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

S. Statement No. 77 – Tax Abatement Disclosures

Effective for the year ended June 30, 2017, the District is required to disclose significant tax abatements as required by GASB statement 77 (tax abatements). The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by Springville Township within the District. Industrial facility exemptions are intended to promote construction of new industrial facilities, acquisition of personal property or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2017, (tax year 2016) the District's property tax revenues were reduced insignificantly under these programs.

NOTE 4 – UPCOMING ACCOUNTING PRONOUNCEMENTS

The District is currently evaluating the impact these standards will have on the financial statements when adopted.

Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued by the GASB in June 2015 and will be effective for the District's 2018 fiscal year-end. The Statement requires governments that participate in defined postemployment benefit plans to report in their statement of net position a net postemployment benefit liability. The net postemployment benefit liability is the difference between the total postemployment benefit 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 postemployment benefit liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the postemployment benefit liabilities and expense.

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

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 2,134,132	\$ 2,107,996	\$ 2,113,997
State Sources	7,035,398	7,122,827	7,120,588
Federal Sources	681,060	546,272	512,716
Other Transactions	206,000	215,263	204,108
	<hr/>	<hr/>	<hr/>
Total Revenues	10,056,590	9,992,358	9,951,409
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	4,833,559	4,795,311	4,740,495
Added Needs	1,626,168	1,684,271	1,639,838
Supporting Services			
Pupil	153,302	153,099	156,527
Instructional Staff	222,499	173,819	158,104
General Administration	342,902	322,840	307,404
School Administration	559,750	584,837	564,808
Business	130,537	115,000	113,916
Operation and Maintenance	923,534	983,732	954,146
Pupil Transportation Services	766,247	725,860	691,797
Central	153,500	141,500	130,440
Athletics	303,732	318,712	312,067
Community Activities	2,700	2,400	1,933
	<hr/>	<hr/>	<hr/>
Total Expenditures	10,018,430	10,001,381	9,771,475
Excess (Deficiency) of Revenues Over Expenditures	<hr/>	<hr/>	<hr/>
	38,160	(9,023)	179,934
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Sale of Capital Assets	0	0	9,497
Transfers Out	0	(15,000)	(6,466)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	0	(15,000)	3,031
Net Change in Fund Balance	<hr/>	<hr/>	<hr/>
	38,160	(24,023)	182,965
<u>FUND BALANCE</u> - Beginning of Year	<hr/>	<hr/>	<hr/>
	1,543,741	1,624,182	1,624,182
<u>FUND BALANCE</u> - End of Year	<hr/>	<hr/>	<hr/>
	\$ 1,581,901	\$ 1,600,159	\$ 1,807,147

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)
JUNE 30, 2017

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)								0.05417430%	0.05499133%	0.05612000%
District's proportionate share of net pension liability								\$ 13,516,055	\$ 13,431,647	\$ 12,360,696
District's covered-employee payroll								4,510,795	4,558,091	4,754,557
District's proportionate share of net pension liability as a percentage of its covered-employee payroll								299.64%	294.68%	259.98%
Plan fiduciary net position as a percentage of total pension liability								63.27%	63.17%	66.20%

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS

MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2017

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions								\$ 1,321,956	\$ 1,262,562	\$ 1,048,640
Contributions in relation to statutorily required contributions *								1,321,956	1,262,562	1,048,640
Contribution deficiency (excess)								\$ 0	\$ 0	\$ 0
Covered-Employee Payroll								\$ 4,787,662	\$ 4,501,466	\$ 4,596,774
Contributions as a percentage of covered-employee payroll								27.61%	28.05%	22.81%

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2017

A. Changes of Benefit Terms:

There were no changes of benefit terms for the plan year ended September 30, 2016.

B. Changes of Assumptions:

There were no changes of benefit assumptions for the plan year ended September 30, 2016.

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PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2017

	<u>FOOD SERVICE FUND</u>	<u>DEBT RETIREMENT FUNDS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash	\$ 103,880	\$ 219,000	\$ 322,880
Accounts Receivable	1,856	0	1,856
Due from Other Funds	0	3,225	3,225
Due from Other Governments	3,396	0	3,396
Prepaid Expenditures	932	0	932
Inventory	5,097	0	5,097
	<hr/>		
TOTAL ASSETS	\$ 115,161	\$ 222,225	\$ 337,386
	<hr/>		
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
	\$ 0	\$ 0	\$ 0
	<hr/>		
<u>FUND BALANCES</u>			
Nonspendable			
Prepaid Expenditures	932	0	932
Inventory	5,097	0	5,097
Restricted for:			
Debt Service	0	222,225	222,225
Food Service	109,132	0	109,132
	<hr/>		
Total Fund Balances	115,161	222,225	337,386
	<hr/>		
TOTAL LIABILITIES AND FUND BALANCES	\$ 115,161	\$ 222,225	\$ 337,386
	<hr/>		

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2017

	FOOD SERVICE FUND	DEBT RETIREMENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 116,302	\$ 810,747	\$ 927,049
State Sources	23,487	4,773	28,260
Federal Sources	322,977	0	322,977
Total Revenues	462,766	815,520	1,278,286
<u>EXPENDITURES</u>			
Food Service	492,608	0	492,608
Debt Service			
Principal	0	550,000	550,000
Interest	0	210,426	210,426
Other Expenditures	0	650	650
Total Expenditures	492,608	761,076	1,253,684
Excess (Deficiency) of Revenues Over Expenditures	(29,842)	54,444	24,602
<u>OTHER FINANCING SOURCES (USES)</u>			
Premium on Bonds Issued	0	51,756	51,756
Transfers In (Out)	6,466	0	6,466
Total Other Financing Sources (Uses)	6,466	51,756	58,222
Net Change in Fund Balances	(23,376)	106,200	82,824
<u>FUND BALANCES</u> - Beginning of Year	138,537	116,025	254,562
<u>FUND BALANCES</u> - End of Year	\$ 115,161	\$ 222,225	\$ 337,386

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

DEBT RETIREMENT FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR JUNE 30, 2016

	2010 SCHOOL IMPROVEMENT DEBT	2009 PINE RIVER DEBT	2016 SCHOOL BUILDING AND SITE DEBT	TOTAL	
				2017	2016
<u>ASSETS</u>					
Cash	\$ 10,891	\$ 118,273	\$ 89,836	\$ 219,000	\$ 141,685
Due From Other Funds	280	2,341	604	3,225	0
TOTAL ASSETS	\$ 11,171	\$ 120,614	\$ 90,440	\$ 222,225	\$ 141,685
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Due To Other Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,660
<u>FUND BALANCE</u>					
Restricted for Debt Service	11,171	120,614	90,440	222,225	116,025
TOTAL LIABILITIES AND FUND BALANCE	\$ 11,171	\$ 120,614	\$ 90,440	\$ 222,225	\$ 141,685

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

DEBT RETIREMENT FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2016

	2010 SCHOOL	2009	2016 SCHOOL	TOTAL	
	IMPROVEMENT DEBT	PINE RIVER DEBT	BUILDING AND SITE DEBT	2017	2016
<u>REVENUES</u>					
Local Sources					
Property Tax Levy	\$ 72,955	\$ 580,653	\$ 156,820	\$ 810,428	\$ 609,104
Earnings on Investments and Deposits	19	243	57	319	141
State Sources					
Personal Property Tax Reimbursement	511	4,262	0	4,773	0
Total Revenues	73,485	585,158	156,877	815,520	609,245
<u>EXPENDITURES</u>					
Redemption of Serial Bonds	60,000	465,000	25,000	550,000	500,000
Interest on Debt	14,965	102,768	92,693	210,426	136,208
Other Transactions	0	150	500	650	150
Total Expenditures	74,965	567,918	118,193	761,076	636,358
Excess (Deficiency) of Revenues Over Expenditures	(1,480)	17,240	38,684	54,444	(27,113)
<u>OTHER FINANCING SOURCES (USES)</u>					
Premium on Bonds Issued	0	0	51,756	51,756	0
Net Change in Fund Balance	(1,480)	17,240	90,440	106,200	(27,113)
<u>FUND BALANCE</u> - Beginning of Year	12,651	103,374	0	116,025	143,138
<u>FUND BALANCE</u> - End of Year	\$ 11,171	\$ 120,614	\$ 90,440	\$ 222,225	\$ 116,025

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

FIDUCIARY FUND TYPES
COMBINING STATEMENT OF NET POSITION

JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR JUNE 30, 2016

	PRIVATE PURPOSE TRUST FUND	AGENCY FUNDS	<u>TOTAL</u>	
			2017	2016
<u>ASSETS</u>				
Cash	\$ 29,355	\$ 114,145	\$ 143,500	\$ 158,182
<u>LIABILITIES</u>				
Due to Groups and Organizations	0	114,145	114,145	128,846
<u>NET POSITION</u>				
Restricted for Trust Activities	\$ 29,355	\$ 0	\$ 29,355	\$ 29,336

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

PRIVATE PURPOSE TRUST FUND
MILDRED LARSON SCHOLARSHIP

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>
<u>ADDITIONS</u>		
Earnings on Investments	\$ 19	\$ 14
<u>NET POSITION</u> - Beginning of Year	<u>29,336</u>	<u>29,322</u>
<u>NET POSITION</u> - End of Year	<u>\$ 29,355</u>	<u>\$ 29,336</u>

PINE RIVER AREA SCHOOLS

LEROY, MICHIGAN

AGENCY FUNDS

ACTIVITY ACCOUNTS

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE

YEAR ENDED JUNE 30, 2017

	BALANCE	RECEIPTS	DISBURSEMENTS	BALANCE
	7/1/2016	(INCLUDING TRANSFERS)		6/30/2017
Football	\$ 6,191	\$ 16,169	\$ 17,432	\$ 4,928
Revolving Fund	0	309	309	0
Special Activities - HS	0	1,964	1,288	676
Pine River Elementary Account	11,458	10,548	13,895	8,111
High School Library	688	5,092	5,530	250
Elementary Library	1,163	40	172	1,031
Tech Dept.	4,645	55	10	4,690
Shop Class	6,586	1,186	960	6,812
Varsity Boys Basketball	6,631	20,617	23,215	4,033
Cheerleading	268	0	0	268
Softball	943	4,771	5,714	0
Scott Benson Class	929	735	480	1,184
Wrestling	1,259	6,998	12,031	(3,774)
Soccer	600	1,300	875	1,025
Girls Basketball	5,723	5,630	5,897	5,456
Cross Country	1,359	2,492	1,456	2,395
"Jean" Benefit	1,421	1,908	600	2,729
Varsity Baseball	3,361	7,545	8,243	2,663
M.S. Volleyball	1,057	0	0	1,057
Varsity Volleyball	2,829	10,704	9,961	3,572
Art Department	234	0	0	234
M.S. Track	455	0	0	455
Ruppert Youth Basketball	261	0	261	0
Principal's Council	922	0	922	0
AD Coaches Fund	1,000	0	0	1,000
High School Track	444	1,682	1,151	975
Spanish Club	416	0	0	416
MS/HS Teachers Lounge	1,677	510	2,187	0
Band Special Project	3,037	66,505	67,371	2,171
Band Resale	6,678	20,040	24,817	1,901
Band Boosters	2,817	8,502	8,903	2,416
N.H.S.	1,049	3,881	4,543	387
N.J.H.S.	733	0	163	570
Scholarship	22,608	0	0	22,608
Student Council - HS	869	4,028	2,017	2,880

PINE RIVER AREA SCHOOLS

LEROY, MICHIGAN

AGENCY FUNDS

ACTIVITY ACCOUNTS

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE

YEAR ENDED JUNE 30, 2017

	BALANCE	RECEIPTS	DISBURSEMENTS	BALANCE
	7/1/2016	(INCLUDING TRANSFERS)		6/30/2017
Student Council - MS	954	0	0	954
Drama Club - MS	658	0	0	658
Destination	(1,710)	1,710	0	0
Fedewa D.I. Scholarship	1,500	0	0	1,500
Valerie VanAvery	20	0	0	20
Class of 2016	1,352	33	1,385	0
Class of 2017	892	542	617	817
Class of 2018	1,906	2,071	1,913	2,064
Class of 2019	1,127	4,202	3,234	2,095
Class of 2020	702	815	581	936
Class of 2021	498	479	100	877
Class of 2022	1,047	389	0	1,436
Class of 2023	654	389	0	1,043
Class of 2024	181	695	491	385
Class of 2025	0	429	0	429
PRAE Summer Camps	182	2,636	2,760	58
Middle School Flower Fund	241	0	65	176
PRAE Vending Proceeds	357	122	347	132
4-7 Yearbook	366	1,130	1,171	325
Drama Club - HS	2,543	1,951	1,974	2,520
Yearbook - HS	804	4,928	4,905	827
Youth Girls Basketball	648	1,045	737	956
Principal's Council	608	0	608	0
Goodenow Youth Basketball	2,260	576	1,073	1,763
Leadership- Minutes that matter	0	507	100	407
Sherman Holmes Scholarship	1,407	0	1,000	407
Screenprinting	0	892	803	89
MS Christmas Shopping	250	0	0	250
PRAES Jean Benefit	374	1,683	940	1,117
Chrome Book Insurance	5,278	19,269	17,522	7,025
Sight for Serenity/Student Services	0	12,456	11,158	1,298
YAC - Thompson	536	0	536	0
YAC - Johnson	10	0	0	10
YAC - Hubbell/Barber	4	0	0	4
YAC - Mumby	101	0	0	101

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

AGENCY FUNDS
ACTIVITY ACCOUNTS

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE
YEAR ENDED JUNE 30, 2017

	<u>BALANCE</u> <u>7/1/2016</u>	<u>RECEIPTS</u> <u>(INCLUDING TRANSFERS)</u>	<u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>6/30/2017</u>
YAC - J Barber	0	0	300	(300)
YAC - Wagatha	0	0	479	(479)
YAC - P Chilson	0	320	318	2
YAC - Vrieze	0	0	647	(647)
YAC - Martin	0	16	284	(268)
ENGLES- Makeover Grant- Sicoli	0	300	0	300
ENGLES- Makeover Grant- Lindquist	0	300	0	300
ENGLES- Makeover Grant- Crouch	0	300	0	300
Student Assistance Services	2,785	500	2,146	1,139
	<u>\$ 128,846</u>	<u>\$ 263,896</u>	<u>\$ 278,597</u>	<u>\$ 114,145</u>

Represented by

Assets

Cash

\$ 128,846

\$ 114,145

Liabilities

Due to Groups and Organizations

\$ 128,846

\$ 114,145

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PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF BONDS PAYABLE - 2009 REFUNDING BOND ISSUE

JUNE 30, 2017

<u>DATE OF ISSUE</u>	March 17, 2009
<u>PURPOSE AND SECURITY</u>	<p>The Bonds were issued for the purpose of (i) refunding all of the School District's 1999 School Building and Site Bonds, dated June 2, 2009, maturing on May 1 in the years 2009 through 2021 (the "Prior Bonds"); and (ii) paying the costs of issuing the Bonds.</p> <p>The Bonds were issued by the School District pursuant to the provisions of Act 202, Public Acts of Michigan 1943, as amended, Act 451, Public Acts of Michigan, 1976, as amended, and resolutions adopted by the Board of Education of the School District on January 11, 2001, and May 10, 2001.</p> <p>The Bonds are a full faith and credit unlimited tax general obligation of the School District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the School District without limitation as to rate or amount.</p>
<u>INTEREST PAYABLE</u>	May 1, and November 1,
<u>INTEREST RATES</u>	2.35% to 4.35%
<u>AMOUNT OF ISSUE</u>	\$ 5,240,000
<u>AMOUNT REDEEMED</u>	
Prior to Current Year	\$ 2,750,000
During Current Year	465,000
	<hr/>
	3,215,000
	<hr/>
<u>BONDS OUTSTANDING - June 30, 2017</u>	<u>\$ 2,025,000</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF BONDS PAYABLE - 2009 REFUNDING BOND ISSUE

JUNE 30, 2017

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2017		\$ 42,432	\$ 42,432	
May 1, 2018	4.00 %	527,432	42,432	\$ 485,000
November 1, 2018		32,732	32,732	
May 1, 2019	4.15 %	537,732	32,732	505,000
November 1, 2019		22,254	22,254	
May 1, 2020	4.25 %	537,254	22,254	515,000
November 1, 2020		11,310	11,310	
May 1, 2021	4.35 %	531,314	11,314	520,000
		<u>\$ 2,242,460</u>	<u>\$ 217,460</u>	<u>\$ 2,025,000</u>

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF BONDS PAYABLE - 2010 SCHOOL IMPROVEMENT BOND ISSUE

JUNE 30, 2017

DATE OF ISSUE May 5, 2010

PURPOSE AND SECURITY The Bonds were authorized at an election on February 23, 2010, for the purpose of remodeling Luther and Tustin Elementary Schools. The bonds pledge the full faith, credit and resources of the School District for payment of the principal and interest thereon, and are payable from ad valorem taxes which may be levied without limitation as to rate or amount as provided by Article IX, Section 6, of the Michigan Constitution of 1963.

INTEREST PAYABLE May 1, and November 1

INTEREST RATES 4.10%

AMOUNT OF ISSUE \$ 575,000

AMOUNT REDEEMED

Prior to Current Year	\$	210,000	
During Current Year		60,000	270,000

BONDS OUTSTANDING - June 30, 2017 \$ 305,000

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2017		\$ 6,252	\$ 6,252	
May 1, 2018	4.10 %	66,252	6,252	\$ 60,000
November 1, 2018		5,022	5,022	
May 1, 2019	4.10 %	70,022	5,022	65,000
November 1, 2019		3,690	3,690	
May 1, 2020	4.10 %	83,690	3,690	80,000
November 1, 2020		2,050	2,050	
May 1, 2021	4.10 %	102,050	2,050	100,000
		\$ 339,028	\$ 34,028	\$ 305,000

REDEMPTION OF BONDS PRIOR TO MATURITY

Bonds of this issue are not subject to redemption at the option of the School District prior to maturity

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF BONDS PAYABLE - 2016 SCHOOLS AND SITE BONDS

JUNE 30, 2017

<u>DATE OF ISSUE</u>	August 2, 2016		
<u>PURPOSE AND SECURITY</u>	The Bonds were authorized on February 5, 2016 for an election held May 3, 2016, for the purpose of erecting, furnishing, and equipping additions to school buildings. The Bonds are a full faith and credit unlimited tax general obligation of the School District and the principal thereof and interest thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the School District without limitation as to rate or amount, as provided by Article IX, Section 6, of the Michigan Constitution of 1963.		
<u>INTEREST PAYABLE</u>	May 1, and November 1		
<u>INTEREST RATES</u>	2.00% to 2.50%		
<u>AMOUNT OF ISSUE</u>		\$	5,835,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year		\$	0
During Current Year		25,000	25,000
<u>BONDS OUTSTANDING - June 30, 2017</u>		<u>\$</u>	<u>5,810,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2017		\$ 61,775	\$ 61,775	
May 1, 2018	2.00 %	161,775	61,775	\$ 100,000
November 1, 2018		60,775	60,775	
May 1, 2019	2.00 %	160,775	60,775	100,000
November 1, 2019		59,775	59,775	
May 1, 2020	2.00 %	164,775	59,775	105,000
November 1, 2020		58,725	58,725	
May 1, 2021	2.00 %	163,725	58,725	105,000
November 1, 2021		57,675	57,675	
May 1, 2022	2.00 %	532,675	57,675	475,000
November 1, 2022		52,925	52,925	
May 1, 2023	2.00 %	542,925	52,925	490,000
November 1, 2023		48,025	48,025	

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF BONDS PAYABLE - 2016 SCHOOLS AND SITE BONDS

JUNE 30, 2017

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2024	2.00 %	553,025	48,025	505,000
November 1, 2024		42,975	42,975	
May 1, 2025	2.00 %	562,975	42,975	520,000
November 1, 2025		37,775	37,775	
May 1 2026	2.00 %	572,775	37,775	535,000
November 1, 2026		32,425	32,425	
May 1, 2027	2.00 %	582,425	32,425	550,000
November 1, 2027		26,925	26,925	
May 1, 2028	2.00 %	591,925	26,925	565,000
November 1, 2028		21,275	21,275	
May 1, 2029	2.00 %	601,275	21,275	580,000
November 1, 2029		14,750	14,750	
May 1, 2030	2.00 %	604,750	14,750	590,000
November 1, 2030		7,375	7,375	
May 1, 2031	2.00 %	597,375	7,375	590,000
		<u>\$ 6,976,350</u>	<u>\$ 1,166,350</u>	<u>\$ 5,810,000</u>

