PINE RIVER AREA SCHOOLS

LEROY, MICHIGAN

JUNE 30, 2018

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

CERTIFIED PUBLIC ACCOUNTANTS
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PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

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August 18, 2018

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, 2018, 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, 2018, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 3.T to the financial statements, Pine River Area Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages iv through xii and 40-45 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, 2018, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

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, 2018. 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.

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. The prior year has not been restated to include the new GASB No. 75 Standards–*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*:

	2018	2017
Assets		
Current Assets	$ 5,283,139	$ 9,245,585
Non Current Assets		
Capital Assets	17,860,977	14,192,075
Less Accumulated Depreciation	(8,465,550)	(8,240,867)
Total Non Current Assets	9,395,427	5,951,208
Total Assets	14,678,566	15,196,793
Deferred Outflows of Resources	3,608,511	1,859,067

	2018	2017
Liabilities		
Current Liabilities	3,563,544	4,047,759
Non Current Liabilities	26,241,246	21,264,326
Total Liabilities	29,804,790	25,312,085
Deferred Inflows of Resources	1,709,422	758,722
Net Position		
Net Investment in Capital Assets	1,949,670	1,517,132
Restricted for Debt Service	185,478	198,212
Unrestricted (Deficit)	(15,362,283)	(10,730,291)
Total Net Position (Deficit)	$ (13,227,135)	$ (9,014,947)

D. Analysis of Financial Position

During the fiscal year ended June 30, 2018, the District's net position increased by $676,495. 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, 2018, $224,683 was recorded for depreciation expense.

2. Pension and Other Postemployment Benefits Expense

GASB 68 and 75 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 and OPEB liabilities increases or decreases in any given year. For the year ended June 30, 2018, the District reported an increase in net position related to GASB 68 and 75 in the amount of $45,831.

3. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2018, expenditures of $3,668,902 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 $3,444,219 for the fiscal year ended June 30, 2018.

E. Results of Operations

The following schedule summarizes the results of operations, on a district-wide basis, for the fiscal year ended June 30. The prior year has not been restated to include the new GASB No. 75 Standards–*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*:

	2018	2017
General Revenues		
Property Taxes	$ 2,772,846	$ 2,752,326
Investment Earnings	21,925	35,787
State Sources	6,210,451	5,877,342
Proceeds from the Sale of Capital Assets	4,950	9,497
Other	125,658	117,053
Total General Revenues	9,135,830	8,792,005
Program Revenues		
Charges for Services	226,013	230,361
Operating Grants and Contributions	2,569,776	2,202,174
Total Program Revenues	2,795,789	2,432,535
Total Revenues	11,931,619	11,224,540
Expenses		
Instruction	6,639,691	6,036,999
Supporting Services	3,397,606	3,434,674
Community Activities	2,340	1,933
Facilities Acquisition, Construction and Improvements	102,090	19,634
Food Service Activities	664,630	457,375
Interest on Long-Term Debt	223,192	220,858
Bond Issuance Costs	0	55,428
Other Transactions	892	650
Unallocated Depreciation	224,683	267,308
Total Expenses	11,255,124	10,494,859
Change in Net Position	$ 676,495	$ 729,681

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:

	2018	2017	Increase (Decrease)
Major Fund			
General Fund	$ 2,021,440	$ 1,807,147	$ 214,293
2016 Capital Projects Fund	71,666	3,722,306	(3,650,640)
Nonmajor Funds			
Food Service	111,011	115,161	(4,150)
2010 School Improvement Debt Retirement	15,262	11,171	4,091
2009 Debt Retirement	104,804	120,614	(15,810)
2016 School Building and Site Debt	85,656	90,440	(4,784)
Total Governmental Funds	$ 2,409,839	$ 5,866,839	$ (3,457,000)

In 2018, the General Fund balance increased primarily due to conservative spending which resulted in revenues being greater than expenditures. Of the fund balance of $2,021,440, $46,545 is nonspendable for prepaid expenditures and inventory, $239,637 is assigned for a budgeted loss in 2018-2019, and the remainder of $1,735,258 is unassigned.

The 2016 Capital Projects Fund decreased due to spending down the bond proceeds received in the prior year on various building upgrades and improvements. The entire fund balance of $71,666 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 $111,011, $4,280 is nonspendable for prepaid expenditures and inventory, and the remainder of $106,731 is restricted for food service.

The 2010 School Improvement Debt Fund balance increased due to tax revenues exceeding principal and interest expenditures. The entire fund balance of $15,262 is restricted for debt service.

The 2009 Pine River Debt Fund balance decreased due to principal and interest expenditures exceeding tax revenues. The entire fund balance of $104,804 is restricted for debt service.

The 2016 School Building and Site Debt Fund decreased due to principal and interest expenditures exceeding tax revenues. The entire fund balance of $85,656 is restricted for debt service.

F. 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 2017-2018 fiscal year, the District levied $1,918,421 in non-homestead property taxes. This represented a decrease of .74% 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
2017-2018	$ 1,918,421	-0.74%
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%

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 2017-2018 fiscal year, the District received $7,631 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
2017-2018	1,076	32
2016-2017	1,044	(15)
2015-2016	1,059	(28)
2014-2015	1,087	(37)
2013-2014	1,124	(50)

4. *Operating Grants*

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2018, federal, state, and other grants accounted for $2,569,776. This represents an increase of $367,602 over the total grant sources of $2,202,174 received for the 2016-2017 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 2017-2018 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:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES	$ 9,912,982	$ 10,577,277	$ 10,500,491
EXPENDITURES			
Instruction	$ 6,478,868	$ 6,731,320	$ 6,667,594
Supporting Services	3,585,899	3,830,865	3,581,215
Community Activities	2,400	4,230	2,339
Total Expenditures	$ 10,067,167	$ 10,566,415	$ 10,251,148

The change from the total revenue original budget to final budget was an increase of $664,295. This was mainly due to an increase in State Sources. The total revenue variance between final budget and actual was minimal.

The variance between the total expenditures original budget to final budget was an increase of $489,248 which is tied directly to the increase in State Sources noted above. The variance from total expenditures final budget to actual was $315,267. 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 2017-18 fiscal year, the District had invested $9,395,427 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 $224,683 bringing the total accumulated depreciation to $8,465,550 as of June 30, 2018.

Major capital assets additions for the 2017-2018 school year include:

- Asphalt paving in the amount of $498,063.
- Construction in Progress for various school improvements related to the 2016 bonds in the amount of $2,906,797.

In addition to purchasing the above assets, the School has committed to spend roughly $23,335 for building and site improvements within the district that will be added to capital assets in the 2018-2019 fiscal year.

2. *Long-Term Debt*

At June 30, 2018, the District had $26,911,246 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 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. This will benefit taxpayers for years to come. The majority of the projects are virtually finished. The district looks forward to a bright and prosperous future.

- Both of the District's union contracts expire in August 2019. Negotiations will begin this winter 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. Like other school employers, the District faces escalating retirement rates.

- The District continues its collaborative agreement with the Wexford-Missaukee Intermediate School District (WMISD) for accounts payable services, payroll services, business management services and technology services. These agreements provide significant cost savings to Pine River Area Schools.

- The current foundation allowance is scheduled to increase $240 from $7,631 to $7,871 for the 2018-2019 school year. Uncertainty does still surround the state and federal levels at which districts will be funded now and in the future.

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, 2018

ASSETS	
CURRENT ASSETS	
Cash	$ 3,252,139
Restricted Investments	427,447
Accounts Receivable	100
Due from Other Governments	1,552,628
Prepaid Expenses	41,640
Inventory	9,185
Total Current Assets	5,283,139
NON CURRENT ASSETS	
Capital Assets	17,860,977
Less Accumulated Depreciation	(8,465,550)
Total Non Current Assets	9,395,427
TOTAL ASSETS	14,678,566
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pensions	3,249,081
Deferred Outflows of Resources Related to Other Postemployment Benefits	338,723
Deferred Charges on Refunding	20,707
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,608,511
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	625,673
State Aid Loan Payable	1,250,000
Accrued Expenses	391,348
Accrued Interest Payable	20,244
Salaries Payable	536,105
Unearned Revenue	70,174
Current Portion of Non Current Liabilities	670,000
Total Current Liabilities	3,563,544

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, 2018

NON CURRENT LIABILITIES	
Bonds Payable - Net	7,538,130
Compensated Absences	205,111
Net Pension Liability	14,297,989
Net Other Postemployment Benefits Liability	4,870,016
Less Current Portion of Non Current Liabilities	(670,000)
Total Non Current Liabilities	26,241,246
TOTAL LIABILITIES	29,804,790
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pensions	1,544,780
Deferred Inflows of Resources Related to Other Postemployment Benefits	164,642
TOTAL DEFERRED INFLOWS OF RESOURCES	1,709,422
NET POSITION	
Net Investment in Capital Assets	1,949,670
Restricted for Debt Service	185,478
Unrestricted (Deficit)	(15,362,283)
TOTAL NET POSITION (Deficit)	$ (13,227,135)

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, 2018

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION
GOVERNMENTAL ACTIVITIES					
Instruction	$ 6,639,691	$ 59,209	$ 1,906,306	$ 0	$ (4,674,176)
Supporting Services	3,397,606	50,784	192,926	0	(3,153,896)
Community Activities	2,340	0	2,268	0	(72)
Facilities Acquisition, Construction and Improvements	102,090	0	0	0	(102,090)
Food Service Activities	664,630	116,020	468,276	0	(80,334)
Interest on Long-Term Debt	223,192	0	0	0	(223,192)
Other Transactions	892	0	0	0	(892)
Unallocated Depreciation	224,683	0	0	0	(224,683)
TOTAL GOVERNMENTAL ACTIVITIES	$11,255,124	$ 226,013	$ 2,569,776	$ 0	(8,459,335)
GENERAL REVENUES					
Property Taxes -Levied for General Purposes					1,929,258
Property Taxes -Levied for Debt Service					843,588
Investment Earnings					21,925
State Sources					6,210,451
Proceeds from the Sale of Capital Assets					4,950
Other					125,658
Total General Revenues					9,135,830
Change in Net Position					676,495
NET POSITION - Beginning of Year (As Restated) (Deficit)					(13,903,630)
NET POSITION - End of Year (Deficit)					$ (13,227,135)

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, 2018

	GENERAL FUND	2016 CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	$ 2,941,732	$ 0	$ 310,407	$ 3,252,139
Restricted Investments	0	427,447	0	427,447
Accounts Receivable	100	0	0	100
Due from Other Funds	0	3,707	189	3,896
Due from Other Governments	1,549,198	0	3,430	1,552,628
Prepaid Expenditures	40,398	0	1,242	41,640
Inventory	6,147	0	3,038	9,185
TOTAL ASSETS	$ 4,537,575	$ 431,154	$ 318,306	$ 5,287,035
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts and Retainage Payable	$ 266,087	$ 359,488	$ 98	$ 625,673
State Aid Loan Payable	1,250,000	0	0	1,250,000
Accrued Expenses	390,828	0	520	391,348
Salaries Payable	536,105	0	0	536,105
Due to Other Funds	3,896	0	0	3,896
Unearned Revenue	69,219	0	955	70,174
Total Liabilities	2,516,135	359,488	1,573	2,877,196
FUND BALANCES				
Nonspendable				
Prepaid Expenditures	40,398	0	1,242	41,640
Inventory	6,147	0	3,038	9,185
Restricted for:				
Debt Service	0	0	205,722	205,722
Food Service	0	0	106,731	106,731
Capital Projects	0	71,666	0	71,666
Assigned for:				
Subsequent Year Budget Shortfall	239,637	0	0	239,637
Unassigned	1,735,258	0	0	1,735,258
Total Fund Balances	2,021,440	71,666	316,733	2,409,839
TOTAL LIABILITIES AND FUND BALANCES	$ 4,537,575	$ 431,154	$ 318,306	$ 5,287,035

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, 2018

Total Governmental Fund Balances		$ 2,409,839
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	$ 17,860,977	
Accumulated depreciation is	(8,465,550)	9,395,427
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		20,707
Bond Premium		(43,130)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Bonds Payable		(7,495,000)
Compensated Absences		(205,111)
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		(14,297,989)
Net Other Postemployment Benefits Liability		(4,870,016)
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources		3,587,804
Deferred Inflows of Resources		(1,709,422)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid.		(20,244)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (13,227,135)

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

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

YEAR ENDED JUNE 30, 2018

	GENERAL FUND	2016 CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Local Sources	$ 2,105,725	$ 20,983	$ 960,202	$ 3,086,910
State Sources	7,770,352	0	30,361	7,800,713
Federal Sources	415,191	0	423,235	838,426
Other Transactions	209,223	0	0	209,223
Total Revenues	10,500,491	20,983	1,413,798	11,935,272
EXPENDITURES				
Instruction				
Basic Programs	5,001,241	0	0	5,001,241
Added Needs	1,666,353	0	0	1,666,353
Supporting Services				
Pupil	159,218	0	0	159,218
Instructional Staff	153,263	0	0	153,263
General Administration	316,621	0	0	316,621
School Administration	558,678	0	0	558,678
Business	115,559	0	0	115,559
Operation and Maintenance	1,080,470	0	0	1,080,470
Pupil Transportation Services	773,922	0	0	773,922
Central	138,966	0	0	138,966
Athletics	284,517	0	0	284,517
Other Support Services	0	2,397	0	2,397
Community Activities				
Community Activities	1,096	0	0	1,096
Welfare Activities	132	0	0	132
Non-Public School Pupils	1,112	0	0	1,112

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, 2018

	GENERAL FUND	2016 CAPITAL PROJECTS FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Facilities Acquisition, Construction and Improvements				
Site Improvement Services	0	1,341,990	0	1,341,990
Architecture and Engineering Services	0	249,417	0	249,417
Building Improvement Services	0	2,077,819	0	2,077,819
Food Service	0	0	607,639	607,639
Debt Service				
Principal	0	0	645,000	645,000
Interest	0	0	220,920	220,920
Other Transactions	0	0	892	892
Total Expenditures	10,251,148	3,671,623	1,474,451	15,397,222
Excess (Deficiency) of Revenues Over Expenditures	249,343	(3,650,640)	(60,653)	(3,461,950)
OTHER FINANCING SOURCES (USES)				
Proceeds from the Sale of Capital Assets	4,950	0	0	4,950
Transfers In (Out)	(40,000)	0	40,000	0
Total Other Financing Sources (Uses)	(35,050)	0	40,000	4,950
Net Change in Fund Balances	214,293	(3,650,640)	(20,653)	(3,457,000)
FUND BALANCES - Beginning of Year	1,807,147	3,722,306	337,386	5,866,839
FUND BALANCES - End of Year	$ 2,021,440	$ 71,666	$ 316,733	$ 2,409,839

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, 2018

Net Change in Fund Balances Total Governmental Funds	$ (3,457,000)
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	(224,683)
Capital Outlay	3,668,902
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	24,013
Accrued Interest Payable - End of Year	(20,244)
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	645,000
Amortization of Deferred Charges	(10,354)
Amortization of Bond Premium	4,313
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:	
Compensated Absences - Beginning of Year	205,828
Compensated Absences - End of Year	(205,111)
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Changes in Pension Related Items	15,014
Changes in Other Postemployment Benefits Related Items	39,420
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to Section 147 C pension and other postemployment benefit contributions subsequent to the measurement date.	
Change in State Aid Funding for Pension and Other Postemployment Benefits	(8,603)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 676,495

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, 2018

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS		
Cash	$ 29,385	$ 128,931
LIABILITIES		
Due to Groups and Organizations	0	128,931
NET POSITION		
Restricted for Trust Activities	$ 29,385	$ 0

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, 2018

	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS	
Earnings on Investments and Deposits	$ 30
DEDUCTIONS	0
Change in Net Position	30
NET POSITION - Beginning of Year	29,355
NET POSITION - End of Year	$ 29,385

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

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 1,076 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.

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 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.

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.

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 budge 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 12, 2017, or as amended by the School Board of Education throughout the year.

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

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

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

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.

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 in the General Fund and Food Service Fund that is related to state and local grants/donations received and unspent due to restrictions on how they can be spent.

6. Defined Benefit Plans

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

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 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 three items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits related items reported in the government-wide *Statement of Net Position*. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or funding debt. The other deferred outflow relates to the pension and other postemployment benefits plans for its employees. Details can be found in footnote 3-E and 3-F.

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 two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liabilities and the actual results. Details can be found in footnote 3-E and 3-F.

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 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, 2018 the foundation allowance was based on pupil membership counts taken in February 2017 and October of 2017. For fiscal year ended June 30, 2018, the per pupil foundation allowance was $7,631 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 2017 to August 2018. 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 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, 2018, 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.
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 – 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, 2018, the District's bank balance was $3,637,636 and $2,925,751 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.

As of June 30, 2018, the District had the following investments:

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF+ External Investment Pool - Max Class	$ 289,894	0.0027	AAAm	67.82%
MILAF+ External Investment Pool - Cash Mgmt	137,553	0.0027	AAAm	32.18%
	$ 427,447			100.00%
Portfolio Weighted Average Maturity		0.0027		

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, 2018, 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 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:

	Total
Deposits – including Fiduciary Funds of $158,316	$ 3,410,455
Restricted Investments	427,447
	$ 3,837,902

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

	Total
Cash - Fiduciary Funds	$ 158,316
Cash - District-Wide	3,252,139
Restricted Investments	427,447
	$ 3,837,902

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	$ 100	$ 0	$ 100
Due from Other Governmental Units	1,549,198	3,430	1,552,628
Total Receivables	$ 1,549,298	$ 3,430	$ 1,552,728

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, 2018, was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets:				
Buildings and additions	$ 10,151,819	$ 691,064	$ 0	$ 10,842,883
Machinery and equipment	2,230,648	70,781	0	2,301,429
Transportation equipment	715,963	8,500	0	724,463
Construction in Progress	1,093,645	2,906,797	8,240	3,992,202
Subtotal	14,192,075	3,677,142	8,240	17,860,977
Less accumulated depreciation for:				
Buildings and additions	5,494,033	160,988	0	5,655,021
Machinery and equipment	2,081,903	31,867	0	2,113,770
Transportation equipment	664,931	31,828	0	696,759
Accumulated Depreciation	8,240,867	224,683	0	8,465,550
Net capital assets	$ 5,951,208	$ 3,452,459	$ 8,240	$ 9,395,427

Depreciation for the fiscal year ended June 30, 2018, amounted to $224,683. 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-Employment Benefits

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

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

Benefits Provided - Overall

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:

Plan Name	Plan Type	Plan Status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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.

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 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.

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

Option 1 – Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 – Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service their after would include a 1.25% pension factor.

Option 3 – Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 – Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 accounts. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

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.

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.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided – Other Postemployment Benefit (OPEB)

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 healthcare 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.

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.

Regular Retirement (no reduction factor for age)

Eligibility – A basic plan member may retire at 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 – The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

Depending on the plan selected, member contributions range from 0% to 7% for pension and 0% to 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

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

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

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2016 valuation will be amortized over a 22-year period for fiscal 2017.

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

	Pension	**Other Postemployment Benefit**
October 1, 2016 - September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately $1,488,861.

The District's OPEB contributions for the year ended June 30, 2018 were approximately $355,117.

These amounts for both pension and OPEB, include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% 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, 2018, the District reported a liability of $14,297,989 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 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, 2017 and 2016, the District's proportion was .05517388% and .0541743%.

MPSERS (Plan) Non-University Employers Net Pension Liability – As of September 30, 2017 and September 30, 2016

	September 30, 2017	September 30, 2016
Total Pension Liability	$ 72,407,218,688	$ 67,917,445,078
Plan Fiduciary Net Position	46,492,967,573	42,968,263,308
Net Pension Liability	$ 25,914,251,115	$ 24,949,181,770
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.21%	63.27%
Net Pension Liability as a Percentage of Covered Payroll	309.13%	295.81%

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

For the year ended June 30, 2018, the District recognized total pension expense of $859,876. 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, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 124,258	$ 70,157
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	573,971
Changes of assumptions	1,566,448	0
Net difference between projected and actual earnings on pension plan investments	0	683,534
Changes in proportion and differences between District contributions and proportionate share of contributions	197,906	217,118
District contributions subsequent to the measurement date	1,360,469	0
Total	$ 3,249,081	$ 1,544,780

$1,360,469 reported as deferred outflows of resources and $573,971 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, 2019. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

Year Ended September 30,		Amount
2018	$	212,442
2019		467,206
2020		241,081
2021		(2,926)
	$	917,803

F. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Liabilities

At June 30, 2018, the District reported a liability of $4,870,016 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.05499443 percent.

MPSERS (Plan) Non-University Employers Net OPEB Liability – As of September 30, 2017 and September 30, 2016

		September 30, 2017		September 30, 2016
Total OPEB Liability	$	13,920,945,991	$	14,071,279,615
Plan Fiduciary Net Position		5,065,474,948		4,730,719,539
OPEB Liability	$	8,855,471,043	$	9,340,560,076
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability		36.39%		33.62%
OPEB Liability as a Percentage of Covered Payroll		105.64%		unknown

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized total OPEB expense of $315,696.
At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ 51,851
Changes of assumptions	0	0
Net difference between projected and actual earnings on OPEB plan investments	0	112,791
Changes in proportion and differences between District contributions and proportionate share of contributions	61	0
District contributions subsequent to the measurement date	338,662	0
Total	$ 338,723	$ 164,642

$338,662 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,	Amount
2018	$ (39,772)
2019	(39,772)
2020	(39,772)
2021	(39,772)
2022	(5,493)
	$ (164,581)

G. Actuarial Valuations and Assumptions of the Pension and OPEB Plans

Investment rate of return for Pension – 7.5% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus Plan).

Investment rate of return for OPEB – 7.5% a year, compounded annually net of investment and administrative expenses

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

Inflation – 3.0%

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projection scale BB (for men, 80% of the table rates were used and for women, 70% of the table rates were used).

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2016. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 7.5% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.5%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Cost of Living Pension Adjustments – 3.0% annual non-compounded for MIP members

Healthcare cost trend rate for other postemployment benefit – 7.5% for year one and graded to 3.5% to year twelve.

Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012:

Opt Out Assumption – 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage – 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death

Coverage Election at Retirement – 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2017 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Pools	28.00%	5.60%
Alternative Investment Pools	18.00%	8.70%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	-0.10%
Real Estate & Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.00%
Short-Term Investment Pools	2.00%	-0.90%
	100%	

*Long-term rate of return are net of administrative expenses and 2.3% inflation.

Pension Discount Rate

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (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 made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate

The discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. 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 school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was project to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB 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 than the current rate:

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%
$ 18,625,405	$ 14,297,898	$ 10,654,412

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

The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease 6.5%	Current Single Discount Rate Assumption 7.5%	1% Increase 8.5%
$ 5,704,196	$ 4,870,016	$ 4,162,058

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease (6.5% decreasing to 2.5%	Current Healthcare Cost Trend Rates (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
$ 4,124,249	$ 4,870,016	$ 5,716,782

H. Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2017 Comprehensive Annual Financial Report.

I. Payables to the Pension Plan

As of June 30, 2018, the District is current on all required pension and OPEB plan payments. As of June 30, 2018, the District reported payables in the amount of $240,796 to the pension and OPEB 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.

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.

K. Lease Information

The rental expense for the year ended June 30, 2018, was $190,672.

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

YEAR ENDING	PAYABLES
2019	$ 155,066
2020	114,912
2021	53,192
2022	3,938
	$ 327,108

L. Short-Term Debt

On August 21, 2017, the District issued a State Aid Note in the amount of $1,250,000. The note matures on August 20, 2018, with interest at 1.27%. 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 $13,626.

The following is a summary of the Short-Term Debt transactions for the School District for the year ended June 30, 2018:

Short-Term Debt at July 1, 2017	$ 1,400,000
New Debt Issued	1,250,000
Debt Retired and Paid	(1,400,000)
Short-Term Debt at June 30, 2018	$ 1,250,000

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.

The following is a summary of the governmental long-term liability transactions for the District for the year ended June 30, 2018:

	GENERAL OBLIGATION SERIAL BONDS	COMPENSATED ABSENCES	NET PENSION LIABILITY	NET OPEB LIABILITY	TOTAL
Long-Term Debt at July 1, 2017	$ 8,140,000	$ 205,828	$ 13,516,055	$ 5,136,788	$ 26,998,671
Increase in Debt	0	0	2,076,054	161,383	2,237,437
Reductions in Debt	(645,000)	(717)	(1,294,120)	(428,155)	(2,367,992)
LONG-TERM DEBT AT JUNE 30, 2018	$ 7,495,000	$ 205,111	$ 14,297,989	$ 4,870,016	$ 26,868,116

The District's liability obligations at June 30, 2018, are comprised of the following issues:

General Obligation Serial Bonds	
2009 Refunding Bonds Due in Annual Installments of $505,000 to $520,000 through May 1, 2021, Plus Interest at 4.15% to 4.35%	$ 1,540,000
2010 School Improvement Bonds Due in Annual Installments of $65,000 to $100,000 through May 1, 2021, Plus Interest at 4.10%	245,000
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%	5,710,000
Compensated Absences	205,111
Net Other Postemployment Benefits Liability	4,870,016
Net Pension Liability	14,297,989
	$ 26,868,116

The annual requirements to amortize all long-term liability outstanding as of June 30, 2018, including interest payments of $1,196,920 are as follows:

	Bonds		Amount
Year Ending June 30,	Principal	Interest	Payable
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	490,000	105,850	595,850
2024-2028	2,675,000	376,250	3,051,250
2029-2033	1,760,000	86,800	1,846,800
	$ 7,495,000	$ 1,196,920	8,691,920
Compensated Absences, Net Pension and Net OPEB			19,373,116
			$ 28,065,036

The annual requirements to amortize the compensated absences, net pension liability, and net OPEB 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, the net pension liability, and the net OPEB 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	$ 3,896
2016 Capital Projects Fund	3,707	0
Debt Service Fund - 2009 Pine River Debt	189	0
	$ 3,896	$ 3,896

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, 2018, 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	$ 40,000
Food Service Fund	40,000	0
	$ 40,000	$ 40,000

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 and purchased items related to these bond proceeds worth approximately $1,507,685 and has another approximately $4,000,000 of construction in progress as of the end of the fiscal year. Also, the District has an ongoing contract with AG Sports Surfaces for a rubber track surface for $97,103, at which $23,335 was the balance at year end to finish the project. The entire amount of bond proceeds are expected to be spent before the end of the 2018-2019 fiscal year.

Also, 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 $56,400 with the first payment due at July 15, 2018 and the last payment due July 15, 2021.

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, 2018, the following items are noted for disclosure:

- The District has applied for a State Aid Note in the amount of $1,000,000 to help meet the District's cash flow needs for the beginning of the 2018-2019 fiscal year.

No adjustment was made to the financial statements for the year ending June 30, 2018 related to this subsequent event.

S. GASB Statement No. 77 (Tax Abatements)

It has been determined that the District has granted tax abatements as defined by GASB Statement No. 77. However, the total of these abatements is less than $5,000, and it has been determined they are not significant enough to warrant disclosure.

T. New Accounting Standards

The District implemented the following new pronouncements: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Summary:

GASB Statement No. 75 requires governments that participate in defined benefit other postemployment benefit (OPEB) plans to report in the statements of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

The restatement of the beginning of the year net position is as follows:

Net Position - Governmental Activities - As Previously Reported, June 30, 2017	$ (9,014,947)
Adoption of GASB Statement 75:	
Net Other Postemployment Benefit Liability	(5,136,788)
Deferred outflows related to Other Postemployment Benefits	401,433
Deferred inflows related to Other Postemployment Benefits	(153,328)
Net Position - Governmental Activities - Restated as of June 30, 2017	$ (13,903,630)

NOTE 4 – UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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.

Governmental Account Standards Board (GASB) Statement No. 87, *Leases,* was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES			
Local Sources	$ 2,071,358	$ 2,095,109	$ 2,105,725
State Sources	7,234,940	7,800,767	7,770,352
Federal Sources	395,854	469,320	415,191
Other Transactions	210,830	212,081	209,223
Total Revenues	9,912,982	10,577,277	10,500,491
EXPENDITURES			
Instruction			
Basic Programs	4,757,051	5,014,660	5,001,241
Added Needs	1,721,817	1,716,660	1,666,353
Supporting Services			
Pupil	155,836	163,725	159,218
Instructional Staff	161,789	192,800	153,263
General Administration	339,663	330,181	316,621
School Administration	493,653	576,508	558,678
Business	122,037	119,500	115,559
Operation and Maintenance	1,020,355	1,166,364	1,080,470
Pupil Transportation Services	823,775	831,968	773,922
Central	153,500	143,105	138,966
Athletics	315,291	306,714	284,517
Community Services			
Community Activities	2,400	2,000	1,096
Welfare Activities	0	770	132
Non-Public School Pupils	0	1,460	1,112
Total Expenditures	10,067,167	10,566,415	10,251,148
Excess (Deficiency) of Revenues Over Expenditures	(154,185)	10,862	249,343
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	0	0	4,950
Transfers Out	0	(40,000)	(40,000)
Total Other Financing Sources (Uses)	0	(40,000)	(35,050)
Net Change in Fund Balance	(154,185)	(29,138)	214,293
FUND BALANCE - Beginning of Year	1,600,159	1,807,147	1,807,147
FUND BALANCE - End of Year	$ 1,445,974	$ 1,778,009	$ 2,021,440

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 PLAN YEAR)
JUNE 30, 2018

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)							0.05517388%	0.05417430%	0.05499133%	0.05612000%
District's proportionate share of net pension liability							$ 14,297,989	$ 13,516,055	$ 13,431,647	$ 12,360,696
District's covered payroll							4,635,519	4,510,795	4,558,091	4,754,557
District's proportionate share of net pension liability as a percentage of its covered payroll							308.44%	299.64%	294.68%	259.98%
Plan fiduciary net position as a percentage of total pension liability							64.21%	63.27%	63.17%	66.20%

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2018

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions							$ 1,448,861	$ 1,321,956	$ 1,262,562	$ 1,048,640
Contributions in relation to statutorily required contributions *							1,448,861	1,321,956	1,262,562	1,048,640
Contribution deficiency (excess)							$ 0	$ 0	$ 0	$ 0
Covered Payroll							$ 4,863,860	$ 4,787,662	$ 4,501,466	$ 4,596,774
Contributions as a percentage of covered payroll							29.79%	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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2018

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (%)										0.05499443%
District's proportionate share of net OPEB liability										$ 4,870,016
District's covered payroll										4,635,519
District's proportionate share of net OPEB liability as a percentage of its covered payroll										105.06%
Plan fiduciary net position as a percentage of total OPEB liability										36.39%

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POSTEMPLOYMENT CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2018

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions										$ 355,117
Contributions in relation to statutorily required contributions *										355,117
Contribution deficiency (excess)										$ 0
Covered Payroll										$ 4,863,860
Contributions as a percentage of covered payroll										7.30%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2018

A. Changes of Benefit Terms:

There were no changes of benefit terms for the plan year ended September 30, 2017.

B. Changes of Assumptions:

There were no changes of benefit assumptions for the plan year ended September 30, 2017.

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PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2018

	FOOD SERVICE FUND	DEBT RETIREMENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash	$ 104,874	$ 205,533	$ 310,407
Due from Other Funds	0	189	189
Due from Other Governments	3,430	0	3,430
Prepaid Expenditures	1,242	0	1,242
Inventory	3,038	0	3,038
TOTAL ASSETS	$ 112,584	$ 205,722	$ 318,306
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 98	$ 0	$ 98
Accrued Expenses	520	0	520
Unearned Revenue	955	0	955
Total Liabilities	1,573	0	1,573
FUND BALANCES			
Nonspendable			
Prepaid Expenditures	1,242	0	1,242
Inventory	3,038	0	3,038
Restricted for:			
Debt Service	0	205,722	205,722
Food Service	106,731	0	106,731
Total Fund Balances	111,011	205,722	316,733
TOTAL LIABILITIES AND FUND BALANCES	$ 112,584	$ 205,722	$ 318,306

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

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

YEAR ENDED JUNE 30, 2018

	FOOD SERVICE FUND	DEBT RETIREMENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Local Sources	$ 116,051	$ 844,151	$ 960,202
State Sources	24,203	6,158	30,361
Federal Sources	423,235	0	423,235
Total Revenues	563,489	850,309	1,413,798
EXPENDITURES			
Food Service	607,639	0	607,639
Debt Service			
Principal	0	645,000	645,000
Interest	0	220,920	220,920
Other Expenditures	0	892	892
Total Expenditures	607,639	866,812	1,474,451
Excess (Deficiency) of Revenues Over Expenditures	(44,150)	(16,503)	(60,653)
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	40,000	0	40,000
Net Change in Fund Balances	(4,150)	(16,503)	(20,653)
FUND BALANCES - Beginning of Year	115,161	222,225	337,386
FUND BALANCES - End of Year	$ 111,011	$ 205,722	$ 316,733

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

DEBT RETIREMENT FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR JUNE 30, 2017

	2010 SCHOOL IMPROVEMENT DEBT	2009 PINE RIVER DEBT	2016 SCHOOL BUILDING AND SITE DEBT	TOTAL 2018	TOTAL 2017
ASSETS					
Cash	$ 15,262	$ 104,615	$ 85,656	$ 205,533	$ 219,000
Due From Other Funds	0	189	0	189	3,225
TOTAL ASSETS	$ 15,262	$ 104,804	$ 85,656	$ 205,722	$ 222,225
LIABILITIES AND FUND BALANCE					
LIABILITIES	$ 0	$ 0	$ 0	$ 0	$ 0
FUND BALANCE					
Restricted for Debt Service	15,262	104,804	85,656	205,722	222,225
TOTAL LIABILITIES AND FUND BALANCE	$ 15,262	$ 104,804	$ 85,656	$ 205,722	$ 222,225

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

DEBT RETIREMENT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2017

	2010 SCHOOL IMPROVEMENT DEBT	2009 PINE RIVER DEBT	2016 SCHOOL BUILDING AND SITE DEBT	TOTAL 2018	TOTAL 2017
REVENUES					
Local Sources					
Property Tax Levy	$ 75,846	$ 548,579	$ 219,163	$ 843,588	$ 810,428
Earnings on Investments and Deposits	28	400	135	563	319
State Sources					
Personal Property Tax Reimbursement	745	5,413	0	6,158	4,773
Total Revenues	76,619	554,392	219,298	850,309	815,520
EXPENDITURES					
Redemption of Serial Bonds	60,000	485,000	100,000	645,000	550,000
Interest on Debt	12,505	84,865	123,550	220,920	210,426
Other Transactions	23	337	532	892	650
Total Expenditures	72,528	570,202	224,082	866,812	761,076
Excess (Deficiency) of Revenues Over Expenditures	4,091	(15,810)	(4,784)	(16,503)	54,444
OTHER FINANCING SOURCES (USES)					
Premium on Bonds Issued	0	0	0	0	51,756
Net Change in Fund Balance	4,091	(15,810)	(4,784)	(16,503)	106,200
FUND BALANCE - Beginning of Year	11,171	120,614	90,440	222,225	116,025
FUND BALANCE - End of Year	$ 15,262	$ 104,804	$ 85,656	$ 205,722	$ 222,225

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

FIDUCIARY FUND TYPES
COMBINING STATEMENT OF NET POSITION

JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR JUNE 30, 2017

	PRIVATE PURPOSE TRUST FUND	AGENCY FUNDS	TOTAL 2018	TOTAL 2017
ASSETS				
Cash	$ 29,385	$ 128,931	$ 158,316	$ 143,500
LIABILITIES				
Due to Groups and Organizations	0	128,931	128,931	114,145
NET POSITION				
Restricted for Trust Activities	$ 29,385	$ 0	$ 29,385	$ 29,355

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, 2018

	2018	2017
ADDITIONS		
Earnings on Investments	$ 30	$ 19
NET POSITION - Beginning of Year	29,355	29,336
NET POSITION - End of Year	$ 29,385	$ 29,355

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

AGENCY FUNDS
ACTIVITY ACCOUNTS

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE
YEAR ENDED JUNE 30, 2018

	BALANCE 7/1/2017	RECEIPTS (INCLUDING TRANSFERS)	DISBURSEMENTS (INCLUDING TRANSFERS)	BALANCE 6/30/2018
Football	$ 4,928	$ 9,940	$ 13,040	$ 1,828
Revolving Fund	0	0	0	0
MS/HS Activity	676	938	424	1,190
Pine River Elementary Account	8,111	12,603	10,158	10,556
High School Library	250	4,746	4,996	0
Elementary Library	1,031	137	43	1,125
Tech Dept.	4,690	0	275	4,415
Shop Class	6,812	1,893	758	7,947
Varsity Boys Basketball	4,033	12,844	15,571	1,306
Cheerleading	268	0	0	268
Softball	0	134	0	134
Scott Benson Class	1,184	769	700	1,253
Wrestling	(3,774)	16,080	10,283	2,023
Soccer	1,025	0	0	1,025
Girls Basketball	5,456	3,188	3,739	4,905
Cross Country	2,395	4,290	4,242	2,443
"Jean" Benefit	2,729	4,484	5,991	1,222
Varsity Baseball	2,663	1,332	817	3,178
M.S. Volleyball	1,057	0	0	1,057
Varsity Volleyball	3,572	4,812	2,832	5,552
Art Department	234	0	234	0
M.S. Track	455	418	418	455
8-12 Teachers Lounge	0	147	144	3
AD Coaches Fund	1,000	0	121	879
High School Track	975	2,849	99	3,725
Spanish Club	416	23,650	24,900	(834)
4-7 Teachers Lounge	0	171	0	171
4-7 Activity Fund	0	341	0	341
Band Special Project	2,171	0	295	1,876
Band Resale	1,901	34,533	34,094	2,340
Band Boosters	2,416	7,255	8,837	834
N.H.S.	387	4,835	4,233	989
N.J.H.S.	570	169	456	283
HS GUIDE Counseling	22,608	0	4,509	18,099

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

AGENCY FUNDS
ACTIVITY ACCOUNTS

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE
YEAR ENDED JUNE 30, 2018

	BALANCE 7/1/2017	RECEIPTS (INCLUDING TRANSFERS)	DISBURSEMENTS (INCLUDING TRANSFERS)	BALANCE 6/30/2018
Leadership Council	2,880	3,900	5,233	1,547
Student Council - MS	954	144	166	932
Drama Club - MS	658	0	0	658
Lego Robotics	0	1,000	0	1,000
Fedewa D.I. Scholarship	1,500	0	0	1,500
Valerie VanAvery	20	0	0	20
Class of 2017	817	0	817	0
Class of 2018	2,064	8,559	9,941	682
Class of 2019	2,095	1,301	1,705	1,691
Class of 2020	936	2,498	1,894	1,540
Class of 2021	877	0	30	847
Class of 2022	1,436	350	130	1,656
Class of 2023	1,043	323	0	1,366
Class of 2024	385	242	0	627
Class of 2025	429	1,128	841	716
Class of 2026	0	203	0	203
PRAE Summer Camps	58	2,860	2,033	885
Middle School Flower Fund	176	0	0	176
PRAE Vending Proceeds	132	185	137	180
4-7 Yearbook	325	930	1,150	105
Drama Club - HS	2,520	2,637	3,655	1,502
Yearbook - HS	827	3,335	3,992	170
Youth Girls Basketball	956	880	64	1,772
Boys Youth Basketball	1,763	705	1,004	1,464
Leadership- Minutes that Matter	407	0	0	407
Sherman Holmes Scholarship	407	600	1,000	7
Screenprinting	89	668	596	161
4-7 Christmas Shopping	250	0	250	0
PRAES Jean Benefit	1,117	1,547	820	1,844
Chrome Book Insurance	7,025	17,164	1,421	22,768
Sight for Serenity/Student Services	1,298	0	1,298	0
YAC - Lockhart	0	509	0	509
YAC - Johnson	10	161	153	18
YAC - Hubbell/Barber	4	0	0	4

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

AGENCY FUNDS
ACTIVITY ACCOUNTS

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE
YEAR ENDED JUNE 30, 2018

	BALANCE 7/1/2017	RECEIPTS (INCLUDING TRANSFERS)	DISBURSEMENTS (INCLUDING TRANSFERS)	BALANCE 6/30/2018
YAC - Mumby	101	0	68	33
YAC - J Barber	(300)	300	0	0
YAC - Wagatha	(479)	480	0	1
YAC - P Chilson	2	0	2	0
YAC - Vrieze	(647)	720	0	73
YAC - Martin	(268)	270	0	2
YAC - C Barber	0	480	480	0
YAC - Christmas Shopping	0	500	500	0
YAC - J Hill	0	280	280	0
YAC - Mcconnell	0	348	348	0
ENGLES- Makeover Grant- Sicoli	300	0	300	0
ENGLES- Makeover Grant- Lindquist	300	0	246	54
ENGLES- Makeover Grant- Crouch	300	0	254	46
ENGLES- Makeover Grant- Colvin	0	300	300	0
ENGLES- Makeover Grant- Cosgrove	0	300	0	300
Student Assistance Services	1,139	700	1,112	727
MEEMIC - C Barber	0	150	0	150
MEEMIC - J Barber	0	150	150	0
	$ 114,145	$ 209,365	$ 194,579	$ 128,931

	BALANCE 7/1/2017	BALANCE 6/30/2018
Represented by		
Assets		
Cash	$ 114,145	$ 128,931
Liabilities		
Due to Groups and Organizations	$ 114,145	$ 128,931

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PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF BONDS PAYABLE - 2009 REFUNDING BOND ISSUE

JUNE 30, 2018

DATE OF ISSUE: March 17, 2009

PURPOSE AND SECURITY: 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.

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.

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 an all taxable property in the School District without limitation as to rate or amount.

INTEREST PAYABLE: May 1, and November 1,

INTEREST RATES: 2.35% to 4.35%

AMOUNT OF ISSUE		$ 5,240,000
AMOUNT REDEEMED		
Prior to Current Year	$ 3,215,000	
During Current Year	485,000	3,700,000
BONDS OUTSTANDING - June 30, 2018		$ 1,540,000

DUE DATES	INTEREST RATE	REQUIREMENTS TOTAL	INTEREST	PRINCIPAL
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
		$ 1,672,596	$ 132,596	$ 1,540,000

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF BONDS PAYABLE - 2010 SCHOOL IMPROVEMENT BOND ISSUE

JUNE 30, 2018

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		$ 270,000	
During Current Year		60,000	330,000
BONDS OUTSTANDING - June 30, 2018			$ 245,000

DUE DATES	INTEREST RATE	REQUIREMENTS TOTAL	INTEREST	PRINCIPAL
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
		$ 266,524	$ 21,524	$ 245,000

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, 2018

DATE OF ISSUE	August 2, 2016		
PURPOSE AND SECURITY	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 an all taxable property in the School District without limitation as to rate or amount.t as provided by Article IX, Section 6, of the Michigan Constitution of 1963.		
INTEREST PAYABLE	May 1, and November 1		
INTEREST RATES	2.00% to 2.50%		
AMOUNT OF ISSUE			$ 5,835,000
AMOUNT REDEEMED			
Prior to Current Year		$ 25,000	
During Current Year		100,000	125,000
BONDS OUTSTANDING - June 30, 2018			$ 5,710,000

DUE DATES	INTEREST RATE	REQUIREMENTS TOTAL	INTEREST	PRINCIPAL
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	
May 1, 2024	2.00 %	553,025	48,025	505,000
November 1, 2024		42,975	42,975	

PINE RIVER AREA SCHOOLS
LEROY, MICHIGAN

SCHEDULE OF BONDS PAYABLE - 2016 SCHOOLS AND SITE BONDS

JUNE 30, 2018

DUE DATES	INTEREST RATE	REQUIREMENTS TOTAL	INTEREST	PRINCIPAL
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
		$ 6,752,800	$ 1,042,800	$ 5,710,000