
Plymouth-Canton Community Schools

**Financial Report
with Supplemental Information
June 30, 2017**

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Independent Auditor's Report

To the Board of Education
Plymouth-Canton Community Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Plymouth-Canton Community Schools (the "School District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Plymouth-Canton Community Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 opinion.

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 aggregate remaining fund information of Plymouth-Canton Community Schools as of June 30, 2017 and the respective changes in its financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Education
Plymouth-Canton Community Schools

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparison schedule, and the schedules of the School District's proportionate share of the net pension liability and pension contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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 an opinion on the financial statements that collectively comprise Plymouth-Canton Community Schools' basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2017 on our consideration of Plymouth-Canton Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Plymouth-Canton Community Schools' internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 5, 2017

Management's Discussion and Analysis

The management of Plymouth-Canton Community Schools (the "School District" or the "District") presents this narrative overview and analysis of the School District's financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the School District's financial statements, which immediately follow this section.

Financial Highlights

- At June 30, 2017, the School District's total general operating fund balance was \$26.7 million, 17.6 percent of total General Fund expenditures, an increase of \$12.4 million during the year. The General Fund fund balance at the end of the previous year was \$14.2 million or 9.5 percent of total General Fund expenditures.
- At June 30, 2017, the unassigned fund balance for the General Fund was \$23.2 million, 15.3 percent of total General Fund expenditures. The unassigned fund balance at the end of previous year was \$13.5 million or 9.0 percent of General Fund expenditures. The change represents an increase in unassigned fund balance in the amount of \$9.7 million and 6.4 percent of total General Fund expenditures.
- The change in net position for governmental-type activities was an increase of \$18.9 million during the year, increasing the net position to a negative \$183.9 million. The negative position results from the implementation of GASB Statement No. 68 requiring the recording of unfunded pension obligations.
- The School District's basic foundation allowance increased from \$7,391 to \$7,511, \$120 per pupil.
 - Student enrollment in the School District increased by approximately 38 students from the previous year, resulting in membership of 17,401. The increase in enrollment resulted in a gain of State Aid revenue of approximately \$285,943.
- Liberty Middle School, which replaced Central Middle School, opened during fiscal year 2015-2016. The option agreement for the sale of Central Middle School remains in place as the required payment of \$950,000 was received before June 30, 2017. The payment was recognized as revenue from local sources in these statements. This nonrefundable deposit along with the last two year's payments of \$2.3 million will be applied to the purchase price of \$3.3 million. This sale is expected to be finalized by the end of fiscal year 2018-2019.
- Reforms to the Michigan Public School Employees Retirement System (MPERS) were implemented by the State in 2013 in order to ensure long-term sustainability of the system. The reform resulted in a cap on the employer unfunded actuarial accrued liability (UAAL) contribution rate. The School District is required to remit the full actuarially determined contribution; however, the State provided revenue to cover the portion of this expense that exceeded the capped amount. This revenue totaled approximately \$10.6 million for the year ended June 30, 2017. There is a "gross-up" impact on both revenue and expenditures to account for this activity; therefore, when comparing the School District's total revenue and expenditures this year to last year, this MPERS stabilization pass-through payment should be taken into consideration.

More details on these highlights and other information are in the remainder of this discussion and analysis.

Plymouth-Canton Community Schools

Management's Discussion and Analysis (continued)

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Plymouth-Canton Community Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund and the 2015 Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The remaining statements consist of the Internal Service Fund statements and the statement of fiduciary assets and liabilities. The Internal Service Fund statements present financial information about the medical benefits liability. The statement of fiduciary assets and liabilities presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)

(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

Required Supplemental Information

Budgetary Information for General Fund

Schedule of Plymouth-Canton Community Schools' Proportionate Share of the Net Pension Liability

Schedule of Plymouth-Canton Community Schools' Pension Contributions

Other Supplemental Information

Management's Discussion and Analysis (continued)

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows, and liabilities along with deferred inflows, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the School District's net position - the difference between assets and deferred outflows and liabilities and deferred inflows, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District. The statement of net position and the statement of activities report the governmental activities for the School District, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services and Community Services Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental Funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliations.

Plymouth-Canton Community Schools

Management's Discussion and Analysis (continued)

Proprietary Fund - Proprietary fund reporting focuses on the economic resources measurement and an accounting method called full accrual accounting. The proprietary fund statements present a long-term view of operations and the services it provides to other funds.

The School District established a proprietary fund, specifically the Internal Service Fund, to finance specific services provided to other funds of the School District on a cost reimbursement basis. The specific services represent health insurance benefits.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2017 and 2016:

Table 1

	Governmental Activities	
	June 30	
	2017	2016
	(in millions)	
Assets		
Current and other assets	\$ 92.8	\$ 91.2
Capital assets	221.4	225.5
Total assets	314.2	316.7
Deferred Outflows of Resources	34.6	30.2
Liabilities		
Current liabilities	24.8	47.7
Long-term liabilities	490.0	487.0
Total liabilities	514.8	534.7
Deferred Inflows of Resources	17.9	15.0
Net Position		
Net investment in capital assets	22.0	18.8
Restricted	3.7	3.2
Unrestricted	(209.6)	(224.8)
Total net position	<u>\$ (183.9)</u>	<u>\$ (202.8)</u>

Plymouth-Canton Community Schools

Management's Discussion and Analysis (continued)

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was \$(183.9) million at June 30, 2017. Capital assets, net of related debt totaling \$22.0 million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining \$(209.6) million of net position was unrestricted.

The \$(209.6) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal years June 30, 2017 and 2016.

Table 2

	Governmental Activities	
	Year Ended June 30	
	2017	2016
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 9.3	\$ 8.6
Operating grants and contributions	34.9	24.3
General revenue:		
Property taxes	48.0	45.9
State foundation allowance	106.1	106.7
Other	9.6	4.5
Total revenue	207.9	190.0
Functions/Program Expenses		
Instruction	100.9	98.3
Support services	55.7	54.0
Athletics and student activities	2.1	2.1
Food services	5.2	5.2
Community services	4.3	4.1
Interest on long-term debt	8.9	9.8
Depreciation expense (unallocated)	11.9	10.4
Total functions/program expenses	189.0	184.0
Change in Net Position	18.9	6.0
Net Position - Beginning of year	(202.8)	(208.8)
Net Position - End of year	<u><u>\$ (183.9)</u></u>	<u><u>\$ (202.8)</u></u>

Plymouth-Canton Community Schools

Management's Discussion and Analysis (continued)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$189 million. Certain activities were partially funded from those who benefited from the programs (\$9.3 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$34.9 million). We paid for the remaining "public benefit" portion of our governmental activities with \$48.0 million in taxes, \$106.1 million in state foundation allowance, and with our other revenues, i.e., interest and general entitlements, of \$9.6 million.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$96.2 million, which is an increase of \$5.2 million from last year. The primary reason for the increase is due to the passing of the Wayne County Education Enhancement Millage (enhancement millage). These funds were received in February 2017 and allocated to the schools. To allow for planned spending the schools have been given until June 30, 2018 to expend all funds. Financial highlights were summarized earlier in the management's discussion and analysis and the details of the variances to budget are discussed in the budgetary highlights section below.

Our Special Revenue Fund remained stable compared to prior years, showing a net increase of approximately \$72,000.

Combined, the Debt Service Funds showed a fund balance increase of approximately \$311,935. It is worth noting that the 2010 Qualified School Construction Bonds have a required annual set-aside for future debt service. There is no principal repayment on these bonds until 2027; however, bond covenants require a certain amount to be set aside each year to ensure that the funds are available when the principal becomes due. The School District has concluded to accumulate these funds in a debt service fund. Furthermore, these bonds were non-voted and the related debt interest and set-aside payments are funded through the District's General Fund. The debt service fund increase is primarily a result of the accumulation of these set asides. The millage rate on remaining bond issues was set at 4.1 mills. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt service funds fund balances are reserved since they can only be used to pay debt service obligations.

Plymouth-Canton Community Schools

Management's Discussion and Analysis (continued)

The combined major and nonmajor Capital Projects Funds fund balance decreased approximately \$7.6 million as the School District continued to expend the 2013 and 2015 bond funds of approximately \$6.5 million and \$1.2 million from the 2015 and 2013 bonds, respectively. A transfer of \$71,136 was also made to the Capital Improvement Fund from the sale of properties.

Financial highlights of the School District's funds are included in the introduction to the management's discussion and analysis.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as operations change. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2017. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were various revisions made to both the revenue and expenditures of the 2016-2017 General Fund original budget, but the budgeted net change in fund balance from original to final budget was mainly due to the budgeting of the enhancement millage revenue and commitments in the net amount of approximately \$3.8M.

Revenue - Budget amendments increasing revenue by \$8.9 million were made through the course of the year. The majority of the increase is related to the enhancement millage being passed and budgeted at \$6.0 million, an increase in state aid due to enrollment increases as well as adjustments in the amount of \$1.5 million, adjustments to MPERS 147c totaling \$652,683, an Act 18 additional distribution for \$505,375, and Medicaid Fee for Service adjustments totaling \$208,772.

Expenditures - The original budget was increased by \$4.9 million. The primary increases include the enhancement millage commitments for safety and security and school improvements for \$2.7 million, the cost of additional teachers due to increased enrollment totaling \$373,490, as well as additional textbooks for \$500,493, an increase in utilities cost of \$485,000 and the corresponding offset for MPERS 147c totaling \$652,683.

Overall revenue and expenditures, including other financing sources and uses, of the General Fund were \$8.0 million less than budgeted. Revenue came in slightly under budget due to many slight variances, positive and negative, that are immaterial. The major variances relating to expenditures include enhancement millage expenditures, salaries and benefits including base and extra pay items, contracted services, supplies and materials and capital outlay which were \$2.6 million, \$2.5 million, \$1 million, \$1 million, and \$324,000 under budget, respectively. Due to favorable operating results and to provide for program development, budgeted transfers from other funds to the General Fund were made to the extent budgeted.

Plymouth-Canton Community Schools

Management's Discussion and Analysis (continued)

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2017 and 2016, the School District had approximately \$221.4 million and \$225.5 million, respectively, invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. The net capital assets (including additions, disposals, and depreciation) decreased by approximately \$4.1 million from last year.

	2017	2016
Land	\$ 5,724,609	\$ 5,724,609
Construction in progress	1,455,654	7,332,112
Buildings and building improvements	307,022,962	298,523,428
Buses and other vehicles	19,243,871	19,509,022
Furniture and equipment	20,255,344	17,916,939
Total capital assets	353,702,440	349,006,110
Less accumulated depreciation	132,343,241	123,477,478
Net capital assets	<u><u>\$ 221,359,199</u></u>	<u><u>\$ 225,528,632</u></u>

The net change in Capital Assets was \$4.7 million which include additions of \$8.2 million and disposals of \$3.5 million. The additions included vehicles, technology, and building and land improvements. The majority of these additions were funded with the 2013 and 2015 bonds.

Bond project expenditures will continue through the 2017-2018 year. The projects planned for the upcoming year include the purchase of buses, site work, and certain facility upgrades.

Debt

At the end of this year, the School District had \$218.3 million in bonds outstanding versus \$231.8 million in the previous year. The School District also had an installment purchase agreement with an outstanding balance of \$210,000 and \$55,000 for 2017 and 2016, respectively, related to the purchase of maintenance vehicles.

The School District's general obligation bond rating was affirmed at Aa3, by Moody's Investors Service. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding debt includes \$118,505,000 of qualified general obligation debt and \$99,750,000 of unqualified general obligation debt. The unqualified general obligation debt is significantly below the statutorily imposed limit.

Other obligations include accrued vacation pay, sick leave, and an installment purchase agreement. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Plymouth-Canton Community Schools

Management's Discussion and Analysis (continued)

Economic Factors and Next Year's Budgets and Rates

Revenue from foundation allowance and other state sources represents approximately 75 percent of total General Fund revenue, making the School District's budget heavily dependent upon funding from the State. Under state law, the School District cannot assess additional property tax revenue for general operations. Therefore, the area of the budget that the School District has the most control over is expenditures.

The state foundation allowance is calculated on a per-pupil basis. The district's enrollment has increased slightly over the last two years. Declining birth rates and competition from charter schools will continue to be a factor in future budgets. However, ongoing housing development, diverse program offerings, high student test scoring, and increased marketing efforts are expected to temper future downward enrollment pressure. In addition, the Board of Education approved school-of-choice for up to 250 kindergarten through eighth grade students, as well as 10 seats in the International Baccalaureate Programme for ninth grade students, which is also expected to mitigate some of the losses.

The 2017-2018 budget was adopted in June 2017, based on an estimate of students that will be enrolled in October 2017. This estimate assumes the enrollment to remain flat. A significant variable in our pupil count projection is the impact of a charter high school that opened within our boundaries during the 2014-2015 school year. In its first year of operation, the charter high school offered grades 9 and 10; each upcoming year another grade level was added. In fiscal year 2017-2018, they will serve 9th through 12th grade. The School District considered this factor in its projections and marketing plans, continues to monitor the impact on enrollment, and will adjust future enrollment projections accordingly.

Based upon early registration data at the start of the 2017-2018 school year, we are anticipating that the fall student count will meet or exceed the estimates used in creating the 2017-2018 budget. Since our funding is based on full-time equivalents (FTE), head count is only an indicator of our final count totals.

The per-pupil foundation allowance for the upcoming year is expected to increase from \$7,511 per student to \$7,631 per student, representing an increase of \$120 per student.

Finally, local and state-wide economic conditions continue to improve, highlighted by declining unemployment rates, housing market stability, and increased tax collections. The upturn of these broader economic indicators and the health of the U.S. automotive industry will also be a positive factor for the School District in future budget years.

Contacting the School District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office at 454 S. Harvey St., Plymouth, MI 48170.

Plymouth-Canton Community Schools

Statement of Net Position

June 30, 2017

	Governmental Activities
Assets	
Cash and investments (Notes 4 and 5)	\$ 28,599,390
Receivables:	
Accrued interest receivable	36,848
Other receivables	146,539
Due from other governments	26,799,846
Inventory	129,924
Prepaid expenses and other assets	1,501,482
Restricted assets (Note 7)	35,690,667
Capital assets - Net (Note 8)	221,359,199
Total assets	314,263,895
Deferred Outflows of Resources	
Deferred charges on bond refunding (Note 10)	2,973,056
Deferred pension costs (Note 12)	31,599,387
Total deferred outflows of resources	34,572,443
Liabilities	
Accounts payable	4,478,053
Accrued liabilities and other	19,148,293
Unearned revenue (Note 6)	1,195,845
Noncurrent liabilities:	
Due within one year (Note 10)	18,424,499
Due in more than one year (Note 10)	218,871,984
Net pension liability (Note 12)	252,694,704
Total liabilities	514,813,378
Deferred Inflows of Resources	
Revenue in support of pension contributions made subsequent to the measurement date (Note 12)	7,726,219
Deferred pension cost reductions (Note 12)	10,152,159
Total deferred inflows of resources	17,878,378
Net Position	
Net investment in capital assets	22,033,596
Restricted:	
Debt service	3,445,508
Capital projects	296,410
Unrestricted	(209,630,932)
Total net position	<u><u>\$ (183,855,418)</u></u>

Plymouth-Canton Community Schools

Statement of Activities

Year Ended June 30, 2017

	Expenses	Program Revenue		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government				
Governmental activities:				
Instruction	\$ 100,891,041	\$ -	\$ 23,115,124	\$ (77,775,917)
Support services	55,708,647	-	9,906,482	(45,802,165)
Athletics and student activities	2,108,479	1,188,002	-	(920,477)
Food services	5,169,111	3,573,370	1,911,122	315,381
Community services	4,330,711	4,523,779	-	193,068
Interest	8,883,754	-	-	(8,883,754)
Other debt costs	22,201	-	-	(22,201)
Depreciation expense (unallocated)	11,850,530	-	-	(11,850,530)
Total primary government	\$ 188,964,474	\$ 9,285,151	\$ 34,932,728	(144,746,595)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				25,332,273
Property taxes, levied for debt service				22,648,220
State aid not restricted to specific purposes				106,050,355
Federal grants and contributions not restricted to specific purposes				349,290
Interest and investment earnings				160,147
Penalties, interest, and other taxes				125,764
Gain on sale of capital assets				510,808
Other				8,512,328
Total general revenue				163,689,185
Change in Net Position				18,942,590
Net Position - Beginning of year				(202,798,008)
Net Position - End of year				<u>\$(183,855,418)</u>

Plymouth-Canton Community Schools

Governmental Funds Balance Sheet

June 30, 2017

	General Fund	2015 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Notes 4 and 5)	\$ 25,415,726	\$ -	\$ 3,183,664	\$ 28,599,390
Receivables:				
Accrued interest receivable	-	36,848	-	36,848
Other receivables	72,080	-	59,206	131,286
Due from other governments	24,176,628	-	2,623,218	26,799,846
Due from other funds (Note 9)	1,843,127	-	2,181,988	4,025,115
Inventory	93,394	-	36,530	129,924
Prepaid expenses and other assets	346,192	-	405,210	751,402
Restricted assets (Note 4)	140,997	26,463,936	9,085,734	35,690,667
	<u>\$ 52,088,144</u>	<u>\$ 26,500,784</u>	<u>\$ 17,575,550</u>	<u>\$ 96,164,478</u>
Total assets				
Liabilities				
Accounts payable	\$ 1,760,908	\$ 1,074,615	\$ 1,642,530	\$ 4,478,053
Due to other funds (Note 9)	6,362,469	-	1,827,874	8,190,343
Accrued liabilities and other	16,673,659	-	1,013,569	17,687,228
Unearned revenue (Note 6)	204,802	-	991,043	1,195,845
	<u>25,001,838</u>	<u>1,074,615</u>	<u>5,475,016</u>	<u>31,551,469</u>
Total liabilities				
Deferred Inflows of Resources - Unavailable revenue (Note 6)	<u>416,089</u>	<u>-</u>	<u>-</u>	<u>416,089</u>
Total liabilities and deferred inflows of resources	<u>25,417,927</u>	<u>1,074,615</u>	<u>5,475,016</u>	<u>31,967,558</u>
Fund Balance				
Nonspendable:				
Inventories	93,394	-	36,530	129,924
Prepaid costs	346,192	-	405,210	751,402
Restricted:				
Debt service	-	-	4,906,573	4,906,573
Capital projects	-	25,426,169	5,298,494	30,724,663
Food service	-	-	279,187	279,187
Committed:				
Capital projects	-	-	457,362	457,362
Community service	-	-	717,178	717,178
Assigned:				
Open purchase orders	403,545	-	-	403,545
Building improvements, equipment, school improvement	2,670,649	-	-	2,670,649
Unassigned	23,156,437	-	-	23,156,437
	<u>26,670,217</u>	<u>25,426,169</u>	<u>12,100,534</u>	<u>64,196,920</u>
Total fund balance				
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 52,088,144</u>	<u>\$ 26,500,784</u>	<u>\$ 17,575,550</u>	<u>\$ 96,164,478</u>

Plymouth-Canton Community Schools

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2017

Fund Balance Reported in Governmental Funds	\$ 64,196,920
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	221,359,199
Receivables that are not collected soon after year end are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds	416,089
Deferred inflows and outflows related to bond refundings are not reported in the funds	2,973,056
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(232,726,912)
Accrued interest is not due and payable in the current period and is not reported in the funds	(1,461,065)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(1,775,716)
Net pension liability and related deferred inflows and outflows	(231,247,476)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	(7,726,219)
Internal service funds are included as part of governmental activities	<u>2,136,706</u>
Net Position of Governmental Activities	<u><u>\$ (183,855,418)</u></u>

Plymouth-Canton Community Schools

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2017

	General Fund	2015 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 28,943,645	\$ 131,724	\$ 31,010,485	\$ 60,085,854
State sources	123,431,663	-	4,478,173	127,909,836
Federal sources	369,789	-	7,019,028	7,388,817
Interdistrict sources	9,462,487	-	2,965,739	12,428,226
Total revenue	162,207,584	131,724	45,473,425	207,812,733
Expenditures				
Current:				
Instruction	95,305,541	-	8,618,621	103,924,162
Support services	52,119,186	-	3,608,493	55,727,679
Athletics and student activities	2,113,044	-	13,900	2,126,944
Food services	-	-	5,223,390	5,223,390
Community services	540,593	-	3,852,030	4,392,623
Debt service:				
Principal	17,664	-	13,550,000	13,567,664
Interest	409,724	-	9,489,661	9,899,385
Other debt costs	1,100	-	21,101	22,201
Capital outlay	734,719	6,572,892	1,606,397	8,914,008
Total expenditures	151,241,571	6,572,892	45,983,593	203,798,056
Excess of Revenue Over (Under) Expenditures	10,966,013	(6,441,168)	(510,168)	4,014,677
Other Financing Sources (Uses)				
Face value of debt issued	173,036	-	-	173,036
Proceeds related to capital assets	980,045	-	-	980,045
Transfers in (Note 9)	849,403	-	813,431	1,662,834
Transfers out (Note 9)	(543,636)	-	(1,119,198)	(1,662,834)
Total	1,458,848	-	(305,767)	1,153,081
Net Change in Fund Balance	12,424,861	(6,441,168)	(815,935)	5,167,758
Fund Balance - Beginning of year	14,245,356	31,867,337	12,916,469	59,029,162
Fund Balance - End of year	<u>\$ 26,670,217</u>	<u>\$ 25,426,169</u>	<u>\$ 12,100,534</u>	<u>\$ 64,196,920</u>

Plymouth-Canton Community Schools

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities

Year Ended June 30, 2017

Net Change in Fund Balance Reported in Governmental Funds	\$ 5,167,758
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	8,150,334
Depreciation expense	(11,850,530)
Net book value of assets disposed of	(469,237)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	416,089
Revenue in support of pension contributions made subsequent to the measurement date	(832,566)
Issuing debt, net of premiums and discounts, provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(173,036)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	14,429,772
Interest expense is recognized in the government-wide statements as it accrues	153,523
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds	2,785,297
Internal service funds are included as part of governmental activities	1,165,186
Change in Net Position of Governmental Activities	\$ 18,942,590

Plymouth-Canton Community Schools

Proprietary Fund Statement of Net Position

June 30, 2017

Internal Service
Fund

Assets

Current assets:

Due from other funds (Note 9)

\$ 4,180,481

Prepaid expenses and other assets

750,080

Total assets

4,930,561

Liabilities - Noncurrent liabilities - Employee medical benefits, due within one year
(Notes 10 and 11)

2,793,855

Net Position - Unrestricted

\$ 2,136,706

Plymouth-Canton Community Schools

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2017

	Internal Service Fund
Operating Revenue - Charges for service	\$ 18,640,580
Operating Expenses - Medical benefits expense	17,475,394
Operating Income	1,165,186
Change in Net Position	1,165,186
Net Position - Beginning of year	971,520
Net Position - End of year	<u><u>\$ 2,136,706</u></u>

Plymouth-Canton Community Schools

Proprietary Fund Statement of Cash Flows

Year Ended June 30, 2017

	Internal Service Fund
Cash Flows from Operating Activities	
Medical benefit expenses paid	\$ 18,235,639
Collections from other funds	<u>(18,235,639)</u>
Net cash and cash equivalents provided by operating activities	<u>-</u>
Net Increase in Cash and Cash Equivalents	-
Cash and Cash Equivalents - Beginning of year	<u>-</u>
Cash and Cash Equivalents - End of year	<u><u>\$ -</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 1,165,186
Adjustments to reconcile operating income to net cash from operating activities -	
Changes in assets and liabilities:	
Due from other funds	(313,969)
Prepaid costs	(256,952)
Medical benefits liabilities	<u>(594,265)</u>
Net cash and cash equivalents provided by operating activities	<u><u>\$ -</u></u>

Plymouth-Canton Community Schools

Fiduciary Fund Statement of Fiduciary Assets and Liabilities

June 30, 2017

Activity Fund

Assets - Cash and investments (Note 4)

\$ 1,895,332

Liabilities

Accounts payable

\$ 13,235

Due to student activities

1,866,844

Due to other funds (Note 9)

15,253

Total liabilities

\$ 1,895,332

June 30, 2017

Note 1 - Nature of the Entity

Plymouth-Canton Community Schools (the "School District") is a school district in the state of Michigan which provides educational services to students.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

Plymouth-Canton Community Schools follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

Reporting Entity

The School District is governed by an elected seven-member Board of Education. In accordance with government accounting principles, no component units are required to be reported within these financial statements.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue 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 statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Taxes, intergovernmental payments, and other items not properly included among program revenue are reported instead as general revenue.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund Accounting

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The School District reports the following funds as "major" governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

June 30, 2017

Note 2 - Significant Accounting Policies (Continued)

- The 2015 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of funds specifically designated for remodeling, furnishing, and equipping school buildings and sites, and purchasing school buses, student computing devices, classroom technology, and computer labs. The fund operates until the purposes for which it was created are accomplished.

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, technology upgrades, and for remodeling and repairs. The funds operate until the purpose for which they were created is accomplished. Included in the Capital Improvements Fund are restricted funds related to repurposed resources originating from the 1999 and 2004 bond issues (both refunded by 2008 bond issue), and the 2008 and 2013 bond issues.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Proprietary Fund

The School District's internal service fund is used to finance services provided to other funds on a cost-reimbursement basis. The internal service fund maintained by the School District is for medical benefits liabilities. It is funded through charges to the other funds in amounts equal to the normal estimated medical benefits expense expected to be incurred subsequent to year end and contributions from employees for their share of medical benefits.

Fiduciary Fund

The School District maintains a student activity agency fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

Interfund Activity

During the course of operations, the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Furthermore, 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.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

June 30, 2017

Note 2 - Significant Accounting Policies (Continued)

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the School District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period.

The proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Investments

Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value except for investments in the Federated Government Obligations Fund, which are valued at amortized cost.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Restricted Assets

The unspent property taxes levied and mandatory deposits held in the debt service funds are required to be set aside for future bond principal and interest payments. Unspent bond proceeds and related interest of the bonded capital projects funds are required to be set aside for construction or other allowable bond purchases. These amounts have been classified as restricted assets.

Capital Assets

Capital assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

June 30, 2017

Note 2 - Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings and improvements	10 to 50
Furniture and equipment	5 to 10
Buses and other vehicles	5 to 10

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has deferred outflows of resources related to deferred charges on refundings and deferred pension plan expenses.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The School District has deferred inflows of resources related to its pension plan and revenue in support of pension payments made subsequent to the measurement date. Also, reported only at the modified accrual level, the School District has deferred inflows of resources related to unavailable revenue not collected within the period of availability.

Net Position

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The School District will sometimes fund outlays for a particular purpose from both restricted 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 School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

June 30, 2017

Note 2 - Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

The School District will sometimes 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 government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, 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.

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 nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

The School District itself can also 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 School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the School District that can commit fund balance by passing a resolution. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

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

Amounts that do not fall into any other category above are considered to be unassigned fund balance. This represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes.

The fund balance policy prescribes the minimum fund balance as 5 percent of expenditures in the General Fund. This is deemed to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year.

Property Tax Revenue

Property taxes are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 for 100 percent of the taxes that are due September 14. The fund collection date is February 28, after which they are added to county delinquent tax rolls.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

June 30, 2017

Note 2 - Significant Accounting Policies (Continued)

Grants and Contributions

The School District receives federal and state grants as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from the MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

It is the School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the internal service fund includes charges to other funds for services. Operating expenses of the internal service fund include the cost of medical benefit claims and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

June 30, 2017

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the MPSERS OPEB plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2018.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires 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 an 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. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2021.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and major special revenue funds, except that capital outlay expenditures are reported in other expenditure categories and proceeds from the sale of capital assets are reported in local revenue. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District increased budgeted revenue for state aid due to enrollment in excess of budgeted amounts and pension-related funding. Other increases to revenue budgets were due to the enhancement millage revenue that was approved by Wayne County voters in November 2016, receipt of one-time distributions of accumulated Act 18 funds by Wayne RESA, and other items in excess of original estimates. Budgeted expenditures were increased to incorporate expenditures planned from the new enhancement millage revenue, additional teaching staff necessary due to enrollment levels, adjustment for MPSERS 147c pension expenses, purchase of textbooks and capital outlay, utilities, and other adjustments based on updated projections.

June 30, 2017

Note 3 - Stewardship, Compliance, and Accountability (Continued)

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District did not have significant expenditure budget variances.

Capital Projects Fund Compliance

The 2015 Capital Projects Fund include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

Note 4 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

There are no limitations or restrictions on participant withdrawals for investment pools that are recorded at amortized cost.

The School District has designated four banks for the deposit of its funds.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District's deposit balance of \$36,009,318 included \$35,009,318 of bank deposits (money market funds and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment policy states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the School District will do business. At June 30, 2017, the School District does not have investments with custodial credit risk.

June 30, 2017

Note 4 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy minimizes interest rate risk by requiring the School District to structure 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 School District's cash requirements.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

As of year end, all investment securities are rated AA+ by Standard & Poor's. The maturities of investment securities as of June 30, 2017 are as follows:

Investment	Fair Value	Average Maturity (Years)
Primary Government		
U.S. Treasury securities	\$ 11,538,806	0.15
Money market mutual funds*	19,245,288	N/A
Total	<u>\$ 30,784,094</u>	

* Securities are valued at amortized cost rather than fair value

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

At June 30, 2017, all of the School District's investments are in money market mutual funds and U.S. Treasury securities, which are not subject to concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investments in foreign currency.

Note 5 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The School District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

June 30, 2017**Note 5 - Fair Value Measurements (Continued)**

The School District has the following recurring fair value measurements as of June 30, 2017:

- U.S. Treasury securities of \$11,538,806 are valued using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals (Level 2 inputs).

Note 6 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At June 30, 2017, the School District had approximately \$416,000 of unavailable revenue related to enhancement millage funds received after the period of availability and approximately \$1,196,000 of unearned revenue primarily related to fees collected for food services and community service programs, and grant and categorical aid payments received prior to meeting all eligibility requirements.

Note 7 - Restricted Assets

At June 30, 2017, restricted assets are comprised of the following:

Description	Governmental Activities
Unspent bond proceeds and related interest	\$ 30,784,094
Unspent property taxes levied for debt service including amounts due from other funds	1,970,073
Funds set aside for future principal payments	<u>2,936,500</u>
Total	<u><u>\$ 35,690,667</u></u>

June 30, 2017

Note 8 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2016	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2017
Capital assets not being depreciated:					
Land	\$ 5,724,609	\$ -	\$ -	\$ -	\$ 5,724,609
Construction in progress	7,332,112	(12,417,375)	6,540,917	-	1,455,654
Subtotal	13,056,721	(12,417,375)	6,540,917	-	7,180,263
Capital assets being depreciated:					
Buildings and improvements	298,523,428	10,703,392	71,020	(2,274,878)	307,022,962
Furniture and equipment	17,916,939	1,713,983	1,226,783	(602,361)	20,255,344
Buses and other vehicles	19,509,022	-	311,614	(576,765)	19,243,871
Subtotal	335,949,389	12,417,375	1,609,417	(3,454,004)	346,522,177
Accumulated depreciation:					
Buildings and improvements	103,722,696	-	7,957,807	(1,812,543)	109,867,960
Furniture and equipment	5,517,662	-	2,585,341	(595,459)	7,507,544
Buses and other vehicles	14,237,120	-	1,307,382	(576,765)	14,967,737
Subtotal	123,477,478	-	11,850,530	(2,984,767)	132,343,241
Net capital assets being depreciated	212,471,911	12,417,375	(10,241,113)	(469,237)	214,178,936
Net capital assets	<u>\$ 225,528,632</u>	<u>\$ -</u>	<u>\$ (3,700,196)</u>	<u>\$ (469,237)</u>	<u>\$ 221,359,199</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

Construction Commitments

The School District has active construction projects at year end. At June 30, 2017, the School District's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
2013 Capital Projects Fund	\$ 65,399,207	\$ 108,221
2015 Capital Projects Fund	14,092,497	5,495,259
Total	<u>\$ 79,491,704</u>	<u>\$ 5,603,480</u>

Note 9 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			
	General Fund	Fiduciary Fund	Nonmajor Funds	Total
General Fund	\$ -	\$ 15,253	\$ 1,827,874	\$ 1,843,127
Internal Service Fund	4,180,481	-	-	4,180,481
Nonmajor governmental funds	2,181,988	-	-	2,181,988
Total	<u>\$ 6,362,469</u>	<u>\$ 15,253</u>	<u>\$ 1,827,874</u>	<u>\$ 8,205,596</u>

June 30, 2017

Note 9 - Interfund Receivables, Payables, and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor governmental funds	\$ 543,636
Nonmajor governmental funds	General Fund	849,403
	Nonmajor governmental funds	269,795
	Total	<u>\$ 1,662,834</u>

The transfer from the General Fund to the Debt Service Funds represented the required transfers for future bond payments. The General Fund transfer to the Capital Improvements Fund was to fund capital improvements. Funds from the Food Services Fund, Community Services Fund, and Funded Projects Fund were transferred to the General Fund to cover excess costs related to operations of the funds for the purposes for which they were created.

Note 10 - Long-term Debt

Long-term debt activity for the year ended June 30, 2017 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligations	\$ 231,805,000	\$ -	\$ (13,550,000)	\$ 218,255,000	\$ 14,305,000
Unamortized bond premiums	15,376,131	-	(1,114,333)	14,261,798	1,114,331
Total bonds payable	247,181,131	-	(14,664,333)	232,516,798	15,419,331
Installment purchase agreements	54,742	173,036	(17,664)	210,114	33,741
Other obligations	1,932,981	-	(157,265)	1,775,716	177,572
Employee medical benefits - Recorded in the Internal Service Fund (Note 11)	3,388,120	-	(594,265)	2,793,855	2,793,855
Total governmental activities long-term debt	<u>\$ 252,556,974</u>	<u>\$ 173,036</u>	<u>\$ (15,433,527)</u>	<u>\$ 237,296,483</u>	<u>\$ 18,424,499</u>

At June 30, 2017, the School District had deferred outflows of \$2,973,056 related to deferred charges on bond refundings.

General Obligation Bonds

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligations have been issued for both governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District's qualified bonds are fully guaranteed by the State of Michigan. General obligations outstanding at June 30, 2017 are as follows:

June 30, 2017

Note 10 - Long-term Debt (Continued)

	Remaining Annual Installments	Interest Rate(s) (Percent)	Maturing May 1	Outstanding
Governmental Activities				
\$122,035,000 qualified general obligation serial bonds (2008)	\$1,900,000 - \$6,955,000	3.25 - 5.25	2031	\$ 58,150,000
\$7,560,000 qualified general obligation serial and term bonds (2010)	\$7,560,000	5.400*	2027	7,560,000
\$54,775,000 qualified general obligation serial bonds (2012A)	\$3,620,000 - \$4,890,000	3.000 - 5.000	2029	52,795,000
\$65,000,000 non-qualified general obligation serial bonds (2013A)	\$1,875,000 - \$6,225,000	4.000 - 5.000	2033	63,175,000
\$38,720,000 non-qualified general obligation serial bonds (2015)	\$1,000,000 - \$2,750,000	3.000 - 4.000	2035	36,575,000
Total governmental activities				<u>\$ 218,255,000</u>

*Interest is partially subsidized, up to 4.80 percent

Installment Purchase Agreements

Installment purchase agreements outstanding at June 30, 2017 are as follows:

	Remaining Annual Installments	Interest Rate (Percent)	Maturing	Outstanding
Governmental Activities				
Snow plow and maintenance cargo vans	\$18,340 - \$18,738	2.18	November 1, 2018	\$ 37,078
Plow trucks, dump truck, transit vans	\$33,397 - \$36,105	2.29	September 17, 2021	173,036
Total governmental activities				<u>\$ 210,114</u>

Other Long-term Obligations

Other long-term obligations outstanding at June 30, 2017 are as follows:

	Outstanding
Governmental Activities	
Severance benefits at retirement	\$ 1,020,600
Workers' compensation claims (Note 11)	378,835
Compensated absences obligation	376,281
Total governmental activities	<u>\$ 1,775,716</u>

The compensated absences obligation as of June 30, 2017 in the amount of \$376,281 will be liquidated primarily by the General Fund.

Severance benefits at retirement included in long-term obligations as of June 30, 2017 in the amount of \$1,020,600 consist of two components. Employees that qualify for a retirement allowance receive a retirement payment of \$100 per year of service to the School District. This sum is paid upon retirement, provided the employee has been employed by the School District for at least 10 years and has made application for Michigan School Employees' Retirement Fund benefits for which they must be eligible. The second component is voluntary retirement compensation. If an employee qualifies, an amount of \$7,500 is paid to the employee.

June 30, 2017

Note 10 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above general obligation bonds are as follows:

Years Ending December 31	Governmental Activities			
	Principal	Interest	Maximum Interest Subsidy	Total - Net
2018	\$ 14,305,000	\$ 9,410,746	\$ (374,976)	\$ 23,340,770
2019	15,210,000	8,782,421	(374,976)	23,617,445
2020	14,875,000	8,116,571	(374,976)	22,616,595
2021	14,665,000	7,409,821	(374,976)	21,699,845
2022	15,140,000	6,696,571	(374,976)	21,461,595
2023-2027	70,520,000	24,412,682	(1,874,880)	93,057,802
2028-2032	59,240,000	9,252,325	-	68,492,325
2033-2035	14,300,000	898,000	-	15,198,000
Total	<u>\$ 218,255,000</u>	<u>\$ 74,979,137</u>	<u>\$ (3,749,760)</u>	<u>\$ 289,484,377</u>

In previous years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. As of June 30, 2017, \$33,250,000 of bonds outstanding are considered defeased.

Note 11 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) as well as medical benefits provided to employees. The School District is partially insured for employee medical benefits and for workers' compensation claims.

The SET-SEG shared risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The School District estimates the liability for employee medical benefit and workers' compensation claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	Employee Medical Benefits		Workers' Compensation	
	2017	2016	2017	2016
Estimated liability - Beginning of year	\$ 3,388,120	\$ 3,743,089	\$ 532,446	\$ 227,148
Estimated claims incurred, including claims incurred but not reported	17,666,838	15,856,669	123,874	569,809
Claim payments	<u>(18,261,103)</u>	<u>(16,211,638)</u>	<u>(277,485)</u>	<u>(264,511)</u>
Estimated liability - End of year	<u>\$ 2,793,855</u>	<u>\$ 3,388,120</u>	<u>\$ 378,835</u>	<u>\$ 532,446</u>

June 30, 2017

Note 12 - Michigan Public School Employees' Retirement System

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain School District employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools> or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Benefits Provided

Benefit provisions of the defined benefit (DB) 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 pension plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced to 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

Contributions

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the State Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

The School District's contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS.

June 30, 2017

Note 12 - Michigan Public School Employees' Retirement System (Continued)

The range of rates is as follows:

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

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contributions plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the year ended June 30, 2017 were \$24,340,895, which includes the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual contributions include an allocation of \$7,726,219 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2017.

Net Pension Liability

At June 30, 2017, the School District reported a liability of \$252,694,704 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015, which used updated procedures to roll forward the estimated liability to September 30, 2016. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2016, the School District's proportion was 1.012838 percent.

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

For the year ended 2017, the School District recognized pension expense of \$21,104,129, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2017, the School 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
Difference between expected and actual experience	\$ 3,149,243	\$ (598,893)
Changes in assumptions	3,950,684	-
Net difference between projected and actual earnings on pension plan investments	4,199,784	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	390,782	(9,553,266)
The School District's contributions to the plan subsequent to the measurement date	19,908,894	-
Total	<u>\$ 31,599,387</u>	<u>\$ (10,152,159)</u>

June 30, 2017

Note 12 - Michigan Public School Employees' Retirement System (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2018	\$ (990,879)
2019	(1,321,109)
2020	3,611,934
2021	238,388
2022	-
Thereafter	-
Total	<u>\$ 1,538,334</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

In addition, the School District had deferred inflows of resources related to revenue in support of pension payments made subsequent to the measurement date totaling \$7,726,219 at June 30, 2017.

Actuarial Assumptions

The total pension liability as of September 30, 2016 is based on the results of an actuarial valuation as of September 30, 2015 and rolled forward. The total pension liability was determined using the following actuarial assumptions:

Actuarial cost method	Entry age normal cost actuarial cost method
Investment rate of return	7.00 - 8.00 percent, net of investment expenses based on the groups
Salary increases	3.50 - 12.30 percent, including wage inflation of 3.50 percent
Mortality basis	RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3.00 percent annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 - 8.00 percent, depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that School District contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

June 30, 2017

Note 12 - Michigan Public School Employees' Retirement System (Continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.90 %
Private equity pools	18.00	9.20
International equity pools	16.00	7.20
Fixed-income pools	10.50	0.90
Real estate and infrastructure pools	10.00	4.30
Real return, opportunistic, and absolute pool	15.50	6.00
Short-term investment pools	2.00	-
Total	100.00 %	

On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent. As a result, the actuarial computed employer contributions and the net pension liability will increase for the measurement period ending September 30, 2017.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School District, calculated using the discount rate of 7.00 - 8.00 percent, depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 - 7.00 percent) or 1 percentage point higher (8.00 - 9.00 percent) than the current rate:

	1 Percent Decrease (6.00 - 7.00%)	Current Discount Rate (7.00 - 8.00%)	1 Percent Increase (8.00 - 9.00%)
Net pension liability of the School District	\$ 325,407,173	\$ 252,694,704	\$ 191,391,101

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan

At June 30, 2017, the School District reported a payable of \$5,030,601 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

June 30, 2017

Note 12 - Michigan Public School Employees' Retirement System (Continued)

Postemployment Benefits Other Than Pensions (OPEB)

Under the MPSERS act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 6.40 percent to 6.83 percent of covered payroll for the period from July 1, 2016 to September 30, 2016 and from 5.69 percent to 5.91 percent of covered payroll for the period from October 1, 2016 through June 30, 2017 dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 403B account.

The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2017, 2016, and 2015 were \$5,241,000, \$4,910,000, and \$1,394,000, respectively. In addition, a portion ranging from 35-100 percent of the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate is considered a contribution to the retiree healthcare plan.

Note 13 - Tax Abatements

The School District receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974) and Brownfield Redevelopment Agreements granted by cities, villages, and townships within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2017, the School District's property tax revenue was reduced by approximately \$1,000,000 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of non-homestead properties from the State of Michigan under the School Aid formula. The School District received approximately \$790,000 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from debt service millages. There are no abatements made by the School District.

Note 14 - Contingent Liabilities

The School District is subject to various legal proceedings and claims which arise in the ordinary course of its business. The outcomes and ranges of loss for ongoing claims against the School District are not presently determinable. The School District believes that the amount, if any, of ultimate liability with respect to legal actions will be insignificant or will be covered by insurance.

June 30, 2017

Note 15 - Subsequent Events

On September 14, 2017, the School District issued \$26,655,000 in general obligation bonds with an interest rate of 5.0 percent. The net proceeds of these bonds after deducting costs of issuance, plus a premium on issuance of approximately \$5,347,000 and contributions from existing debt funds of \$1,000,000, were used to refund \$31,550,000 of outstanding 2008 School Building and Site and Refunding Bonds with an interest rate of 4.375 - 5.0 percent. The advance refunding will reduced total debt service payments in future years by approximately \$5,442,000, which represents an economic gain of approximately \$4,677,000, or 14.82 percent of refunded maturities.

Required Supplemental Information

Plymouth-Canton Community Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	(Under) Over Final Budget	
Revenue					
Local sources	\$ 29,295,949	\$ 29,813,374	\$ 29,923,690	\$ 110,316	2
State sources	121,853,941	123,618,551	123,431,663	(186,888)	
Federal sources	377,278	369,602	369,789	187	
Interdistrict sources	2,995,769	9,627,993	9,462,487	(165,506)	
Total revenue	154,522,937	163,429,520	163,187,629	(241,891)	
Expenditures					
Current:					
Instruction:					
Basic programs	79,786,072	83,695,813	81,411,304	(2,284,509)	
Added needs	14,961,545	14,900,812	14,056,099	(844,713)	
Adult/Continuing education	1,368,385	85,986	72,044	(13,942)	
Support services:					
Pupil	9,708,006	10,484,124	10,228,445	(255,679)	
Instructional staff	8,893,317	8,464,829	7,850,750	(614,079)	
General administration	789,579	795,289	729,684	(65,605)	
School administration	9,523,631	9,543,460	9,390,887	(152,573)	
Business	1,667,477	1,619,307	1,522,844	(96,463)	
Operations and maintenance	13,879,214	14,571,499	13,452,883	(1,118,616)	
Pupil transportation services	7,527,027	7,649,837	6,841,894	(807,943)	
Central	3,098,625	2,787,259	2,569,815	(217,444)	
Other	-	1,504,756	4,756	(1,500,000)	
Athletics and student activities	2,252,470	2,287,895	2,141,085	(146,810)	
Community services	563,420	567,584	540,593	(26,991)	
Debt service	904,240	902,240	900,988	(1,252)	3
Total expenditures	154,923,008	159,860,690	151,714,071	(8,146,619)	1
Excess of Revenue (Under) Over Expenditures	(400,071)	3,568,830	11,473,558	7,904,728	
Other Financing Sources (Uses)					
Face value of debt issued	-	173,036	173,036	-	
Transfers in	940,071	745,270	849,403	104,133	
Transfers out	-	(71,136)	(71,136)	-	3
Total	940,071	847,170	951,303	104,133	
Net Change in Fund Balance	540,000	4,416,000	12,424,861	8,008,861	
Fund Balance - Beginning of year	12,119,709	14,245,356	14,245,356	-	
Fund Balance - End of year	<u>\$ 12,659,709</u>	<u>\$ 18,661,356</u>	<u>\$ 26,670,217</u>	<u>\$ 8,008,861</u>	

Plymouth-Canton Community Schools

Required Supplemental Information Schedule of the School District's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

	Last Three Fiscal Years For the Plan Year Ended September 30		
	2016	2015	2014
School District's proportion of the net pension liability (asset)	1.01284 %	1.03480 %	1.07377 %
School District's proportionate share of the net pension liability (asset)	\$ 252,694,704	\$ 252,749,097	\$ 236,512,593
School District's covered employee payroll	\$ 84,658,411	\$ 86,306,925	\$ 92,104,586
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	298.49 %	292.85 %	256.79 %
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.01 %	62.92 %	66.15 %

Plymouth-Canton Community Schools

Required Supplemental Information Schedule of the School District's Pension Contributions Michigan Public School Employees' Retirement System

	Last Three Fiscal Years Year Ended June 30		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 23,952,714	\$ 23,809,029	\$ 17,195,497
Contributions in relation to the statutorily required contribution	<u>23,952,714</u>	<u>23,809,029</u>	<u>17,195,497</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Employee Payroll	\$ 85,357,679	\$ 84,661,542	\$ 88,080,405
Contributions as a Percentage of Covered Employee Payroll	28.06 %	28.12 %	19.52 %

June 30, 2017

Budgetary Comparison Schedule - General Fund

1 - Capital outlay expenditures are included in the functional categories to which they relate in accordance with the adopted budget of the School District. Capital outlay is presented separately on the statement of revenue, expenditures, and changes in fund balances.

2 - Proceeds from the sale of capital assets are included in local revenue in accordance with the adopted budget of the School District. Proceeds are presented separately on the statement of revenue, expenditures, and changes in fund balances.

3 - Transfers to debt funds to fund principal payments are included in debt service in accordance with the adopted budget of the School District. These transfers are presented as transfers out within other financing uses on the statement of revenue, expenditures, and changes in fund balances.

Pension Required Supplemental Information Schedules

Benefit Changes

There were no changes of benefit terms in 2016.

Changes in Assumptions

There were no changes of benefit assumptions in 2016.

Changes in Size or Composition of the Covered Population

There were no significant changes in size or composition of the covered population in 2016.

Other Supplemental Information

Plymouth-Canton Community Schools

	Special Revenue Funds				Debt Service Funds		
	Food Services	Community Services	Act 18	Funded Projects	2008	2010 QSCB	2012 Series A
Assets							
Cash and investments	\$ 452,911	\$ 1,712,739	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables:							
Other receivables	28,225	30,981	-	-	-	-	-
Due from other governments	126,492	-	-	2,496,726	-	-	-
Due from other funds	-	-	1,614,357	-	103,971	-	21,129
Inventory	36,530	-	-	-	-	-	-
Prepaid expenses and other assets	-	8,014	-	397,196	-	-	-
Restricted assets	-	-	-	-	1,348,758	2,936,500	274,100
Total assets	\$ 644,158	\$ 1,751,734	\$ 1,614,357	\$ 2,893,922	\$ 1,452,729	\$ 2,936,500	\$ 295,229
Liabilities							
Accounts payable	\$ 5,720	\$ 34,826	\$ 1,345,882	\$ 247,152	\$ -	\$ -	\$ -
Due to other funds	177,543	654,479	-	995,852	-	-	-
Accrued liabilities and other	13,832	70,237	268,475	661,025	-	-	-
Unearned revenue	131,346	267,000	-	592,697	-	-	-
Total liabilities	328,441	1,026,542	1,614,357	2,496,726	-	-	-
Fund Balance							
Nonspendable:							
Inventories	36,530	-	-	-	-	-	-
Prepaid costs	-	8,014	-	397,196	-	-	-
Restricted:							
Debt service	-	-	-	-	1,452,729	2,936,500	295,229
Capital projects	-	-	-	-	-	-	-
Food service	279,187	-	-	-	-	-	-
Committed:							
Capital projects	-	-	-	-	-	-	-
Community service	-	717,178	-	-	-	-	-
Total fund balance	315,717	725,192	-	397,196	1,452,729	2,936,500	295,229
Total liabilities and fund balance	\$ 644,158	\$ 1,751,734	\$ 1,614,357	\$ 2,893,922	\$ 1,452,729	\$ 2,936,500	\$ 295,229

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2017

Debt Service Funds			Capital Project Funds					Total
2012 Series B	2013 Series A	2015 Series B	Capital Improvements	Athletic Capital Improvement	Nichols Trust	Technology Device Replacement	2013 Capital Projects Fund	
\$ -	\$ -	\$ -	\$ 988,189	\$ -	\$ 29,825	\$ -	\$ -	\$ 3,183,664
-	-	-	-	-	-	-	-	59,206
-	-	-	-	-	-	-	-	2,623,218
-	15,897	-	-	121,805	-	304,829	-	2,181,988
-	-	-	-	-	-	-	-	36,530
-	-	-	-	-	-	-	-	405,210
-	206,218	-	-	-	-	-	4,320,158	9,085,734
<u>\$ -</u>	<u>\$ 222,115</u>	<u>\$ -</u>	<u>\$ 988,189</u>	<u>\$ 121,805</u>	<u>\$ 29,825</u>	<u>\$ 304,829</u>	<u>\$ 4,320,158</u>	<u>\$ 17,575,550</u>
\$ -	\$ -	\$ -	\$ -	\$ 109	\$ -	\$ -	\$ 8,841	\$ 1,642,530
-	-	-	-	-	-	-	-	1,827,874
-	-	-	-	-	-	-	-	1,013,569
-	-	-	-	-	-	-	-	991,043
-	-	-	-	109	-	-	8,841	5,475,016
-	-	-	-	-	-	-	-	36,530
-	-	-	-	-	-	-	-	405,210
-	222,115	-	-	-	-	-	-	4,906,573
-	-	-	987,177	-	-	-	4,311,317	5,298,494
-	-	-	-	-	-	-	-	279,187
-	-	-	1,012	121,696	29,825	304,829	-	457,362
-	-	-	-	-	-	-	-	717,178
-	222,115	-	988,189	121,696	29,825	304,829	4,311,317	12,100,534
<u>\$ -</u>	<u>\$ 222,115</u>	<u>\$ -</u>	<u>\$ 988,189</u>	<u>\$ 121,805</u>	<u>\$ 29,825</u>	<u>\$ 304,829</u>	<u>\$ 4,320,158</u>	<u>\$ 17,575,550</u>

Plymouth-Canton Community Schools

	Special Revenue Funds				Debt Service Funds		
	Food Services	Community Services	Act 18	Funded Projects	2008	2010 QSCB	2012 Series A
Revenue							
Local sources	\$ 3,573,370	\$ 4,525,577	\$ -	\$ 189,816	\$ 9,018,009	\$ -	\$ 4,229,886
State sources	255,834	-	1,487,937	2,527,067	119,830	-	56,212
Federal sources	1,837,478	-	-	5,181,550	-	-	-
Interdistrict sources	-	-	2,922,459	43,280	-	-	-
Total revenue	5,666,682	4,525,577	4,410,396	7,941,713	9,137,839	-	4,286,098
Expenditures							
Current:							
Instruction	-	-	2,897,405	5,721,216	-	-	-
Support services	-	-	1,512,991	2,095,502	-	-	-
Athletics and student activities	-	-	-	13,900	-	-	-
Food services	5,223,390	-	-	-	-	-	-
Community services	-	3,826,501	-	25,529	-	-	-
Debt service:							
Principal	-	-	-	-	6,065,000	-	1,980,000
Interest	-	-	-	-	3,090,856	-	2,315,150
Other debt costs	-	-	-	-	1,146	18,253	387
Capital outlay	1,242	6,131	-	298,307	-	-	-
Total expenditures	5,224,632	3,832,632	4,410,396	8,154,454	9,157,002	18,253	4,295,537
Excess of Revenue Over (Under) Expenditures	442,050	692,945	-	(212,741)	(19,163)	(18,253)	(9,439)
Other Financing Sources (Uses)							
Transfers in	21,881	-	-	-	144,677	472,500	29,402
Transfers out	(193,262)	(628,342)	-	(49,680)	-	-	-
Total other financing (uses) sources	(171,381)	(628,342)	-	(49,680)	144,677	472,500	29,402
Net Change in Fund Balance	270,669	64,603	-	(262,421)	125,514	454,247	19,963
Fund Balance - Beginning of year	45,048	660,589	-	659,617	1,327,215	2,482,253	275,266
Fund Balance - End of year	\$ 315,717	\$ 725,192	\$ -	\$ 397,196	\$ 1,452,729	\$ 2,936,500	\$ 295,229

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2017

Debt Service Funds			Capital Project Funds					
2012 Series B	2013 Series A	2015 Series B	Capital Improvements	Athletic Capital Improvement	Nichols Trust	Technology Device Replacement	2013 Capital Projects Fund	Total
\$ 2,355,484	\$ 3,721,574	\$ 3,367,909	\$ 1,219	\$ 13,078	\$ 115	\$ -	\$ 14,448	\$ 31,010,485
31,293	-	-	-	-	-	-	-	4,478,173
-	-	-	-	-	-	-	-	7,019,028
-	-	-	-	-	-	-	-	2,965,739
2,386,777	3,721,574	3,367,909	1,219	13,078	115	-	14,448	45,473,425
-	-	-	-	-	-	-	-	8,618,621
-	-	-	-	-	-	-	-	3,608,493
-	-	-	-	-	-	-	-	13,900
-	-	-	-	-	-	-	-	5,223,390
-	-	-	-	-	-	-	-	3,852,030
2,360,000	1,000,000	2,145,000	-	-	-	-	-	13,550,000
30,680	2,779,000	1,273,975	-	-	-	-	-	9,489,661
303	363	649	-	-	-	-	-	21,101
-	-	-	-	9,550	-	-	1,291,167	1,606,397
2,390,983	3,779,363	3,419,624	-	9,550	-	-	1,291,167	45,983,593
(4,206)	(57,789)	(51,715)	1,219	3,528	115	-	(1,276,719)	(510,168)
-	22,120	51,715	71,136	-	-	-	-	813,431
(247,914)	-	-	-	-	-	-	-	(1,119,198)
(247,914)	22,120	51,715	71,136	-	-	-	-	(305,767)
(252,120)	(35,669)	-	72,355	3,528	115	-	(1,276,719)	(815,935)
252,120	257,784	-	915,834	118,168	29,710	304,829	5,588,036	12,916,469
\$ -	\$ 222,115	\$ -	\$ 988,189	\$ 121,696	\$ 29,825	\$ 304,829	\$ 4,311,317	\$ 12,100,534

Plymouth-Canton Community Schools

Other Supplemental Information Schedule of Bonded Indebtedness

Year Ending June 30	June 30, 2017					Total
	2008 Bond	2010 Bond	2012A Bond	2013A Bond	2015 Bond	
	Principal	Principal	Principal	Principal	Principal	
2018	\$ 6,410,000	\$ -	\$ 3,620,000	\$ 1,875,000	\$ 2,400,000	\$ 14,305,000
2019	6,570,000	-	3,965,000	1,925,000	2,750,000	15,210,000
2020	6,670,000	-	4,105,000	2,250,000	1,850,000	14,875,000
2021	6,760,000	-	4,205,000	2,700,000	1,000,000	14,665,000
2022	6,860,000	-	4,305,000	2,925,000	1,050,000	15,140,000
2023	6,955,000	-	4,410,000	2,975,000	1,100,000	15,440,000
2024	1,900,000	-	4,420,000	3,400,000	1,150,000	10,870,000
2025	2,000,000	-	4,570,000	3,600,000	1,200,000	11,370,000
2026	2,100,000	-	4,690,000	3,850,000	1,250,000	11,890,000
2027	2,200,000	7,560,000	4,890,000	4,000,000	2,300,000	20,950,000
2028	2,300,000	-	4,835,000	4,425,000	2,375,000	13,935,000
2029	2,400,000	-	4,780,000	4,825,000	2,425,000	14,430,000
2030	2,500,000	-	-	5,950,000	2,500,000	10,950,000
2031	2,525,000	-	-	6,100,000	2,550,000	11,175,000
2032	-	-	-	6,150,000	2,600,000	8,750,000
2033	-	-	-	6,225,000	2,650,000	8,875,000
2034	-	-	-	-	2,700,000	2,700,000
2035	-	-	-	-	2,725,000	2,725,000
Total remaining payments	\$ 58,150,000	\$ 7,560,000	\$ 52,795,000	\$ 63,175,000	\$ 36,575,000	\$ 218,255,000
Interest rate	3.25% to 5.25%	5.40%	3.00% to 5.00%	4.00% to 5.00%	3.00% to 4.00%	
Original issue	\$ 122,035,000	\$ 7,560,000	\$ 54,775,000	\$ 65,000,000	\$ 38,720,000	\$ 288,090,000

Principal payments for the bond issues are due on May 1 of each year.

Interest payments for the bond issues are due on May 1 and November 1 of each year.