

PINCKNEY
COMMUNITY
SCHOOLS



Year Ended
June 30, 2016

Financial
Statements

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PINCKNEY COMMUNITY SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 26, 2016

Board of Education
Pinckney Community Schools
Pinckney, Michigan**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Pinckney Community Schools* (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pinckney Community Schools as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules for the pension plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements and annual disclosure information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pinckney Community Schools' internal control over financial reporting and compliance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

PINCKNEY COMMUNITY SCHOOLS

Management's Discussion and Analysis

As management of Pinckney Community Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016.

Financial Highlights

· Total net position	\$ (74,005,786)
· Change in total net position	(3,065,776)
· Fund balances, governmental funds	2,569,411
· Change in fund balances, governmental funds	(1,723,227)
· Unassigned fund balance (deficit), general fund	(1,325,122)
· Change in fund balance, general fund	772,910
· Long-term debt outstanding	117,933,370
· Change in long-term debt	(5,362,687)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the district include instruction, support services, food service, athletics, community service, and school store. The District has no business-type activities as of and for the year ending June 30, 2016.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

PINCKNEY COMMUNITY SCHOOLS

Management's Discussion and Analysis

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains eleven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, 2010 Series A capital projects fund, and 2016 debt service fund which are major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided for the general fund herein to demonstrate compliance with that budget.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after the basic financial statements of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPERS pension plan immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

PINCKNEY COMMUNITY SCHOOLS

Management's Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$74,005,786 at the close of the most recent fiscal year.

Normally the largest portion of the District's total assets reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment). Net position invested in capital assets, net of related debt used to acquire those assets that are still outstanding, resulted in a deficit of \$11,612,759 at June 30, 2016. The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Position	
	Governmental Activities	
	2015	2016
Current and other assets	\$ 15,197,786	\$ 14,249,282
Capital assets, net	88,738,864	82,806,414
Total assets	103,936,650	97,055,696
Deferred outflows of resources	6,551,176	4,854,978
Long-term liabilities	114,561,171	117,933,370
Current and other liabilities	62,228,775	54,392,607
Total liabilities	176,789,946	172,325,977
Deferred inflows of resources	4,637,890	3,590,483
Net position:		
Net investment in capital assets	(10,475,506)	(11,612,759)
Restricted	376,575	314,318
Unrestricted (deficit)	(60,841,079)	(62,707,345)
Total net position	\$ (70,940,010)	\$ (74,005,786)

An amount of \$314,318, included in net position of the District, represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position, which has a negative balance due to the recording of the District's portion of the Michigan Public School Employees Retirement System (MPERS) net pension liability with the implementation of GASB 68.

PINCKNEY COMMUNITY SCHOOLS

Management's Discussion and Analysis

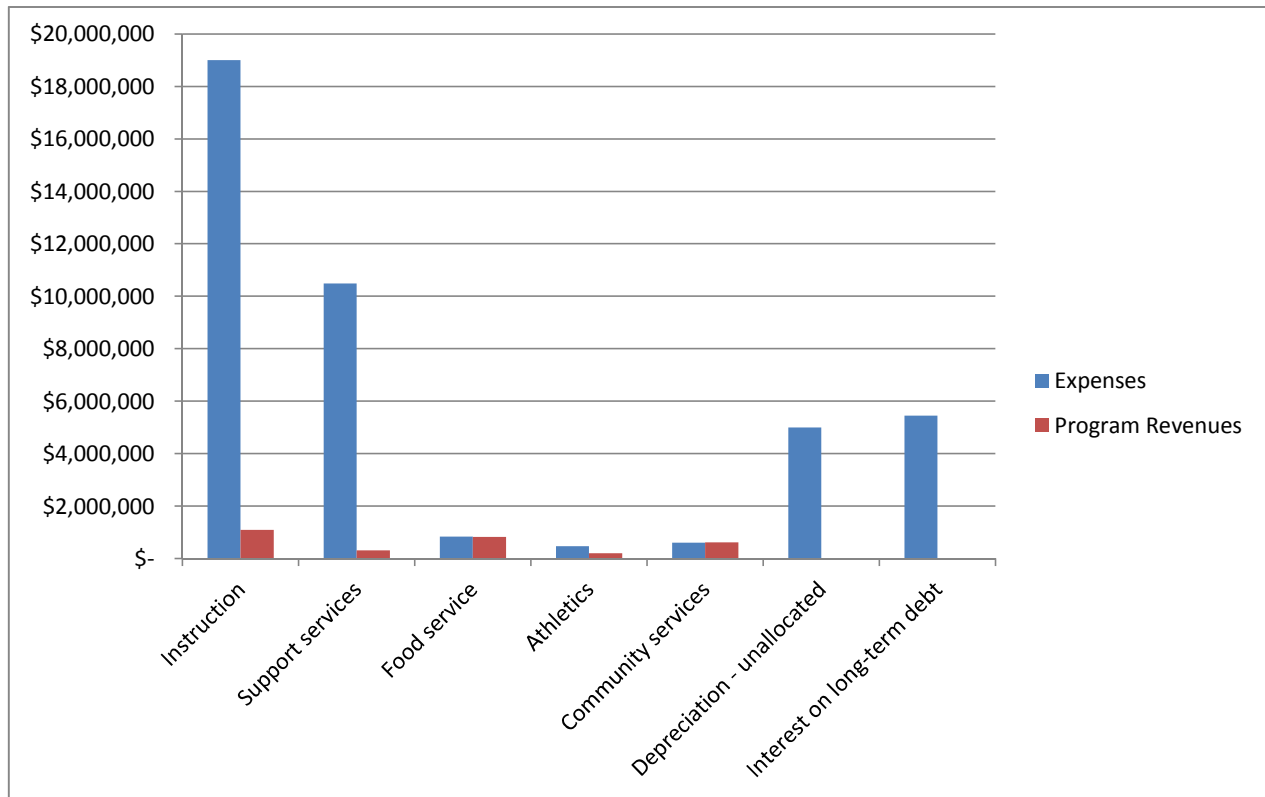
The District's net position decreased by \$3,065,776 during the current fiscal year. The District's decrease in net position was primarily driven by a decrease in operating grants from the decrease in State Proposition A obligation payments, and an increase in interest expenditures due to the District's 2016 debt refunding. The dynamics of these two elements, coupled with the District's conservative budgeting process were the primary drivers for the decrease in net position for the current year.

	Changes in Net Position	
	Governmental Activities	
	2015	2016
Program revenues:		
Charges for services	\$ 1,312,352	\$ 1,313,871
Operating grants	1,933,335	1,735,031
General revenues:		
Property taxes	11,647,163	11,887,192
State school aid	24,599,331	23,563,367
Other	250,634	292,756
Total revenues	39,742,815	38,792,217
Expenses:		
Instruction	19,508,002	19,008,718
Support services	9,500,813	10,483,977
Food service	944,796	841,097
Athletics	453,313	469,277
Community service	582,629	605,848
School store	5,237	-
Depreciation - unallocated	5,309,950	5,000,224
Loss on disposal of capital assets - unallocated	15,956	-
Interest on long-term debt	4,124,138	5,448,852
Total expenses	40,444,834	41,857,993
Change in net position	(702,019)	(3,065,776)
Net position, beginning of year	(29,089,404)	(70,940,010)
Restatement for implementation of GASB 68	(41,148,587)	-
Net position, end of year	\$ (70,940,010)	\$ (74,005,786)

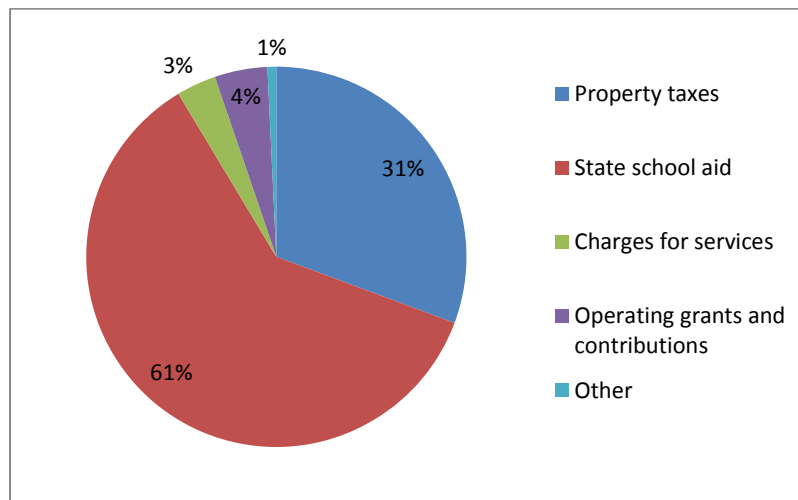
PINCKNEY COMMUNITY SCHOOLS

Management's Discussion and Analysis

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



PINCKNEY COMMUNITY SCHOOLS

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,569,411, a decrease of \$1,723,227 in comparison with the prior year. The District had an unassigned fund deficit of \$1,325,122. A portion of the fund balance is nonspendable, restricted, or committed to indicate that it is not available for new spending because the underlying assets are included in inventory and prepaid items, are restricted for externally imposed constraints, or committed by board action, and are not available for current expenditure.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned portion of fund balance was (\$1,325,122), while total fund balance was (\$691,231).

General Fund Budgetary Highlights

Differences between the original and final amended budgets were relatively minor. Once additional information was known, subsequent budget amendments adjusted the planned revenue and expenditures which came in lower than initially budgeted. The adjustments were subtracted from various District programs. Budget to actual comparisons were generally favorable.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2016 amounted to \$82,806,414 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, site improvements, vehicles and equipment.

Depreciation expense was \$5,291,073 for the year ended June 30, 2016.

The major capital asset purchases during the current fiscal year were the following:

- . Applied Tec Equipment - \$22,666
- . HVAC Controls - Lakeland Elementary - \$18,743
- . HVAC Controls - High School - \$8,300
- . High School Scoreboards - \$18,640
- . Wrestling Mat - \$8,425
- . Diesel Fuel Pump - \$6,274
- . Sidewalk Replacement - High School - \$10,500
- . Classroom Renovations - High School - \$32,805

PINCKNEY COMMUNITY SCHOOLS

Management's Discussion and Analysis

A summary of the District's capital assets (net of accumulated depreciation) as of June 30, 2016 follows:

Capital assets not being depreciated -	
Land	\$ 1,391,855
Capital assets being depreciated:	
Buildings and improvements	71,028,235
Site improvements	7,985,636
Equipment	1,130,921
Vehicles	1,269,767
Total capital assets, net	<u>\$ 82,806,414</u>

Additional information on the District's capital assets can be found in Note 5 in the notes to the financial statement section of this report.

Long-term Debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$107,415,000.

The District's total debt principal payments (excluding payments on current refundings) were \$6,897,620 during the current fiscal year.

Additional information on the District's long-term debt can be found in Note 7 in the notes to the financial statement section of this report.

Factors Bearing on the District's Future

The following factors were also considered in preparing the District's budget for the 2016-17 fiscal year:

- The economic downswing has affected all Michigan School Districts over the past eight years primarily due to declining enrollment and stagnant funding. The foundation grant allowance has increased from \$7,391 in 2015-16 to \$7,511 in 2016-17. The increase in the foundation allowance is not enough money to keep up with the District's increased expenses including salaries, insurance and retirement benefits, utility costs and diesel fuel increases. Additionally, since the "Schools of Choice" legislation was enacted, the District's enrollment has decreased and now hovers around the 3,217 student level. The District has made additional program and staff reductions in order to balance the 2016-17 budget. The District also understands that the State of Michigan may not be able to fully fund the \$7,511 foundation grant in 2016-17. Any reduction in the foundation grant will adversely affect programs and operations.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent for Finance & Operations, 2130 East M-36, and Pinckney, Michigan 48169.

BASIC FINANCIAL STATEMENTS

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PINCKNEY COMMUNITY SCHOOLS

Statement of Net Position

June 30, 2016

	Governmental Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 6,292,244
Investments	2,188,193
Accounts receivable	9,507
Due from other governments	4,317,090
Assets held for sale	779,329
Inventory and prepaid items	662,919
Total current assets	<u>14,249,282</u>
Noncurrent assets:	
Capital assets not being depreciated	1,391,855
Capital assets being depreciated, net	81,414,559
Total noncurrent assets	<u>82,806,414</u>
Total assets	<u>97,055,696</u>
Deferred outflows of resources	
Deferred pension amounts	<u>4,854,978</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	824,803
Due to other governments	336,745
Salaries payable	2,523,944
Payroll taxes and benefits payable	4,712
State aid note payable	7,597,938
Accrued expenses	88,549
Unearned revenue	169,874
Accrued sick leave payable	431,778
Current portion of long-term obligations	5,543,726
Total current liabilities	<u>17,522,069</u>
Noncurrent liabilities:	
Accrued sick leave payable	647,667
Noncurrent portion of long-term obligations	111,310,199
Net pension liability	42,846,042
Total noncurrent liabilities	<u>154,803,908</u>
Total liabilities	<u>172,325,977</u>
Deferred inflows of resources	
Deferred pension amounts	2,945,616
Deferred gain on refunding	644,867
Total deferred inflows of resources	<u>3,590,483</u>
Net position	
Net investment in capital assets	(11,612,759)
Restricted for debt service	248,262
Restricted for food service	66,056
Unrestricted (deficit)	(62,707,345)
Total net position	<u>\$ (74,005,786)</u>

The accompanying notes are an integral part of these financial statements.

PINCKNEY COMMUNITY SCHOOLS

Statement of Activities

For the Year Ended June 30, 2016

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction:				
Basic programs	\$ 14,441,467	\$ -	\$ -	\$ (14,441,467)
Added needs:				
Special education	3,214,214	-	1,031,790	(2,182,424)
Other added needs	1,353,037	5,658	54,807	(1,292,572)
Total instruction	<u>19,008,718</u>	<u>5,658</u>	<u>1,086,597</u>	<u>(17,916,463)</u>
Support services:				
Pupil	966,297	-	288,784	(677,513)
Instructional services	671,305	-	-	(671,305)
General administration	264,736	-	-	(264,736)
School administration	1,714,165	-	-	(1,714,165)
Business	981,271	-	24,191	(957,080)
Operation and maintenance	2,945,675	-	-	(2,945,675)
Pupil transportation services	1,215,635	-	-	(1,215,635)
Technology	1,439,998	-	-	(1,439,998)
Central	282,334	-	-	(282,334)
Services to other schools	2,561	-	-	(2,561)
Total support services	<u>10,483,977</u>	<u>-</u>	<u>312,975</u>	<u>(10,171,002)</u>
Food service	841,097	484,692	335,459	(20,946)
Athletics	469,277	206,290	-	(262,987)
Community service	605,848	617,231	-	11,383
Depreciation - unallocated	5,000,224	-	-	(5,000,224)
Interest on long-term debt	5,448,852	-	-	(5,448,852)
Total governmental activities	<u>\$ 41,857,993</u>	<u>\$ 1,313,871</u>	<u>\$ 1,735,031</u>	<u>\$ (38,809,091)</u>

continued...

PINCKNEY COMMUNITY SCHOOLS

Statement of Activities

For the Year Ended June 30, 2016

	Governmental Activities
Changes in net position	
Net expense	<u>\$ (38,809,091)</u>
General revenues:	
Property taxes	11,887,192
Unrestricted state aid	23,563,367
Grants and contributions not restricted to specific programs	280,761
Unrestricted investment earnings	<u>11,995</u>
Total general revenues	<u>35,743,315</u>
Change in net position	(3,065,776)
Net position, beginning of year	<u>(70,940,010)</u>
Net position, end of year	<u><u>\$ (74,005,786)</u></u>
	concluded.

The accompanying notes are an integral part of these financial statements.

PINCKNEY COMMUNITY SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2016

	General Fund	2010 Series A Capital Projects	2016 Debt Service Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 5,093,554	\$ 144,793	\$ 5,275	\$ 1,048,622	\$ 6,292,244
Investments	-	2,188,193	-	-	2,188,193
Accounts receivable	929	-	-	8,578	9,507
Due from other funds	-	-	-	12,262	12,262
Due from other governments	4,302,121	-	-	14,969	4,317,090
Inventory	34,813	-	-	11,620	46,433
Prepaid items	599,078	-	-	17,408	616,486
Total assets	\$ 10,030,495	\$ 2,332,986	\$ 5,275	\$ 1,113,459	\$ 13,482,215
Liabilities					
Accounts payable	\$ 102,140	\$ 71,065	\$ -	\$ 5,575	\$ 178,780
Due to other governments	336,745	-	-	-	336,745
Due to other funds	11,493	58	-	711	12,262
State aid note payable	7,597,938	-	-	-	7,597,938
Accrued payroll	2,518,567	-	-	5,377	2,523,944
Payroll taxes and benefits payable	4,712	-	-	-	4,712
Accrued expenses	88,549	-	-	-	88,549
Unearned revenue	61,582	-	-	108,292	169,874
Total liabilities	10,721,726	71,123	-	119,955	10,912,804
Fund balances (deficit)					
Nonspendable -					
inventory and prepaids	633,891	-	-	29,028	662,919
Restricted - food service	-	-	-	54,436	54,436
Restricted - debt service	-	-	5,275	876,470	881,745
Restricted - capital projects	-	2,261,863	-	-	2,261,863
Committed - athletics	-	-	-	6,498	6,498
Committed - community service	-	-	-	27,072	27,072
Unassigned (deficit)	(1,325,122)	-	-	-	(1,325,122)
Total fund balances (deficit)	(691,231)	2,261,863	5,275	993,504	2,569,411
Total liabilities and fund balances	\$ 10,030,495	\$ 2,332,986	\$ 5,275	\$ 1,113,459	\$ 13,482,215

The accompanying notes are an integral part of these financial statements.

PINCKNEY COMMUNITY SCHOOLS

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2016

Fund balances - total governmental funds	\$ 2,569,411
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	153,693,062
Accumulated depreciation on capital assets	(70,886,648)
Assets held for sale	779,329
Gains on debt refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net position.	
	(644,867)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and capital leases payable	(108,955,849)
Accrued interest on bonds payable	(646,023)
Unamortized premium related to bond issuance	(7,898,076)
Compensated absences	(1,079,445)
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(42,846,042)
Deferred outflows related to the net pension liability	4,854,978
Deferred inflows related to the net pension liability	(2,945,616)
Net position of governmental activities	<u>\$ (74,005,786)</u>

The accompanying notes are an integral part of these financial statements.

PINCKNEY COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2016

	General Fund	2010 Series A Capital Projects	2016 Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources:					
Property taxes	\$ 3,632,848	\$ -	\$ -	\$ 8,255,023	\$ 11,887,871
Other local sources	92,059	11,583	5,275	1,257,719	1,366,636
State sources	23,549,483	-	-	46,616	23,596,099
Federal sources	309,231	-	-	298,385	607,616
Interdistrict sources	1,066,150	-	-	-	1,066,150
Other sources	205,676	-	-	62,169	267,845
Total revenues	28,855,447	11,583	5,275	9,919,912	38,792,217
Expenditures					
Instruction:					
Basic programs	14,220,411	-	-	-	14,220,411
Added needs:					
Special education	3,172,967	-	-	-	3,172,967
Other added needs	1,337,918	-	-	-	1,337,918
Total instruction	18,731,296	-	-	-	18,731,296
Support services:					
Pupil	954,371	-	-	-	954,371
Instructional services	664,928	-	-	-	664,928
General administration	262,104	-	-	-	262,104
School administration	1,675,016	-	-	-	1,675,016
Business	529,162	-	-	-	529,162
Operation and maintenance	2,883,551	-	-	-	2,883,551
Pupil transportation services	998,765	-	-	-	998,765
Technology	634,386	-	-	-	634,386
Central	279,023	-	-	-	279,023
Services to other schools	2,561	-	-	-	2,561
Total support services	8,883,867	-	-	-	8,883,867
Food service	-	-	-	835,751	835,751
Athletics	-	-	-	467,848	467,848
Community service	-	-	-	603,914	603,914
Debt service:					
Principal	179,620	-	50,794,522	6,700,000	57,674,142
Interest	24,625	-	3,359,166	3,946,905	7,330,696
Bond issuance costs	-	-	437,554	-	437,554
Capital outlay	-	937,835	-	-	937,835
Total expenditures	27,819,408	937,835	54,591,242	12,554,418	95,902,903
Revenues over (under) expenditures	1,036,039	(926,252)	(54,585,967)	(2,634,506)	(57,110,686)

continued...

PINCKNEY COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2016

	General Fund	2010 Series A Capital Projects	2016 Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)					
Issuance of long-term debt	\$ -	\$ -	\$ 50,895,000	\$ 796,217	\$ 51,691,217
Premium	-	-	3,696,242	-	3,696,242
Transfers in	-	-	-	263,129	263,129
Transfers out	(263,129)	-	-	-	(263,129)
Total other financing sources (uses)	<u>(263,129)</u>	<u>-</u>	<u>54,591,242</u>	<u>1,059,346</u>	<u>55,387,459</u>
Net change in fund balances	772,910	(926,252)	5,275	(1,575,160)	(1,723,227)
Fund balances (deficit), beginning of year	<u>(1,464,141)</u>	<u>3,188,115</u>	<u>-</u>	<u>2,568,664</u>	<u>4,292,638</u>
Fund balances (deficit), end of year	<u>\$ (691,231)</u>	<u>\$ 2,261,863</u>	<u>\$ 5,275</u>	<u>\$ 993,504</u>	<u>\$ 2,569,411</u>

concluded.

The accompanying notes are an integral part of these financial statements.

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PINCKNEY COMMUNITY SCHOOLS

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds	\$ (1,723,227)
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported depreciation expense.</p>	
Capital assets purchased	137,952
Depreciation expense	(5,291,073)
<p>Bond proceeds provide current financial resources to governmental funds in the period issued, issuing bonds increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the statement of net position.</p>	
Principal payments on long-term liabilities	57,674,142
Issuance of long-term debt	(51,691,217)
Premium on issuance of long-term debt	(3,696,242)
<p>Some expenses reported in the statement of activities do not require the use of current resources and therefore are not reported as expenditures in the funds.</p>	
Change in net pension liability and related deferred amounts	(305,211)
Amortization of bond premium	381,985
Amortization of deferred loss on refunding	(33,914)
Change in the accrual for compensated absences	(40,826)
Change in accrued interest payable on bonds	1,521,855
Change in net position of governmental activities	<u>\$ (3,065,776)</u>

The accompanying notes are an integral part of these financial statements.

PINCKNEY COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Over (under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 3,749,200	\$ 3,630,600	\$ 3,632,848	\$ 2,248
Other local sources	59,400	89,800	92,059	2,259
State sources	23,746,198	23,557,902	23,549,483	(8,419)
Federal sources	362,838	414,483	309,231	(105,252)
Interdistrict sources	1,053,000	1,083,100	1,066,150	(16,950)
Other sources	325,000	199,000	205,676	6,676
Total revenues	<u>29,295,636</u>	<u>28,974,885</u>	<u>28,855,447</u>	<u>(119,438)</u>
Expenditures				
Instruction -				
Basic programs	14,664,245	14,294,399	14,220,411	(73,988)
Added needs:				
Special education	3,180,906	3,170,979	3,172,967	1,988
Other added needs	1,343,016	1,408,606	1,337,918	(70,688)
Total instruction	<u>19,188,167</u>	<u>18,873,984</u>	<u>18,731,296</u>	<u>(142,688)</u>
Support services:				
Pupil	1,048,100	1,004,077	954,371	(49,706)
Instructional services	764,845	752,658	664,928	(87,730)
General administration	268,582	263,488	262,104	(1,384)
School administration	1,648,486	1,704,892	1,675,016	(29,876)
Business	597,998	543,155	529,162	(13,993)
Operation and maintenance	3,043,420	2,934,957	2,883,551	(51,406)
Pupil transportation services	1,030,755	999,741	998,765	(976)
Technology	656,914	629,689	634,386	4,697
Central	278,757	296,345	279,023	(17,322)
Services to other schools	6,500	2,722	2,561	(161)
Total support services	<u>9,344,357</u>	<u>9,131,724</u>	<u>8,883,867</u>	<u>(247,857)</u>
Debt service:				
Principal	179,620	179,620	179,620	-
Interest	24,625	24,625	24,625	-
Total debt service	<u>204,245</u>	<u>204,245</u>	<u>204,245</u>	<u>-</u>
Total expenditures	<u>28,736,769</u>	<u>28,209,953</u>	<u>27,819,408</u>	<u>(390,545)</u>
Revenues over expenditures	558,867	764,932	1,036,039	271,107
Other financing uses				
Transfers out	(260,000)	(265,629)	(263,129)	2,500
Net change in fund balance	<u>298,867</u>	<u>499,303</u>	<u>772,910</u>	<u>273,607</u>
Fund balance (deficit), beginning of year	(1,464,141)	(1,464,141)	(1,464,141)	-
Fund balance (deficit), end of year	<u>\$ (1,165,274)</u>	<u>\$ (964,838)</u>	<u>\$ (691,231)</u>	<u>\$ 273,607</u>

The accompanying notes are an integral part of these financial statements.

PINCKNEY COMMUNITY SCHOOLS

Statement of Fiduciary Assets and Liabilities

June 30, 2016

	Agency Fund
Assets	
Cash and cash equivalents	\$ 484,203
Liabilities	
Due to student groups	\$ 480,537
Due to other governments	3,666
Total liabilities	\$ 484,203

The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Pinckney Community Schools (the "District") has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the current fiscal year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available, if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

The District reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The 2010 series A capital projects fund accounts for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets for the bond issue.

The 2016 debt service fund accounts for all financial resources restricted, committed or assigned to expenditure for principal and interest.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

The *debt service funds* are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

The *agency fund* accounts for assets held for other groups and organizations and is custodial in nature.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, except those levied to repay bonded debt.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

Deposits and Investments

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

Investments are reported at fair value, with the exception of the District's investments in the Michigan Liquid Assets Fund (MILAF), which are recorded at amortized cost.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). There were no interfund advance loans outstanding at June 30, 2016.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

Inventory and Prepaid Items

Inventory is valued at the lower of cost (first in, first out) or market. Inventory in the general fund and school service funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current position.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	40
Site improvements	40
Equipment	5-20
Vehicles	5-10

Deferred Outflows 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, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District also reports deferred outflows of resources related to the net pension liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

Compensated Absences

The District records a liability at fiscal year end for vacation pay earned but not taken as of that date. Employees are also compensated for unused sick days; accordingly, a liability is recorded at fiscal year end for such unused time. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows for the gain on refunding. This amount represents the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred inflows of resources related to the net pension liability.

Fund Equity

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. As applicable, the District reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Pensions

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 plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. All budgets are adopted on a functional basis.

3. EXCESS OF EXPENDITURES OVER BUDGET

Expenditures in excess of budgeted amounts at the legal level of control for the general fund were as follows.

	Final Budget	Actual Expenditures	Over Budget
Instruction -			
Special education	\$ 3,170,979	\$ 3,172,967	\$ 1,988
Support services -			
Technology	629,689	634,386	4,697

4. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the Statement of Net Position and Statement of Fiduciary Assets and Liabilities follows:

Statement of Net Position:

Cash and cash equivalents	\$ 6,292,244
Investments	2,188,193
	<u>8,480,437</u>

Statement of Fiduciary Assets and Liabilities -

Cash and cash equivalents	<u>484,203</u>
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Total	<u><u>\$ 8,964,640</u></u>
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Deposits and Investments:

Bank deposits (checking accounts, savings accounts and CDs)	\$ 2,330,866
Investments	6,629,774
Cash on hand	<u>4,000</u>

Total	<u><u>\$ 8,964,640</u></u>
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PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

Statutory Authority

State statutes authorize the District to invest in:

Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.

Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows all of these types of investments.

Deposit and Investment Risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$2,130,308 of the District's bank balance of \$2,450,081 was exposed to custodial credit risk because it was uninsured and uncollateralized. The book value of these deposits was \$2,330,866 at June 30, 2016.

Custodial Credit Risk - Investments. Following is a summary of the District's investments as of June 30, 2016:

Michigan Liquid Asset Fund (MILAF)	\$ 90,071
MBIA	4,441,580
Commercial paper	<u>2,098,123</u>
	<u>\$ 6,629,774</u>

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require a policy for investment custodial credit risk. The District's policy regarding custodial credit risk states that investment institutions to be authorized must be capitalized at no less than \$10,000,000.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District’s investment policy does not have specific limits in excess of state law on investment credit risk.

As of June 30, 2016, the District’s investments were rated by Standard and Poor’s as follows:

	MILAF	MBIA	Commercial Paper
Rating			
AAAm	\$ 90,071	\$ 4,441,580	\$ -
A-1	-	-	2,098,123
	<u>\$ 90,071</u>	<u>\$ 4,441,580</u>	<u>\$ 2,098,123</u>

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District’s investment policy does not have specific limits in excess of state law on concentration of credit risk. At June 30, 2016, the District’s investment portfolio was not concentrated.

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The District’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of June 30, 2016, the District’s investments in commercial paper were all scheduled to mature in less than one year.

Fair Value. The 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.

The District’s only recurring fair value measurements as of June 30, 2016 were related to its investments in commercial paper and a governmental investment pool. These investments are valued using observable inputs other than directly quoted market pricing of the underlying securities (Level 2 inputs).

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated-				
Land	\$ 1,391,855	\$ -	\$ -	\$ 1,391,855
Capital assets being depreciated:				
Buildings and improvements	129,493,894	-	2,382,788	127,111,106
Site improvements	14,656,773	81,947	-	14,738,720
Equipment	8,248,085	56,005	-	8,304,090
Vehicles	2,147,291	-	-	2,147,291
	<u>154,546,043</u>	<u>137,952</u>	<u>2,382,788</u>	<u>152,301,207</u>
Less accumulated depreciation for:				
Buildings and improvements	53,815,225	3,871,105	1,603,459	56,082,871
Site improvements	6,107,217	645,867	-	6,753,084
Equipment	6,628,127	545,042	-	7,173,169
Vehicles	648,465	229,059	-	877,524
	<u>67,199,034</u>	<u>5,291,073</u>	<u>1,603,459</u>	<u>70,886,648</u>
Total capital assets being depreciated, net	<u>87,347,009</u>	<u>(5,153,121)</u>	<u>779,329</u>	<u>81,414,559</u>
Governmental activities capital assets, net	<u>\$ 88,738,864</u>	<u>\$ (5,153,121)</u>	<u>\$ 779,329</u>	<u>\$ 82,806,414</u>

The District's current year disposals include buildings transferred from capital assets to assets held for sale as the assets are no longer used in the operations of the District and are actively being offered for sale on the open market.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

Instruction:

Basic programs	\$ 3,677
Added needs - other	2,065

Support services:

School administration	18,456
Operation and maintenance	44,972
Pupil transportation services	216,870
Food service	4,809
Depreciation- unallocated	<u>5,000,224</u>

**Total depreciation expense-
governmental activities**

\$ 5,291,073

6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

At June 30, 2016, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General fund	\$ -	\$ 11,493
2010 Series A Capital Projects	-	58
Nonmajor governmental funds	<u>12,262</u>	<u>711</u>
	<u><u>\$ 12,262</u></u>	<u><u>\$ 12,262</u></u>

The District often reports interfund balances between many of its funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the year ended, interfund transfers consisted of the following:

	Transfers in	Transfers out
General fund	\$ -	\$ 263,129
Nonmajor governmental funds	<u>263,129</u>	<u>-</u>
	<u><u>\$ 263,129</u></u>	<u><u>\$ 263,129</u></u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. For the year ended June 30, 2016, the District transferred funds from the general fund to subsidize the athletics and food service programs.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

7. LONG-TERM DEBT

Long-term debt of the District consists of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 95,495,000	\$ 50,895,000	\$ (38,975,000)	\$ 107,415,000	\$ 4,785,000
Premium on bonds	5,786,805	3,696,242	(1,584,971)	7,898,076	576,524
Capital leases	1,712,713	-	(179,620)	1,533,093	182,202
School bond loan fund	19,262,920	1,372,836	(20,628,000)	7,756	-
Compensated absences	1,038,619	330,560	(289,734)	1,079,445	431,778
Totals	<u>\$ 123,296,057</u>	<u>\$ 56,294,638</u>	<u>\$ (61,657,325)</u>	<u>\$ 117,933,370</u>	<u>\$ 5,975,504</u>

Bonds payable at June 30, 2016 are as follows:

\$12,190,000 2010 School Building and Site Bonds, Series A due in annual installments ranging from \$1,420,000 to \$2,475,000 through May 2020; interest from 4.35% to 5.40%.	\$ 8,245,000
\$15,000,000 2010 School Building and Site Bonds, Series B due in annual installments ranging from \$5,000,000 to \$10,000,000 through May 2027; interest from 6.50% to 6.60%.	15,000,000
\$35,430,000 2014 Refunding Bonds due in annual installments ranging from \$2,155,000 to \$3,120,000 through May 2027; interest from 4.00% to 5.00%.	33,275,000
\$30,085,000 2016 Refunding Bonds (Series A) due in annual installments ranging from \$3,275,000 to \$4,295,000 through May 2035; interest from 4.00% to 5.00%.	30,085,000
\$20,810,000 2016 Refunding Bonds (Series B - Federally Taxable) due in annual installments ranging from \$3,600,000 to \$4,760,000 through May 2023; interest from 1.820% to 2.725%.	<u>20,810,000</u>
Total bonded debt	<u>\$ 107,415,000</u>

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

Current Refunding

The District issued \$50,895,000 in refunding bonds during the year to refund \$32,275,000 of 2010 Series C Building and Site bonds and \$18,519,522 in School Bond Loan Fund debt. The refunding resulted in a savings of \$4,181,663 over the next nineteen years and an economic gain of \$2,674,883.

The total payments on refunded debt as of June 30, 2016 were \$50,794,522, which represents amounts placed in escrow as part of the 2016 debt refunding. The payments on these bonds were made within 90 days of the refunding issuance. As such, these payments constitute a current refunding and the District had no defeased debt as of year end.

Bond Debt Service Requirements

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

Year Ended June 30,	Principal	Interest	Total
2017	\$ 4,785,000	\$ 3,958,650	\$ 8,743,650
2018	5,000,000	3,834,787	8,834,787
2019	8,875,000	3,584,787	12,459,787
2020	9,235,000	3,251,127	12,486,127
2021	7,270,000	2,883,373	10,153,373
2022-2026	29,235,000	10,804,284	40,039,284
2027-2031	26,770,000	6,257,750	33,027,750
2032-2035	16,245,000	2,073,000	18,318,000
Totals	\$ 107,415,000	\$ 36,647,758	\$ 144,062,758

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

Capital Leases

The District has entered into a lease agreement with Livingston Educational Services Agency (LESA) for financing the purchase of two buses for \$1,889,792. This lease agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. Total accumulated depreciation on these leased assets at year end was \$650,610.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

Year Ended June 30,	Amount
2017	\$ 204,240
2018	204,240
2019	204,240
2020	204,240
2021	204,240
2022-2024	<u>612,716</u>
	1,633,916
Less amount representing interest	<u>(100,823)</u>
Total	<u>\$ 1,533,093</u>

School Bond Loan Fund

	Principal	Interest	Total
Beginning balance	\$ 17,731,029	\$ 1,531,891	\$ 19,262,920
Additions	796,217	576,619	1,372,836
Deductions	<u>(18,519,522)</u>	<u>(2,108,478)</u>	<u>(20,628,000)</u>
Ending balance	<u>\$ 7,724</u>	<u>\$ 32</u>	<u>\$ 7,756</u>

Loans represent \$7,756 in amounts borrowed from the State of Michigan School Bond Loan program to supplement property tax revenue to make payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the debt service requirements on the general obligation bonds.

The other long-term obligations are comprised of employee compensated absences of \$1,079,445 which are generally liquidated by the general fund.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

8. SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
State aid note	\$ 7,584,994	\$ 7,597,938	\$ 7,584,994	\$ 7,597,938

The District has two short-term state aid notes totaling \$7,500,000, plus interest of \$97,938 that are included as a liability in the general fund at June 30, 2016. These notes carry interest rates of 1.080% and 1.4625% and are due August 2016.

9. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2016, was as follows:

Capital assets, net	\$ 82,806,414
Capital related bonds payable	(86,605,000)
Premium on bonds payable	(7,898,076)
Unamortized gain on bond refunding	(644,867)
Capital leases payable	(1,533,093)
Unexpended bond proceeds	<u>2,261,863</u>
Net investment in capital assets	<u>\$ (11,612,759)</u>

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the 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.

11. PROPERTY TAXES

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1 of the following year. Taxes are levied on December 1 by the municipalities within the District, and are due on February 14. Delinquent real taxes are advanced to the District by the Revolving Tax Fund of the applicable County.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

12. RETIREMENT PLAN

Plan Description

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

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

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

Benefits Provided

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

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

Contributions and Funded Status

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21-year period for the 2015 fiscal year.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

The table below summarizes pension contribution rates in effect for fiscal year 2015.

Benefit Structure	Member Rates	Employer Rates
Basic	0.0% - 4.0%	22.52% - 23.07%
Member Investment Plan (MIP)	3.0% - 7.0%	22.52% - 23.07%
Pension Plus	3.0% - 6.4%	21.99%
Defined Contribution	0.0%	17.72% - 18.76%

The District's contribution to MPSERS under all pension plans for the year ended June 30, 2016 was \$3,860,499.

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

At June 30, 2016, the District reported a liability of \$42,846,042 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2014. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the District's proportion was 0.17542%, which was a decrease of 0.01504% from its proportion measured as of September 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$2,888,487. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 141,919	\$ (141,919)
Changes in assumptions	1,054,960	-	1,054,960
Net difference between projected and actual earnings on pension plan investments	218,694	-	218,694
Changes in proportion and differences between employer contributions and proportionate share of contributions	80,286	2,803,697	(2,723,411)
	<u>1,353,940</u>	<u>2,945,616</u>	<u>(1,591,676)</u>
District contributions subsequent to the measurement date	3,501,038	-	3,501,038
Total	<u>\$ 4,854,978</u>	<u>\$ 2,945,616</u>	<u>\$ 1,909,362</u>

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

\$3,501,038 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2017	\$ (612,691)
2018	(612,691)
2019	(669,896)
2020	<u>303,602</u>
Total	<u>\$ (1,591,676)</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	3.5%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	8.0%
Pension Plus plan (hybrid)	7.5%
Projected salary increases	3.5% - 12.3%, including wage inflation at 3.5%
Cost of living adjustments	3% annual non-compounded for MIP members
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.90%	1.64%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.90%	0.09%
Real estate and infrastructure pools	10.00%	4.30%	0.43%
Absolute return pools	15.50%	6.00%	0.93%
Short-term investment pools	2.00%	0.00%	0.00%
	100.00%		5.90%
Inflation			2.10%
Investment rate of return			8.00%

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

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

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

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
District's proportionate share of the net pension liability	\$ 55,239,532	\$ 42,846,042	\$ 32,397,823

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2016, the District reported a payable of \$570,552 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2016.

Other Postemployment Benefits

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the *Premium Subsidy* plan, a defined benefit postemployment healthcare plan, which is funded by employers on a prefunded basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.71% to 6.83% of covered payroll. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

Plan members enrolled on or after September 4, 2012 participate in the *Personal Healthcare Fund*. This defined contribution other postemployment benefits plan includes a required 2% employee contribution into a personal tax-deferred account, which is matched by an additional 2% employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2013, these members are no longer required to make the 3% employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 were declared unconstitutional by the Supreme Court. Such amounts will be refunded by MPSERS to each District, including interest, and will then be refunded to individual employees.

The District's contributions to MPSERS for other postemployment benefits amounted to \$1,401,637 for the year ended June 30, 2016.

PINCKNEY COMMUNITY SCHOOLS

■ Notes to Financial Statements

13. BONDED CONSTRUCTION COST

The 2010 Series A Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Michigan Revised School Code, and the applicable sections of the revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

14. LEASES

The District entered into an agreement to lease a portion of Lakeland Elementary School to Kensington Woods High School, a charter school, for the period August 1, 2014 through July 31, 2015. This District signed an extension of this lease for the fiscal year 2015-2016. Payments are due in monthly installments of \$11,666 plus a pro-rata share of utility costs. Total revenue related to this lease, for the year ended June 30, 2016, was \$181,793. The agreement was renewed again subsequent to the end of the fiscal year through July 2017.

15. SUBSEQUENT EVENTS

The District borrowed \$7,000,000 in State Aid Notes on August 22, 2016, with an interest rate of 1.2%, for cash flow purposes and are due on August 21, 2017.

The District sold Pinckney Elementary on August 3, 2016 for \$200,000.

On November 5, 2015, the District entered into a sales agreement to sell Hamburg Elementary for \$200,000. The sale is scheduled to close in January 2017.

16. FUND DEFICIT

The District has an unassigned fund balance deficit in the general fund in the amount of \$1,325,122, and the total fund balance deficit was \$691,231. State law requires the District to establish a deficit elimination plan with the Michigan Department of Education. The plan for the 2016-2017 fiscal year was approved by the State on September 22, 2016.



REQUIRED SUPPLEMENTARY INFORMATION

PINCKNEY COMMUNITY SCHOOLS

Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,	
	2015	2016
District's proportion of the net pension liability	0.19046%	0.17542%
District's proportionate share of the net pension liability	\$ 41,952,722	\$ 42,846,042
District's covered-employee payroll	16,360,439	14,753,169
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	256.43%	290.42%
Plan fiduciary net position as a percentage of the total pension liability	66.2%	63.2%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

PINCKNEY COMMUNITY SCHOOLS

Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of District Contributions

	Year Ended June 30,	
	2015	2016
Contractually required contribution	\$ 3,427,283	\$ 3,860,499
Contributions in relation to the contractually required contribution	<u>(3,427,283)</u>	<u>(3,860,499)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 15,397,202	\$ 14,049,628
Contributions as a percentage of covered employee payroll	22.26%	27.48%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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**COMBINING FUND
FINANCIAL STATEMENTS**

PINCKNEY COMMUNITY SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2016

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 172,529	\$ 876,093	\$ 1,048,622
Accounts receivable	8,578	-	8,578
Due from other funds	12,262	-	12,262
Due from other governments	5,527	9,442	14,969
Inventory	11,620	-	11,620
Prepaid items	4,868	12,540	17,408
	<hr/>	<hr/>	<hr/>
Total assets	\$ 215,384	\$ 898,075	\$ 1,113,459
Liabilities			
Accounts payable	\$ 5,575	\$ -	\$ 5,575
Due to other funds	635	76	711
Accrued payroll	5,377	-	5,377
Unearned revenue	99,303	8,989	108,292
	<hr/>	<hr/>	<hr/>
Total liabilities	110,890	9,065	119,955
Fund balances			
Nonspendable	16,488	12,540	29,028
Restricted	54,436	876,470	930,906
Committed	33,570	-	33,570
	<hr/>	<hr/>	<hr/>
Total fund balances	104,494	889,010	993,504
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 215,384	\$ 898,075	\$ 1,113,459

PINCKNEY COMMUNITY SCHOOLS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2016

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Revenues			
Local sources:			
Property taxes	\$ -	\$ 8,255,023	\$ 8,255,023
Admissions	67,772	-	67,772
Sales to students and adults	495,322	-	495,322
Pay-to-participate fees	127,887	-	127,887
Program fees	559,362	-	559,362
Interest	43	-	43
Other local sources	-	7,333	7,333
State sources	32,732	13,884	46,616
Federal sources	298,385	-	298,385
Other sources	62,169	-	62,169
Total revenues	1,643,672	8,276,240	9,919,912
Expenditures			
Food service	835,751	-	835,751
Athletics	467,848	-	467,848
Community service	603,914	-	603,914
Debt service:			
Principal	-	6,700,000	6,700,000
Interest	-	3,946,905	3,946,905
Total expenditures	1,907,513	10,646,905	12,554,418
Revenue under expenditures	(263,841)	(2,370,665)	(2,634,506)
Other financing sources (uses)			
Transfers in	263,129	-	263,129
Issuance of long-term debt	-	796,217	796,217
Total other financing sources	263,129	796,217	1,059,346
Net change in fund balances	(712)	(1,574,448)	(1,575,160)
Fund balances, beginning of year	105,206	2,463,458	2,568,664
Fund balances, end of year	\$ 104,494	\$ 889,010	\$ 993,504

PINCKNEY COMMUNITY SCHOOLS

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2016

	Food Service	Athletics	Community Service	Total
Assets				
Cash and cash equivalents	\$ 77,412	\$ 5,481	\$ 89,636	\$ 172,529
Accounts receivable	-	288	8,290	8,578
Due from other funds	-	12,262	-	12,262
Due from other governments	5,527	-	-	5,527
Inventory	11,620	-	-	11,620
Prepaid items	-	-	4,868	4,868
Total assets	\$ 94,559	\$ 18,031	\$ 102,794	\$ 215,384
Liabilities				
Accounts payable	\$ 5,570	\$ -	\$ 5	\$ 5,575
Due to other funds	176	-	459	635
Accrued payroll	773	3,257	1,347	5,377
Unearned revenue	21,984	8,276	69,043	99,303
Total liabilities	28,503	11,533	70,854	110,890
Fund balances				
Nonspendable	11,620	-	4,868	16,488
Restricted	54,436	-	-	54,436
Committed	-	6,498	27,072	33,570
Total fund balances	66,056	6,498	31,940	104,494
Total liabilities and fund balances	\$ 94,559	\$ 18,031	\$ 102,794	\$ 215,384

PINCKNEY COMMUNITY SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2016

	Food Service	Athletics	Community Service	Total
Revenues				
Local sources:				
Admissions	\$ -	\$ 67,772	\$ -	\$ 67,772
Sales to students and adults	484,691	10,631	-	495,322
Pay-to-participate fees	-	127,887	-	127,887
Program fees	-	-	559,362	559,362
Interest	32	-	11	43
State sources	32,732	-	-	32,732
Federal sources	298,385	-	-	298,385
Other sources	4,311	-	57,858	62,169
Total revenues	820,151	206,290	617,231	1,643,672
Expenditures				
Food service	835,751	-	-	835,751
Athletics	-	467,848	-	467,848
Community service	-	-	603,914	603,914
Total expenditures	835,751	467,848	603,914	1,907,513
Revenues over (under) expenditures	(15,600)	(261,558)	13,317	(263,841)
Other financing sources				
Transfers in	629	262,500	-	263,129
Net change in fund balances	(14,971)	942	13,317	(712)
Fund balances, beginning of year	81,027	5,556	18,623	105,206
Fund balances, end of year	\$ 66,056	\$ 6,498	\$ 31,940	\$ 104,494

PINCKNEY COMMUNITY SCHOOLS

Combining Balance Sheet Nonmajor Debt Service Funds June 30, 2016

	2010 School Bond Loan	2010 Series A	2010 Series B	2010 Series C
Assets				
Cash and cash equivalents	\$ -	\$ 61,481	\$ 236,650	\$ -
Due from other governments	-	-	-	-
Prepaid items	-	12,540	-	-
Total assets	<u>\$ -</u>	<u>\$ 74,021</u>	<u>\$ 236,650</u>	<u>\$ -</u>
Liabilities				
Unearned revenue	-	8,989	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>8,989</u>	<u>-</u>	<u>-</u>
Fund balances				
Nonspendable	-	12,540	-	-
Restricted	-	52,492	236,650	-
Total fund balances	<u>-</u>	<u>65,032</u>	<u>236,650</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 74,021</u>	<u>\$ 236,650</u>	<u>\$ -</u>



2014	Total
\$ 577,962	\$ 876,093
9,442	9,442
-	12,540
<u>\$ 587,404</u>	<u>\$ 898,075</u>
-	8,989
76	76
<u>76</u>	<u>9,065</u>
-	12,540
<u>587,328</u>	<u>876,470</u>
<u>587,328</u>	<u>889,010</u>
<u>\$ 587,404</u>	<u>\$ 898,075</u>

PINCKNEY COMMUNITY SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Debt Service Funds For the Year Ended June 30, 2016

	2010 School Bond Loan	2010 Series A	2010 Series B	2010 Series C
Revenues				
Local sources -				
Property taxes	\$ 2,523,442	\$ 1,650,542	\$ 32,403	\$ 713,225
Other local sources	-	-	-	-
State sources	-	-	-	-
Total revenues	<u>2,523,442</u>	<u>1,650,542</u>	<u>32,403</u>	<u>713,225</u>
Expenditures				
Debt service:				
Principal	3,125,000	1,420,000	-	-
Interest	128,906	487,168	185,344	1,415,343
Total expenditures	<u>3,253,906</u>	<u>1,907,168</u>	<u>185,344</u>	<u>1,415,343</u>
Revenues under expenditures	(730,464)	(256,626)	(152,941)	(702,118)
Other financing sources				
Issuance of long-term debt	<u>377,639</u>	<u>191,925</u>	<u>-</u>	<u>21,348</u>
Net change in fund balances	<u>(352,825)</u>	<u>(64,701)</u>	<u>(152,941)</u>	<u>(680,770)</u>
Fund balances, beginning of year	<u>352,825</u>	<u>129,733</u>	<u>389,591</u>	<u>680,770</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 65,032</u>	<u>\$ 236,650</u>	<u>\$ -</u>



2014	Total
\$ 3,335,411	\$ 8,255,023
7,333	7,333
<u>13,884</u>	<u>13,884</u>
<u>3,356,628</u>	<u>8,276,240</u>
2,155,000	6,700,000
<u>1,730,144</u>	<u>3,946,905</u>
<u>3,885,144</u>	<u>10,646,905</u>
(528,516)	(2,370,665)
<u>205,305</u>	<u>796,217</u>
(323,211)	(1,574,448)
<u>910,539</u>	<u>2,463,458</u>
<u>\$ 587,328</u>	<u>\$ 889,010</u>

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ANNUAL DISCLOSURE DOCUMENT INFORMATION (UNAUDITED)

PINCKNEY COMMUNITY SCHOOLS

UNAUDITED

Annual Disclosure Document Information

2010 SBL Refunding Bonds, Dated 5/7/2010 Orig. Amt: \$7,980,000
CUSIP #: 722205 MF5, LK5, LL3, LM1, LN9

2010 SERIES A - Bonds, Dated 5/27/2010 Orig. Amt: \$12,190,000
CUSIP #: 722205 LP4, LQ2, LR0, LS8, LT6, LU3, LV1, LW9, LX7, LY5

2010 SERIES B - Bonds, Dated 5/27/2010 Orig. Amt: \$15,000,000
CUSIP #: 722205 MG3, ME8

2014 Refunding Bonds, Dated 6/19/2014 Orig. Amt: \$35,430,000
CUSIP #: 722205 MS7, MT5, MU2, MVO, MW8, MX6, MY4, MZ1, NA5, NB3, NC1, ND9

2016 Refunding Bonds Series A, Dated 5/17/2016 Orig. Amt: \$30,085,000
CUSIP #: 722205 NE7, NF4, NG2, NHO, NJ6, NK3, NL1, NM9

2016 Refunding Bonds Series B, Dated 5/17/2016 Orig. Amt: \$20,810,000
CUSIP #: 722205 NN7, NP2, NQO, NR8, NS6

ANNUAL DISCLOSURE DOCUMENT

History of S.E.V./Taxable Value

School Year	SEV	Change	Total Taxable Value	Change
2016/17	\$1,328,169,531	4.26%	\$ 1,113,397,299	2.06%
2015/16	1,273,906,302	8.21%	1,090,900,035	2.92%
2014/15	1,177,275,183	4.64%	1,059,911,106	1.85%
2013/14	1,125,055,240	1.91%	1,040,620,267	1.61%
2012/13	1,103,967,087	-1.84%	1,024,149,093	-0.99%
2011/12	1,124,628,754	-4.58%	1,034,410,916	-2.93%
2010/11	1,178,653,326	-10.18%	1,065,645,035	-7.77%
2009/10	1,312,276,176	-8.09%	1,155,366,507	-2.81%
2008/09	1,427,837,654	-5.89%	1,188,721,547	-0.19%
2007/08	1,517,217,288	3.35%	1,190,956,906	5.35%
2006/07	1,468,081,688	7.82%	1,130,524,685	7.39%
2005/06	1,361,666,266	6.69%	1,052,735,895	7.51%
2004/05	1,276,302,170	5.99%	979,191,394	6.28%
2003/04	1,204,185,923	11.77%	921,361,114	6.74%
2002/03	1,077,369,118	11.18%	863,149,465	9.11%
2001/02	969,045,601	11.51%	791,061,116	10.39%
2000/01	868,988,216	11.50%	716,588,787	8.37%
1999/00	779,342,423	14.55%	661,259,170	8.74%
1998/99	680,370,198	10.54%	608,113,697	9.10%
1997/98	615,510,437	11.66%	557,416,176	8.27%
1996/97	551,215,853	12.33%	514,820,575	8.16%
1995/96	490,709,331	10.05%	475,986,197	6.75%
1994/95	420,388,394	0.00%	420,388,394	0.00%

PINCKNEY COMMUNITY SCHOOLS

UNAUDITED

Annual Disclosure Document Information

Major Taxpayers

Taxpayer	Product/Service	2016 Taxable Value
Detroit Edison	Utility	\$ 13,776,900
Consumers Energy	Utility	5,253,326
Chilson Commons, LLC	Strip Mall Development	3,129,615
Hamburg Hills - Coventry Woods	Mobile Home Park Development	1,912,626
Hamburg Professional Office	Office Development	1,775,316
Tri-Bro LLC	Food Store (Busch's Valu Land)	1,590,710
ITC	Utility	1,380,300
Lakelands Golf & Country Club	Golf club	1,316,330
TopValco, Inc.	Food Store (Kroger Co.)	1,206,167
Charter Communications	Cable TV Services	1,167,230
Total		<u>\$ 32,508,520</u>
2016 Taxable Value		\$ 1,113,397,299
Top 10 taxpayers as a % of total taxable value		2.92%

School District Tax Rates

School Year	Allocated Operating	Voted Operating*	Debt	Total
2016/17	0.0000	17.9281	7.5500	25.4781
2015/16	0.0000	17.9694	7.5500	25.5194
2014/15	0.0000	18.0000	7.5500	25.5500
2013/14	0.0000	18.0000	7.5500	25.5500
2012/13	0.0000	18.0000	7.5500	25.5500
2011/12	0.0000	18.0000	7.5500	25.5500
2010/11	0.0000	18.0000	7.5500	25.5500
2009/10	0.0000	18.0000	7.5500	25.5500
2008/09	0.0000	18.0000	7.5500	25.5500
2007/08	0.0000	18.0000	7.5500	25.5500
2006/07	0.0000	18.0000	7.5500	25.5500
2005/06	0.0000	18.0000	7.5500	25.5500
2004/05	0.0000	18.0000	7.5500	25.5500
2003/04	0.0000	18.0000	7.5500	25.5500
2002/03	0.0000	18.0000	7.5500	25.5500
2001/02	0.0000	18.0000	7.5500	25.5500
2000/01	0.0000	18.0000	7.5500	25.5500
1999/00	0.0000	17.1552	7.5500	24.7052
1998/99	0.0000	17.6410	7.5500	25.1910
1997/98	0.0000	17.5187	7.5500	25.0687
1996/97	0.0000	17.9000	5.5500	23.4500
1995/96	0.0000	18.0000	6.2500	24.2500

* levied on non-homestead property only.

PINCKNEY COMMUNITY SCHOOLS

UNAUDITED

Annual Disclosure Document Information

School Year	Total Received	Foundation Allowance per Pupil
2015/16	\$ 23,336,803	\$ 7,391
2014/15	24,642,252	7,126
2013/14	25,687,088	7,026
2012/13	26,357,254	6,966
2011/12	26,990,887	6,846
2010/11	28,728,784	7,146 *
2009/10	28,647,079	7,162 **
2008/09	29,257,459	6,944 ***
2007/08	30,864,081	7,204
2006/07	30,706,650	7,085
2005/06	30,904,289	6,875
2004/05	30,738,589	6,700
2003/04	31,235,773	6,626
2002/03	31,178,214	6,628
2001/02	30,081,884	6,500
2000/01	27,441,797	6,000
1999/00	25,082,634	5,700
1998/99	23,323,995	5,413
1997/98	22,390,570	5,413
1996/97	20,303,257	5,161
1995/96	18,042,203	4,903

* includes reduction of \$525,950 of 2011 ARRA stabilization funds & \$745,086 EduJobs funds

** includes reduction of \$1,293,969 of 2010 ARRA stabilization funds

*** includes reduction of \$1,715,953 of 2009 ARRA stabilization funds

PINCKNEY COMMUNITY SCHOOLS

UNAUDITED

Annual Disclosure Document Information

Tax Levies and Collections

School Year	Operating Tax Levy	Collections to March 1st		Collections to June 30th	
		Dollar Amount	Percentage	Dollar Amount	Percentage
2015/16	\$ 3,602,940	\$ 3,295,658	91.47%	\$ 3,600,712	99.94%
2014/15	3,548,622	3,246,891	91.50%	3,544,913	99.90%
2013/14	3,580,098	3,253,038	90.86%	3,571,177	99.75%
2012/13	3,595,830	3,202,728	89.07%	3,592,937	99.92%
2011/12	3,738,158	3,303,723	88.38%	3,729,928	99.78%
2010/11	3,765,528	3,245,062	86.18%	3,756,334	99.76%
2009/10	3,859,963	3,360,855	87.07%	3,858,938	99.97%
2008/09	3,813,749	3,168,993	83.09%	3,797,894	99.58%
2007/08	3,904,263	3,298,415	84.48%	3,890,746	99.65%
2006/07	3,716,164	3,273,296	88.08%	3,693,535	99.39%
2005/06	3,360,715	2,926,933	87.09%	3,331,650	99.14%
2004/05	3,065,268	2,689,328	87.74%	3,050,058	99.50%
2003/04	2,935,534	2,594,251	88.37%	2,859,494	97.41%
2002/03	2,785,136	2,435,491	87.45%	2,722,002	97.73%
2001/02	2,708,146	2,360,805	87.17%	2,661,269	98.27%
2000/01	2,539,889	2,289,295	90.13%	2,539,889	100.00%
1999/00	2,306,855	2,077,509	90.06%	2,306,855	100.00%
1998/99	2,263,969	2,004,788	88.55%	2,263,969	100.00%
1997/98	2,099,780	1,875,980	89.34%	2,099,780	100.00%
1996/97	2,101,618	1,770,651	84.25%	2,101,618	100.00%
1995/96	2,008,727	1,783,048	88.77%	2,008,727	100.00%

Labor Force

Class	# of Employees	Affiliation	Contract Exp. Date
Administrators - Central	3	Non-affiliated	06/15
Administrators - Building	10	PCSA	06/15
Teachers	170	PEA/MEA	06/15
Professionals/Aides/Monitors	40	PSSA	06/15
Maintenance/Custodial	23	MEA	06/15
Office Personnel			
Building level	18	PESPA	06/15
Central office	8	Local contract	06/15
Community Education	1	Non-affiliated	06/15
Technology	4	Non-affiliated	06/15
Other Teachers/Latchkey	11	Non-affiliated	N/A
Lunch/Playground	38	Non-affiliated	N/A
Total	326		

Enrollment History

School Year	Enrollment
2015/16	3,217
2014/15	3,452
2013/14	3,758
2012/13	3,994
2011/12	4,167
2010/11	4,344
2009/10	4,520
2008/09	4,590
2007/08	4,738
2006/07	4,834
2005/06	4,917
2004/05	4,985
2003/04	5,087
2002/03	5,077
2001/02	4,986
2000/01	4,892
1999/00	4,776
1998/99	4,673
1997/98	4,520
1996/97	4,434
1995/96	4,169

Annual Disclosure Document Information

Retirement Plan

School Year	Amount	
2015/16	\$ 3,511,125	Does not include UAAL pass thru monies
2014/15	3,890,254	Does not include UAAL pass thru monies
2013/14	4,021,506	Does not include UAAL pass thru monies
2012/13	4,612,513	
2011/12	4,473,054	
2010/11	3,930,726	
2009/10	3,485,403	
2008/09	3,467,207	
2007/08	3,639,873	
2006/07	3,864,797	
2005/06	3,501,029	
2004/05	2,989,989	
2003/04	2,870,123	
2002/03	2,654,628	
2001/02	2,515,063	
2000/01	2,261,697	
1999/00	1,996,433	
1998/99	1,753,650	
1997/98	1,719,807	
1996/97	2,031,838	
1995/96	1,718,037	

Debt Statement - Direct Debt

Bonds Dated	Description	Amount Outstanding July 1, 2015
5/27/2010	QSCB	\$ 15,000,000
5/27/2010	Bldg & Site UTQ	8,245,000
6/19/2014	Refunding Bond	33,275,000
5/17/2016	Refunding Bond - Series A	30,085,000
5/17/2016	Refunding Bond - Series B	20,810,000
Total		<u>\$ 107,415,000</u>

General Fund Budget Summary - 2016/17

Revenues	\$ 28,661,541
Expenditures	<u>27,909,111</u>
Excess Revenues over Expenditures	752,430
July 1, 2016 Fund Balance	<u>(691,231)</u>
Projected June 30, 2017 Fund Balance	<u>\$ 61,199</u>

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

October 26, 2016

Board of Education
Pinckney Community Schools
Pinckney, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Pinckney Community Schools* (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 26, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.