

PINCKNEY  
COMMUNITY  
SCHOOLS



Year Ended  
June 30, 2013

Financial  
Statements and  
Single Audit Act  
Compliance

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# PINCKNEY COMMUNITY SCHOOLS

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**INDEPENDENT AUDITORS' REPORT**

September 5, 2013

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, 2013, 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, 2013, and the respective changes in financial position thereof and the respective 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 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 September 5, 2013 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.

A handwritten signature in black ink that reads "Rehmann Lobarr LLC". The signature is written in a cursive style with a large, prominent 'R' at the beginning.

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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, 2013.

### Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$22,114,254 (net position). Of this amount, (\$14,465,137) is unrestricted net position and \$102,342 is reserved for other purposes.
- The government's total net position decreased by \$5,211,037.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$9,030,486, a decrease of \$17,264,078 in comparison with the prior year.
- At the end of the current fiscal year, total fund balance for the general fund had a deficit balance of \$1,847,425.

The major capital asset purchases during the current fiscal year were from the 2010 bond issue as follows:

- Servers and Computer Equipment - \$36,117
- Parking Lots- Navigator & Pathfinder Schools - \$1,192,168
- Card readers, Card Access and Motion Detectors - \$89,461
- Playground Equipment - \$29,405
- Buildings & Grounds Scissor Lift & Trailer - \$23,492
- Farley Hill Elementary Renovations - \$2,001,367
- Country Elementary Renovations - \$1,838,337
- Applied Technology Equipment - \$137,666
- P. A. Systems, Clock systems & Video Surveillance Systems - \$667,922
- Water Filtration system at the High School \$182,477
- Pathfinder partial re-roof - \$851,471
- Food Service Equipment - \$59,045
- Construction in Progress - Navigator, Pathfinder and High School - \$16,289,709

### Overview of the Financial Statements

The discussion and analysis are 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 and liabilities, with the difference between the two 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).

# PINCKNEY COMMUNITY SCHOOLS

## Management's Discussion and Analysis

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 services, athletics, and community service. The District has no business-type activities as of and for the year ending June 30, 2013.

**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.

**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 fund balance sheet and the governmental fund 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 fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and two of the 2010 capital projects funds which are major funds. Data from the other twelve 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 or schedules 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 County'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.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining fund statements and schedules can be found after the notes of this report.

# 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 exceeded assets by \$22,114,254 at the close of the most recent fiscal year.

By far 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 \$7,751,459 at June 30, 2013. 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	
	2012	2013
Current and other assets	\$ 39,602,614	\$ 20,799,848
Capital assets, net	86,267,089	95,426,018
<b>Total assets</b>	<b>125,869,703</b>	<b>116,225,866</b>
Long-term liabilities	120,717,376	116,962,247
Other liabilities	19,364,735	21,377,873
<b>Total liabilities</b>	<b>140,082,111</b>	<b>138,340,120</b>
Net position:		
Net investment in capital assets	(9,970,989)	(7,751,459)
Restricted - debt funds	690,970	-
Other Purposes	115,340	102,342
Unrestricted	(5,047,729)	(14,465,137)
<b>Total net position</b>	<b>\$ (14,212,408)</b>	<b>\$ (22,114,254)</b>

An amount of \$102,342 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.

The government's net position decreased by \$5,211,037 during the current fiscal year. Principal payments on debt are expenditures in the debt funds and not an expense in the government-wide financial statements, whereas depreciation is an expense in the government-wide financial statements and not an expenditure in the funds. The dynamics of these two elements, coupled with other ongoing expenses exceeding ongoing revenues represent the primary reasons for the net position decrease for the fiscal year. Since the "Schools of Choice" legislation was enacted, the District's enrollment has decreased and now hovers around the 4,200 student level.

# PINCKNEY COMMUNITY SCHOOLS

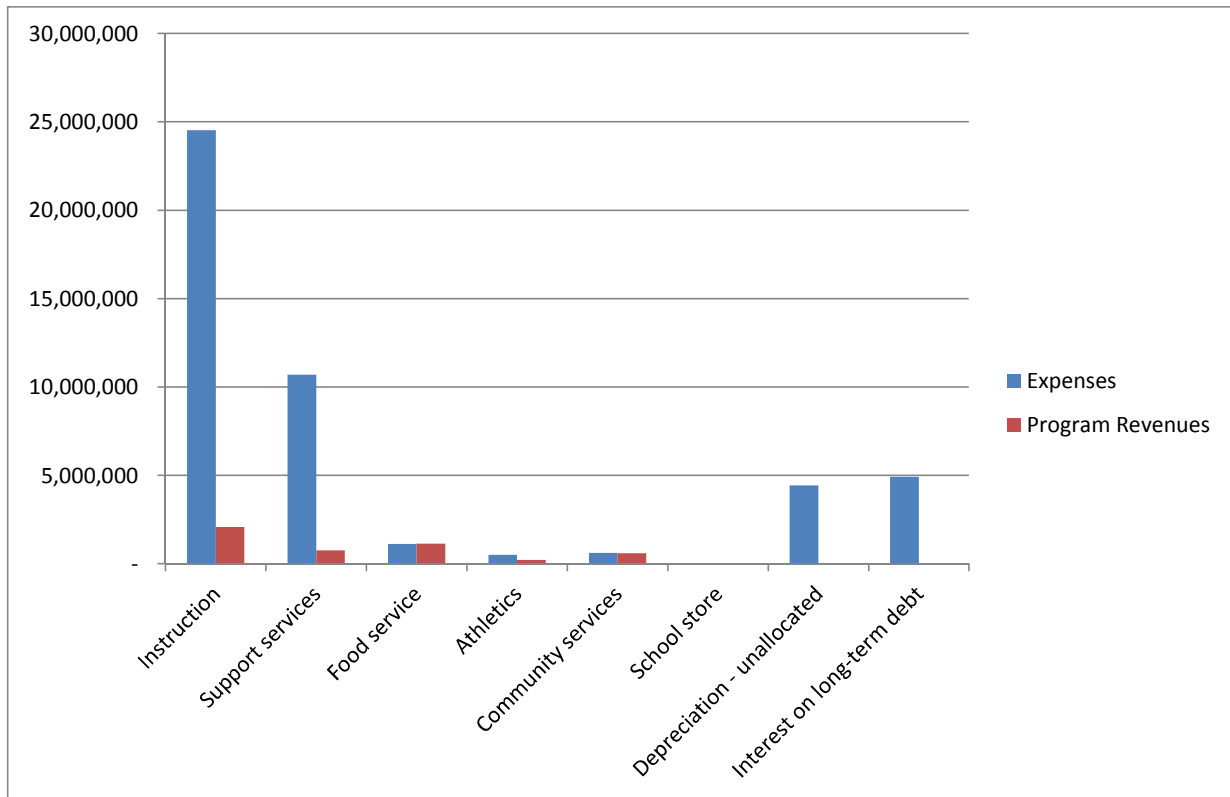
## Management's Discussion and Analysis

	Changes in Net Position	
	Governmental Activities	
	2012	2013
Program revenues:		
Charges for services	\$ 1,638,643	\$ 1,499,480
Operating grants	3,041,495	3,304,212
General revenues:		
Property taxes	11,755,054	11,612,761
State school aid	25,732,572	24,984,693
Other grants and contributions	76,159	-
Other	233,009	212,133
Total revenues	<u>42,476,932</u>	<u>41,613,279</u>
Expenses:		
Instruction	21,971,196	24,521,025
Support services	11,062,389	10,701,132
Food services	1,237,910	1,124,680
Athletics	498,168	500,791
Community service	573,793	606,862
School store	10,530	7,798
Loss on disposal of assets	122,624	-
Depreciation- unallocated	4,147,866	4,440,041
Interest on long-term debt	5,183,088	4,921,987
Total expenses	<u>44,807,564</u>	<u>46,824,316</u>
Change in net position	(2,330,632)	(5,211,037)
Net position (deficit):		
Beginning of year, as restated	<u>(11,881,776)</u>	<u>(16,903,217)</u>
End of year	<u>\$ (14,212,408)</u>	<u>\$ (22,114,254)</u>

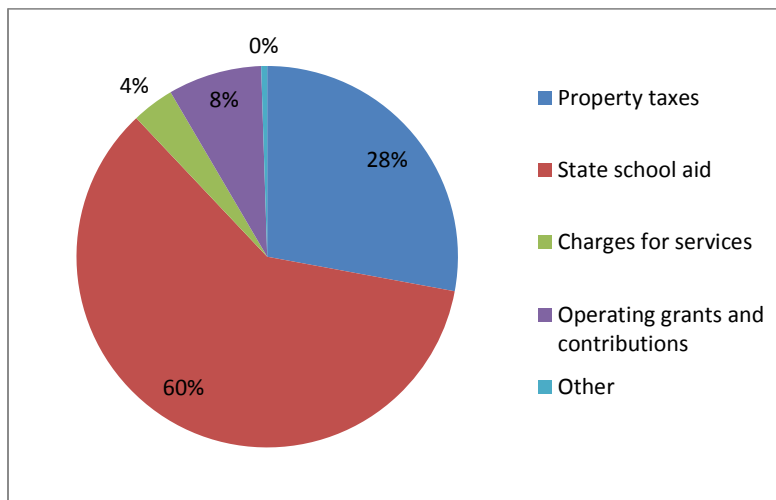
# PINCKNEY COMMUNITY SCHOOLS

## 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 \$9,030,486 a decrease of \$17,264,078 in comparison with the prior year. The District had a fund deficit of \$1,847,425. 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 expenses, 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 (\$2,375,082), while total fund balance was (\$1,847,425). As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

### General Fund Budgetary Highlights

Differences between the original and final amended budgets were relatively minor. Once additional information was known, subsequent budget amendments recognized the additional revenue and additional planned expenditures were added to 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, 2013 amounted to \$95,426,018 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment.

Depreciation Expense was \$4,547,723 for the year ended June 30, 2013.

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

- . Servers and Computer Equipment - \$36,117
- . Parking Lots- Navigator & Pathfinder Schools - \$1,192,168
- . Card readers, Card Access and Motion Detectors - \$89,461
- . Playground Equipment - \$29,405
- . Buildings & Grounds Scissor Lift & Trailer - \$23,492
- . Farley Hill Elementary Renovations - \$2,001,367
- . Country Elementary Renovations - \$1,838,337
- . Applied Technology Equipment - \$137,666
- . P. A. Systems, Clock systems & Video Surveillance Systems - \$667,922
- . Water Filtration system at the High School \$182,477
- . Pathfinder partial re-roof - \$851,471
- . Food Service Equipment - \$59,045
- . Construction in Progress - Navigator, Pathfinder and High School - \$16,289,709

# PINCKNEY COMMUNITY SCHOOLS

## Management's Discussion and Analysis

A summary of the District's capital assets (net of accumulated depreciation) as of June 30, 2013 follows:

Capital assets not being depreciated:	
Land	\$ 1,391,855
Construction in progress	16,289,709
Capital assets being depreciated:	
Buildings and improvements	66,079,600
Site improvements	8,532,701
Vehicles	3,055,240
Equipment	76,913
Total capital assets, net	<u>\$ 95,426,018</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 \$119,962,000.

The District's total debt principal payments were \$7,395,000 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 2013-14 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 \$6,966 in 2012-13 to \$7,026 in 2013-14. The increase in the foundation allowance is not enough money to keep up with our increased expenses including salaries, insurance and retirement benefits, utility costs and diesel fuel increases. We have made additional program and staff reductions balance our 2013-14 budget. We understand that the State of Michigan may not be able to fully fund the \$7,026 foundation grant in 13-14. 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, 2013

	Governmental Activities
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 355,967
Investments	14,389,938
Accounts receivable	10,801
Due from other governmental units	5,477,683
Inventory and prepaids	565,459
Total current assets	<u>20,799,848</u>
Noncurrent assets:	
Capital assets not being depreciated	17,681,564
Capital assets being depreciated	77,744,454
Total noncurrent assets	<u>95,426,018</u>
Total assets	<u>116,225,866</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	1,345,792
Due to other governmental units	145,748
Salaries payable	2,305,334
Payroll taxes and benefits payable	1,015,348
State aid note payable	7,560,413
Accrued expense	333,322
Unearned revenue	253,426
Accrued sick leave payable	416,490
Current portion of long-term obligations	8,002,000
Total current liabilities	<u>21,377,873</u>
Noncurrent liabilities:	
Accrued sick leave payable	624,734
Noncurrent portion of long-term obligations	116,337,513
Total noncurrent liabilities	<u>116,962,247</u>
Total liabilities	<u>138,340,120</u>
Net position (deficit)	
Net investment in capital assets	(7,751,459)
Restricted for:	
Other purposes	102,342
Unrestricted (deficit)	<u>(14,465,137)</u>
Total net position (deficit)	<u>\$ (22,114,254)</u>

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

# PINCKNEY COMMUNITY SCHOOLS

## Statement of Activities

For the Year Ended June 30, 2013

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Basic programs	\$ 19,700,355	\$ -	\$ -	\$ (19,700,355)
Added needs:				
Special education	3,733,717	-	1,981,859	(1,751,858)
Other added needs	1,086,953	7,730	95,456	(983,767)
Total instruction	<u>24,521,025</u>	<u>7,730</u>	<u>2,077,315</u>	<u>(22,435,980)</u>
Support services:				
Pupil	1,178,383	-	337,876	(840,507)
Instructional services	769,721	-	-	(769,721)
General administration	318,756	-	-	(318,756)
School administration	2,075,741	-	-	(2,075,741)
Business	564,739	-	419,023	(145,716)
Operation & maintenance	3,376,006	-	-	(3,376,006)
Pupil transportation services	1,492,682	-	-	(1,492,682)
Technology	669,240	-	-	(669,240)
Central	254,964	-	-	(254,964)
Services to other schools	900	-	-	(900)
Total supporting services	<u>10,701,132</u>	<u>-</u>	<u>756,899</u>	<u>(9,944,233)</u>
Food service	1,124,680	673,372	469,998	18,690
Athletics	500,791	216,809	-	(283,982)
Community service	606,862	597,624	-	(9,238)
School store	7,798	3,945	-	(3,853)
Depreciation - unallocated	4,440,041	-	-	(4,440,041)
Interest on long-term debt	4,921,987	-	-	(4,921,987)
Total governmental activities	<u>\$ 46,824,316</u>	<u>\$ 1,499,480</u>	<u>\$ 3,304,212</u>	<u>(42,020,624)</u>

continued...

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

# PINCKNEY COMMUNITY SCHOOLS

## Statement of Activities

For the Year Ended June 30, 2013

	Governmental Activities
Changes in net position	
Net expense	<u>\$ (42,020,624)</u>
General revenues:	
Property taxes	11,612,761
State school aid	24,984,693
Other	203,969
Unrestricted investment earnings	<u>8,164</u>
Total general revenues	<u>36,809,587</u>
Change in net position	(5,211,037)
Net position (deficit), beginning of year, as restated	<u>(16,903,217)</u>
Net position (deficit), end of year	<u><u>\$ (22,114,254)</u></u>
	concluded.

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

# PINCKNEY COMMUNITY SCHOOLS

## Balance Sheet Governmental Funds June 30, 2013

	General Fund	2010 Series A Capital Projects	2010 Series C Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 142,394	\$ 9,602	\$ -	\$ 203,971	\$ 355,967
Investments	3,552,441	9,255,047	1,001,533	580,917	14,389,938
Accounts receivable	6,249	-	-	4,552	10,801
Due from other funds	11,786	107,026	-	3,982	122,794
Due from other governmental units	5,470,232	-	-	7,451	5,477,683
Inventory and prepaid expenditures	527,657	-	-	37,802	565,459
<b>Total assets</b>	<b>\$ 9,710,759</b>	<b>\$ 9,371,675</b>	<b>\$ 1,001,533</b>	<b>\$ 838,675</b>	<b>\$ 20,922,642</b>
<b>Liabilities</b>					
Accounts payable	\$ 81,104	\$ 20,301	\$ 45,744	\$ 8,622	\$ 155,771
Due to other governments	145,719	-	-	29	145,748
Due to other funds	-	-	119,156	3,638	122,794
State aid note payable	7,560,413	-	-	-	7,560,413
Salaries payable	2,298,922	-	-	6,412	2,305,334
Payroll taxes and benefits payable	1,015,348	-	-	-	1,015,348
Accrued expenses	302,490	-	-	30,832	333,322
Unearned revenue	154,188	-	-	99,238	253,426
<b>Total liabilities</b>	<b>11,558,184</b>	<b>20,301</b>	<b>164,900</b>	<b>148,771</b>	<b>11,892,156</b>
<b>Fund balances (deficit)</b>					
Nonspendable - inventory and prepaids	527,657	-	-	37,802	565,459
Restricted - food service	-	-	-	70,476	70,476
Restricted - athletics	-	-	-	1,149	1,149
Restricted - school store	-	-	-	78	78
Restricted - community service	-	-	-	6,945	6,945
Restricted - debt service	-	-	-	573,454	573,454
Restricted - capital projects	-	9,351,374	836,633	-	10,188,007
Unassigned (deficit)	(2,375,082)	-	-	-	(2,375,082)
<b>Total fund balances (deficit)</b>	<b>(1,847,425)</b>	<b>9,351,374</b>	<b>836,633</b>	<b>689,904</b>	<b>9,030,486</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 9,710,759</b>	<b>\$ 9,371,675</b>	<b>\$ 1,001,533</b>	<b>\$ 838,675</b>	<b>\$ 20,922,642</b>

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, 2013

Fund balances - total governmental funds \$ 9,030,486

Amounts reported for *governmental activities* in the statement of net position are different because:

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

Capital assets	156,051,641
Accumulated depreciation on capital assets	(60,625,623)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	(122,936,029)
Accrued interest on bonds payable	(1,190,021)
Unamortized premium related to bond issuance	(1,403,484)
Compensated absences	(1,041,224)

Net position (deficit) of governmental activities \$ (22,114,254)

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, 2013

	General Fund	2010 Series A Capital Projects	2010 Series C Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local sources:					
Property taxes	\$ 3,826,488	\$ -	\$ -	\$ 7,787,412	\$ 11,613,900
Other local sources	84,329	37,154	364,612	1,476,926	1,963,021
State sources	26,226,074	-	-	61,230	26,287,304
Federal sources	359,359	-	-	415,905	775,264
Interdistrict sources	794,919	-	-	-	794,919
Other sources	134,395	-	-	44,476	178,871
<b>Total revenues</b>	<b>31,425,564</b>	<b>37,154</b>	<b>364,612</b>	<b>9,785,949</b>	<b>41,613,279</b>
<b>Expenditures</b>					
Instruction:					
Basic programs	18,469,389	-	-	-	18,469,389
Added needs:					
Special education	3,733,717	-	-	-	3,733,717
Other added needs	1,083,712	-	-	-	1,083,712
<b>Total instruction</b>	<b>23,286,818</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,286,818</b>
Support services:					
Pupil	1,178,383	-	-	-	1,178,383
Instructional services	769,721	-	-	-	769,721
General administration	318,756	-	-	-	318,756
School administration	2,054,564	-	-	-	2,054,564
Business	526,947	-	-	-	526,947
Operation & maintenance	3,303,679	-	-	-	3,303,679
Pupil transportation services	1,492,682	-	-	-	1,492,682
Technology	667,192	-	-	-	667,192
Central	254,964	-	-	-	254,964
Services to other schools	900	-	-	-	900
<b>Total support services</b>	<b>10,567,788</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,567,788</b>
Food service	-	-	-	1,119,871	1,119,871
Athletics	-	-	-	500,791	500,791
School store	-	-	-	7,798	7,798
Community service	-	-	-	606,862	606,862
Debt service:					
Principal	-	-	-	7,395,000	7,395,000
Interest and other fiscal charges	-	-	-	4,830,072	4,830,072
Capital outlay	-	864,234	10,101,347	3,907,805	14,873,386
<b>Total expenditures</b>	<b>33,854,606</b>	<b>864,234</b>	<b>10,101,347</b>	<b>18,368,199</b>	<b>63,188,386</b>
<b>Revenues under expenditures</b>	<b>(2,429,042)</b>	<b>(827,080)</b>	<b>(9,736,735)</b>	<b>(8,582,250)</b>	<b>(21,575,107)</b>
Other financing sources (uses)					
Transfers out	(283,982)	-	-	(23,406)	(307,388)
Transfers in	-	-	-	307,388	307,388
School Bond Loan Fund proceeds	-	-	-	4,311,029	4,311,029
<b>Total other financing sources (uses)</b>	<b>(283,982)</b>	<b>-</b>	<b>-</b>	<b>4,595,011</b>	<b>4,311,029</b>
<b>Net change in fund balances</b>	<b>(2,713,024)</b>	<b>(827,080)</b>	<b>(9,736,735)</b>	<b>(3,987,239)</b>	<b>(17,264,078)</b>
Fund balances, beginning of year	865,599	10,178,454	10,573,368	4,677,143	26,294,564
<b>Fund balances (deficit), end of year</b>	<b>\$ (1,847,425)</b>	<b>\$ 9,351,374</b>	<b>\$ 836,633</b>	<b>\$ 689,904</b>	<b>\$ 9,030,486</b>

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



# 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, 2013

Net change in fund balances - total governmental funds	\$ (17,264,078)
<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 as depreciation expense.</p>	
Capital outlay	13,706,652
Depreciation expense	(4,547,723)
<p>Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
Amortization of premium on bond refunding	100,249
Principal payments on long-term liabilities	7,395,000
Proceeds from School Bond Loan Fund	(4,311,029)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>	
Change in the accrual for compensated absences	(60,152)
Change in accrued interest payable on bonds	(229,956)
Change in net position of governmental activities	<u>\$ (5,211,037)</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, 2013

	Original Budget	Final Budget	Actual	Over (under) Final Budget
<b>Revenues</b>				
Local sources:				
Property taxes	\$ 3,708,221	\$ 3,938,319	\$ 3,826,488	\$ (111,831)
Other local sources	118,000	62,800	84,329	21,529
State sources	26,186,221	26,218,896	26,226,074	7,178
Federal sources	347,637	369,804	359,359	(10,445)
Interdistrict sources	614,400	742,100	794,919	52,819
Other sources	121,600	135,000	134,395	(605)
<b>Total revenues</b>	<b>31,096,079</b>	<b>31,466,919</b>	<b>31,425,564</b>	<b>(41,355)</b>
<b>Expenditures</b>				
Instruction:				
Basic programs	18,877,460	18,564,068	18,469,389	(94,679)
Added needs:				
Special education	3,709,562	3,735,810	3,733,717	(2,093)
Other added needs	952,552	1,075,524	1,083,712	8,188
<b>Total instruction</b>	<b>23,539,574</b>	<b>23,375,402</b>	<b>23,286,818</b>	<b>(88,584)</b>
Support services:				
Pupil	1,233,007	1,194,603	1,178,383	(16,220)
Instructional services	821,177	780,919	769,721	(11,198)
General administration	357,716	325,041	318,756	(6,285)
School administration	2,068,921	2,014,100	2,054,564	40,464
Business	570,728	544,865	526,947	(17,918)
Operation & maintenance	3,429,630	3,239,235	3,303,679	64,444
Pupil transportation services	1,529,200	1,530,200	1,492,682	(37,518)
Technology	674,818	663,931	667,192	3,261
Central	289,215	255,102	254,964	(138)
Services to other schools	15,158	900	900	-
<b>Total support services</b>	<b>10,989,570</b>	<b>10,548,896</b>	<b>10,567,788</b>	<b>18,892</b>
<b>Total expenditures</b>	<b>34,529,144</b>	<b>33,924,298</b>	<b>33,854,606</b>	<b>(69,692)</b>
Revenues (under) expenditures	(3,433,065)	(2,457,379)	(2,429,042)	28,337
Other financing uses				
Transfers out	(264,967)	(285,000)	(283,982)	(1,018)
<b>Net change in fund balance</b>	<b>(3,698,032)</b>	<b>(2,742,379)</b>	<b>(2,713,024)</b>	<b>29,355</b>
Fund balance, beginning of year	865,599	865,599	865,599	-
<b>Fund balance (deficit), end of year</b>	<b>\$ (2,832,433)</b>	<b>\$ (1,876,780)</b>	<b>\$ (1,847,425)</b>	<b>\$ 29,355</b>

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

# PINCKNEY COMMUNITY SCHOOLS

## Statement of Fiduciary Net Position June 30, 2013

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 385,297
<b>Liabilities</b>	
Due to student groups	\$ 378,469
Due to other governments	6,828
<b>Total liabilities</b>	\$ 385,297

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 followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and 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 year ended 2013.

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. 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.

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

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.

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 required to be accounted for in another fund.

The 2010 Series A and Series C capital projects funds account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets for the two separate bond issues.

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 *capital projects funds* are used to account for all financial resources restricted, committed or assigned to expenditure for the expenditure for the acquisition or construction of capital assets.

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.

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

### Assets, liabilities 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.

#### *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 non-current portion of interfund loans). There were no interfund advance loans outstanding at June 30, 2013.

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Inventory*

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 a fund balance reserve which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

Payments made to vendors for services that will benefit future periods are reported as prepaid items.

### *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

### *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.

### *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.



# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### 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 require 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.

## 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. The budgets for the general and special revenue funds 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	Variance
Instruction - added needs - other added needs	\$ 1,075,524	\$ 1,083,712	\$ 8,188
Support services:			
School administration	2,014,100	2,054,564	40,464
Operation & maintenance	3,239,235	3,303,679	64,444
Technology	663,931	667,192	3,261

These variances were caused by additional health insurance expenses levied by MiEHIP after the final budget was amended.

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### 4. DEPOSITS AND INVESTMENTS

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

Statement of Net Position:	
Cash and cash equivalents	\$ 355,967
Investments	<u>14,389,938</u>
	14,745,905
Statement of Fiduciary Net Position -	
Cash and cash equivalents	<u>385,297</u>
Total	<u>\$ 15,131,202</u>
Bank deposits (checking accounts, savings accounts and CDs)	
Investments	\$ 2,210,535
Cash on hand	<u>12,916,367</u>
	4,300
Total	<u>\$ 15,131,202</u>

#### 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 allow for all of these types of investments.

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### 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, \$3,158,095 of the District’s bank balance of \$3,658,095 was exposed to custodial credit risk because it was uninsured and uncollateralized. The book value of these deposits was \$2,210,535 at June 30, 2013.

*Custodial Credit Risk - Investments.* Following is a summary of the District’s investments as of June 30, 2013:

U.S. agencies	\$ 1,211,474
Michigan Liquid Asset Fund (MILAF)	346,499
MBIA	2,659,787
Commercial paper	<u>8,698,607</u>
	<u>\$ 12,916,367</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.

*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, 2013, the District’s investments were rated by Standard and Poor’s as follows:

	U.S. Agencies	MILAF	MBIA	Commercial Paper
Rating				
AAAm	\$ -	\$ 346,499	\$ 2,659,787	\$ -
AAA	-	-	-	-
AA+	1,211,474	-	-	6,198,868
A-1	-	-	-	2,499,739
	<u>\$ 1,211,474</u>	<u>\$ 346,499</u>	<u>\$ 2,659,787</u>	<u>\$ 8,698,607</u>

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

*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, 2013, the District had greater than 5% of its total investments concentrated as follows:

Investment Type	Issuer	% of Portfolio
U.S. agencies	Federal Home Loan Mortgage Corporation	9.4%

*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, 2013, maturities of the District’s investments in U.S. agencies and commercial paper were as follows:

Investment type	Fair Value	Investment Maturities (fair value by years)	
		Less than 1	1-5 years
U.S. agencies	\$ 1,211,474	\$ 1,211,474	\$ -
Commercial paper	8,698,607	8,698,607	-
	<u>\$ 9,910,081</u>	<u>\$ 9,910,081</u>	<u>\$ -</u>

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### 5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,391,855	\$ -	\$ -	\$ 1,391,855
Construction in progress	9,864,358	12,455,789	6,030,438	16,289,709
	<u>11,256,213</u>	<u>12,455,789</u>	<u>6,030,438</u>	<u>17,681,564</u>
Capital assets being depreciated:				
Buildings and improvements	111,015,107	5,556,712	-	116,571,819
Site improvements	12,330,822	1,221,572	-	13,552,394
Equipment	7,435,553	503,017	-	7,938,570
Vehicles	307,294	-	-	307,294
	<u>131,088,776</u>	<u>7,281,301</u>	<u>-</u>	<u>138,370,077</u>
Less accumulated depreciation for:				
Buildings and improvements	47,490,101	3,002,118	-	50,492,219
Site improvements	4,436,955	582,738	-	5,019,693
Equipment	3,940,715	942,615	-	4,883,330
Vehicles	210,129	20,252	-	230,381
	<u>56,077,900</u>	<u>4,547,723</u>	<u>-</u>	<u>60,625,623</u>
Total capital assets being depreciated, net	<u>75,010,876</u>	<u>2,733,578</u>	<u>-</u>	<u>77,744,454</u>
Governmental activities capital assets, net	<u>\$ 86,267,089</u>	<u>\$ 15,189,367</u>	<u>\$ 6,030,438</u>	<u>\$ 95,426,018</u>

Depreciation expense was charged to functions/programs as follows:

#### Governmental activities:

##### Instruction:

Basic programs	\$ 4,080
Added needs- other	3,241

##### Support services:

School administration	21,177
Operation and maintenance	72,327
Technology	2,048
Food service	4,809
Depreciation- unallocated	<u>4,440,041</u>

Total depreciation expense-  
governmental activities

\$ 4,547,723

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### 6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

At June 30, 2013, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General fund	\$ 11,786	\$ -
2010 Series A capital projects fund	107,026	-
2010 Series C capital projects fund	-	119,156
Nonmajor governmental funds	<u>3,982</u>	<u>3,638</u>
	<u>\$ 122,794</u>	<u>\$ 122,794</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	\$ -	\$ 283,982
Nonmajor governmental funds	<u>307,388</u>	<u>23,406</u>
	<u>\$ 307,388</u>	<u>\$ 307,388</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, 2013, the District transferred funds from the general fund to subsidize the athletic program, and from the community service fund to the capital projects fund for funding purposes.

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### 7. LONG-TERM DEBT

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

	Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 119,357,000	\$ -	\$ (7,395,000)	\$ 111,962,000	\$ 8,002,000
Premium on bonds	1,503,733	-	(100,249)	1,403,484	-
School bond loan principal	6,663,000	4,311,029	-	10,974,029	-
Compensated absences	981,072	60,152	-	1,041,224	416,490
<b>Totals</b>	<b>\$ 128,504,805</b>	<b>\$ 4,371,181</b>	<b>\$ (7,495,249)</b>	<b>\$ 125,380,737</b>	<b>\$ 8,418,490</b>

Bonds payable at June 30, 2013 are as follows:

\$14,485,000 2003 Bond refunding of 1978 and 1993 building and site serial bonds due in one more annual installment of \$1,090,000 in May 2014; interest at 3.75%. The defeased bonds outstanding on the original issues is \$9,115,000.	\$ 1,090,000
\$21,120,960 2003 School Bond Loan Fund refunding bonds due in one more annual installment of \$2,592,000 in May 2014; interest at 3.318%.	2,592,000
\$58,705,000 2004 Bond refunding of a portion of the 1997 building and site serial bonds due in annual installments of \$3,035,000 to \$3,155,000 through May 2027; interest from 3.70% to 5.00%. The defeased bonds outstanding on the original issue is \$56,650,000.	42,630,000
\$7,980,000 2010 School Bond Loan Fund refunding bonds due in annual installments ranging from \$925,000 to \$3,125,000 through May 2016; interest from 3.300% to 4.125%.	7,150,000
\$12,190,000 2010 School Building and Site Bonds, Series A due in annual installments ranging from \$360,000 to \$2,475,000 through May 2020; interest from 3.30% to 5.40%.	11,225,000
\$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
\$32,275,000 2010 School Building and Site Bonds, Series C due in annual installments ranging from \$3,675,000 to \$4,300,000 through May 2035; interest from 6.45% to 6.55%.	<u>32,275,000</u>
<b>Total bonded debt</b>	<b><u>\$ 111,962,000</u></b>

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### Bond debt service requirements

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

Year Ended June 30,	Principal	Interest	Total
2014	\$ 8,002,000	\$ 6,083,307	\$ 14,085,307
2015	7,455,000	5,801,729	13,256,729
2016	7,670,000	5,523,089	13,193,089
2017	4,775,000	5,176,163	9,951,163
2018	5,005,000	4,939,078	9,944,078
2019-2023	19,920,000	21,053,128	40,973,128
2024-2028	30,535,000	15,595,188	46,130,188
2029-2033	20,000,000	6,790,100	26,790,100
2034-2035	8,600,000	844,950	9,444,950
<b>Totals</b>	<b>\$ 111,962,000</b>	<b>\$ 71,806,732</b>	<b>\$ 183,768,732</b>

Loans represent \$10,974,029 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 \$1,041,224 which are generally liquidated by the general fund.

## 8. SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
State aid note	\$ 5,159,173	\$ 7,560,413	\$ 5,159,173	\$ 7,560,413

The District has two short-term state aid notes totaling \$7,500,000, plus interest of \$60,413 that are included as a liability in the general fund at June 30, 2013. These notes carry interest rates of 0.27% and 1.46% and are due August 2013.



# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### 9. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2013, was as follows:

Capital assets, net	\$ 95,426,018
Bonds payable	(111,962,000)
Premium on bonds payable	(1,403,484)
Unexpended bond proceeds	<u>10,188,007</u>
Net investment in capital assets	<u>\$ (7,751,459)</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.

### 12. DEFINED BENEFIT PENSION PLAN

#### Plan Description

The District contributes to the Michigan Public School Employees Retirement System (MPSERS), a collection of several retirement plans administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPSERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute. The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-5103.

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### Funding Policy

#### *Defined Benefit Plans*

Member contribution rates vary based on date of hire and certain voluntary elections. *Member Investment Plan ("MIP")* members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 through June 30, 2008 contribute at the following graduated permanently fixed contribution rates: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000. Members first hired July 1, 2008 through June 30, 2010 contribute at the following graduated permanently fixed contribution rates: 3.0 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 6.4 percent of all wages over \$15,000. *Basic Plan* members make no contributions. Members first enrolled on or after July 1, 2010 are enrolled in the MIP Plus Plan. Member contributions are matched at a rate of 50 percent by the employer, up to a maximum of one percent. *Basic 4%* and *MIP 7%* members contribute 4 percent and 7 percent of pretax salary, respectively. Based on the option selected at enrollment, these individuals contribute at a fixed rate until termination of employment or until reaching 30 years of service. At that time, based on the option selected, employee contributions are no longer required or revert to the contribution requirements under the MIP plan in which the employee initially enrolled.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree healthcare benefits on a cash disbursement basis. The rates for the year ended June 30, 2013 as a percentage of payroll ranged from 20.96 to 25.39 percent.

#### *Hybrid Plans*

Effective February 1, 2013, members that initially enrolled in the defined benefit plan were provided the option to convert to a defined contribution plan. In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4 percent employer contributions to a personal 401(k) account. Voluntary employee contributions are permitted in accordance with IRS guidelines. Employer contributions and earnings thereon vest based on the following schedule: 50 percent at 2 years of service, 75 percent at 3 years of service, and 100 percent at 4 years of service. Any voluntary contributions vest with the employee immediately. If a member participating in the hybrid plan retires with certain age and service requirements, he or she will receive a monthly pension based on compensation received before February 1, 2013.

#### *Defined Contribution Plan*

A member first enrolling in MPSERS on or after September 4, 2012 is automatically enrolled in the defined contribution plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the hybrid plan as described above.

The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPSERS under all plans for the years ended June 30, 2013, 2012, and 2011 were \$4,612,513, \$4,473,052, and \$3,930,726, respectively, equal to the required contributions for each year.

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### 13. 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 cash disbursement 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. Plan participants contribute 3 percent of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that cover up to 80 percent 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 percent employee contribution into a personal tax-deferred account, which is matched by an additional 2 percent 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 percent 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 are pending a Supreme Court resolution.

The District's contributions to MPSERS for other postemployment benefits are not separately identified and are included in the contribution amounts disclosed above.

### 14. BONDED CONSTRUCTION COST

The Capital Projects Funds includes capital project activities funded with bonds issued after May 1, 1994. For the 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.

### 15. COMMITMENTS

At year end, the District was committed for the estimated cost of completing renovations at Pathfinder school in the amount of \$2,444,969, renovations at the high school in the amount of \$933,555 and elementary landscaping in the amount of \$181,019.

### 16. SUBSEQUENT EVENT

The District borrowed \$7,490,000 in State Aid Notes on August 20, 2013, with interest rates of 1.050% and 1.378%, for cash flow purposes and are due on August 20, 2014.

# PINCKNEY COMMUNITY SCHOOLS

## ■ Notes to Financial Statements

### 17. RESTATEMENT

The District adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. As a result, the beginning net position of the governmental activities was decreased by \$2,690,809 to eliminate unamortized bond issuance costs, which are now required to be recognized as an expense in the period incurred.

### 18. FUND DEFICIT

The District has an unassigned fund balance deficit in the general fund in the amount of \$2,375,082, and the total fund balance deficit was \$1,847,425. State law requires the District to establish a deficit elimination plan with the Michigan Department of Education. A plan has been submitted by the District to the State.



**COMBINING FUND  
FINANCIAL STATEMENTS**

# PINCKNEY COMMUNITY SCHOOLS

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

	Special Revenue	Debt Service	2010 Series B Capital Projects	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 203,971	\$ -	\$ -	\$ 203,971
Investments	-	580,917	-	580,917
Accounts receivable	4,552	-	-	4,552
Due from other funds	3,982	-	-	3,982
Due from other governments	7,451	-	-	7,451
Inventory and prepaid expenses	23,694	14,108	-	37,802
<b>Total assets</b>	<b>\$ 243,650</b>	<b>\$ 595,025</b>	<b>\$ -</b>	<b>\$ 838,675</b>
<b>Liabilities</b>				
Accounts payable	\$ 8,622	\$ -	\$ -	\$ 8,622
Due to other governments	29	-	-	29
Due to other funds	3,638	-	-	3,638
Accrued payroll	6,412	-	-	6,412
Accrued expenses	30,832	-	-	30,832
Unearned revenue	91,775	7,463	-	99,238
<b>Total liabilities</b>	<b>141,308</b>	<b>7,463</b>	<b>-</b>	<b>148,771</b>
<b>Fund balances</b>				
Nonspendable	23,694	14,108	-	37,802
Restricted	78,648	573,454	-	652,102
<b>Total fund balances</b>	<b>102,342</b>	<b>587,562</b>	<b>-</b>	<b>689,904</b>
<b>Total liabilities and fund balances</b>	<b>\$ 243,650</b>	<b>\$ 595,025</b>	<b>\$ -</b>	<b>\$ 838,675</b>

# PINCKNEY COMMUNITY SCHOOLS

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended June 30, 2013

	Special Revenue	Debt Service	2010 Series B Capital Projects	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Local sources:				
Property tax revenue	\$ -	\$ 7,787,412	\$ -	\$ 7,787,412
Admissions	66,321	-	-	66,321
Sales to students and adults	688,440	-	-	688,440
Pay-to-participate fees	139,363	-	-	139,363
Program fees	565,447	-	-	565,447
Interest on investments	98	3,691	-	3,789
Other local	-	-	13,566	13,566
State sources	41,698	19,532	-	61,230
Federal sources	415,905	-	-	415,905
Other sources	44,476	-	-	44,476
<b>Total revenues</b>	<b>1,961,748</b>	<b>7,810,635</b>	<b>13,566</b>	<b>9,785,949</b>
<b>Expenditures</b>				
Food service	1,119,871	-	-	1,119,871
Athletics	500,791	-	-	500,791
School store	7,798	-	-	7,798
Community service	606,862	-	-	606,862
Debt service:				
Bond principal payments	-	7,395,000	-	7,395,000
Bond interest payments	-	4,792,280	-	4,792,280
Other fiscal charges	-	37,792	-	37,792
Capital outlay	-	-	3,907,805	3,907,805
<b>Total expenditures</b>	<b>2,235,322</b>	<b>12,225,072</b>	<b>3,907,805</b>	<b>18,368,199</b>
Revenue under expenditures	(273,574)	(4,414,437)	(3,894,239)	(8,582,250)
<b>Other financing sources</b>				
Transfers out	(23,406)	-	-	(23,406)
Transfers in	283,982	-	23,406	307,388
School Bond Loan Fund proceeds	-	4,311,029	-	4,311,029
<b>Total other financing sources</b>	<b>260,576</b>	<b>4,311,029</b>	<b>23,406</b>	<b>4,595,011</b>
Net change in fund balances	(12,998)	(103,408)	(3,870,833)	(3,987,239)
Fund balances, beginning of year	115,340	690,970	3,870,833	4,677,143
Fund balances, end of year	\$ 102,342	\$ 587,562	\$ -	\$ 689,904

PINCKNEY COMMUNITY SCHOOLS

Combining Balance Sheet - Nonmajor Special Revenue Funds

June 30, 2013

	Food Service	Athletics	School Store	Community Service	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 89,030	\$ 5,053	\$ 78	\$ 109,810	\$ 203,971
Accounts receivable	-	-	-	4,552	4,552
Due from other funds	-	3,982	-	-	3,982
Due from other governments	7,451	-	-	-	7,451
Inventory and prepaid expenses	19,411	-	4,283	-	23,694
<b>Total assets</b>	<b>\$ 115,892</b>	<b>\$ 9,035</b>	<b>\$ 4,361</b>	<b>\$ 114,362</b>	<b>\$ 243,650</b>
<b>Liabilities</b>					
Accounts payable	\$ 192	\$ -	\$ -	\$ 8,430	\$ 8,622
Due to other governments	29	-	-	-	29
Due to other funds	-	-	-	3,638	3,638
Accrued payroll	-	2,696	-	3,716	6,412
Accrued expenses	-	-	-	30,832	30,832
Unearned revenue	25,784	5,190	-	60,801	91,775
<b>Total liabilities</b>	<b>26,005</b>	<b>7,886</b>	<b>-</b>	<b>107,417</b>	<b>141,308</b>
<b>Fund balances</b>					
Nonspendable	19,411	-	4,283	-	23,694
Restricted	70,476	1,149	78	6,945	78,648
<b>Total fund balances</b>	<b>89,887</b>	<b>1,149</b>	<b>4,361</b>	<b>6,945</b>	<b>102,342</b>
<b>Total liabilities and fund balances</b>	<b>\$ 115,892</b>	<b>\$ 9,035</b>	<b>\$ 4,361</b>	<b>\$ 114,362</b>	<b>\$ 243,650</b>



PINCKNEY COMMUNITY SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2013

	Food Service	Athletics	School Store	Community Service	Total
<b>Revenues</b>					
Local sources:					
Admissions and fees	\$ -	\$ 66,321	\$ -	\$ -	\$ 66,321
Sales to students and adults	673,370	11,125	3,945	-	688,440
Pay-to-participate fees	-	139,363	-	-	139,363
Program fees	-	-	-	565,447	565,447
Interest	47	-	-	51	98
State sources	41,698	-	-	-	41,698
Federal sources	415,905	-	-	-	415,905
Other sources	12,350	-	-	32,126	44,476
<b>Total revenues</b>	<b>1,143,370</b>	<b>216,809</b>	<b>3,945</b>	<b>597,624</b>	<b>1,961,748</b>
<b>Expenditures</b>					
Food service	1,119,871	-	-	-	1,119,871
Athletics	-	500,791	-	-	500,791
School store	-	-	7,798	-	7,798
Community service	-	-	-	606,862	606,862
<b>Total expenditures</b>	<b>1,119,871</b>	<b>500,791</b>	<b>7,798</b>	<b>606,862</b>	<b>2,235,322</b>
Revenues over (under) expenditures	23,499	(283,982)	(3,853)	(9,238)	(273,574)
<b>Other financing sources</b>					
Transfers out	-	-	-	(23,406)	(23,406)
Transfers in	-	283,982	-	-	283,982
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>283,982</b>	<b>-</b>	<b>(23,406)</b>	<b>260,576</b>
Net change in fund balances	23,499	-	(3,853)	(32,644)	(12,998)
Fund balances, beginning of year	66,388	1,149	8,214	39,589	115,340
<b>Fund balances, end of year</b>	<b>\$ 89,887</b>	<b>\$ 1,149</b>	<b>\$ 4,361</b>	<b>\$ 6,945</b>	<b>\$ 102,342</b>

# PINCKNEY COMMUNITY SCHOOLS

## Combining Balance Sheet - Nonmajor Debt Service Funds June 30, 2013

	2003	2003 School Bond Loan	2004	2010 School Bond Loan
<b>Assets</b>				
Investments	\$ 192,396	\$ 159,123	\$ 27,475	\$ 63,807
Prepaid expense	-	-	-	-
<b>Total assets</b>	<u>\$ 192,396</u>	<u>\$ 159,123</u>	<u>\$ 27,475</u>	<u>\$ 63,807</u>
<b>Liabilities</b>				
Unearned revenue	\$ -	\$ -	\$ 7,463	\$ -
<b>Fund balances</b>				
Nonspendable	-	-	-	-
Restricted	192,396	159,123	20,012	63,807
<b>Total fund balances</b>	<u>192,396</u>	<u>159,123</u>	<u>20,012</u>	<u>63,807</u>
<b>Total liabilities and fund balances</b>	<u>\$ 192,396</u>	<u>\$ 159,123</u>	<u>\$ 27,475</u>	<u>\$ 63,807</u>



2010 Series A	2010 Series B	2010 Series C	Total
\$ 42,417 14,108	\$ 63,500 -	\$ 32,199 -	\$ 580,917 14,108
<u>\$ 56,525</u>	<u>\$ 63,500</u>	<u>\$ 32,199</u>	<u>\$ 595,025</u>
\$ -	\$ -	\$ -	\$ 7,463
14,108 42,417	- 63,500	- 32,199	14,108 573,454
<u>56,525</u>	<u>63,500</u>	<u>32,199</u>	<u>587,562</u>
<u>\$ 56,525</u>	<u>\$ 63,500</u>	<u>\$ 32,199</u>	<u>\$ 595,025</u>

# PINCKNEY COMMUNITY SCHOOLS

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

Nonmajor Debt Service Funds

For the Year Ended June 30, 2013

	2003	2003 School Bond Loan	2004	2010 School Bond Loan
<b>Revenue</b>				
Local sources:				
Property tax revenue	\$ 834,662	\$ 1,871,696	\$ 3,271,031	\$ 586,479
Interest on investments	-	-	3,691	-
State sources	-	-	19,532	-
<b>Total revenue</b>	<u>834,662</u>	<u>1,871,696</u>	<u>3,294,254</u>	<u>586,479</u>
<b>Expenditures</b>				
Bond principal payments	1,115,000	2,510,000	2,855,000	575,000
Bond interest payments	85,476	169,284	2,168,384	286,669
Other fiscal charges	31,482	250	5,537	-
<b>Total expenditures</b>	<u>1,231,958</u>	<u>2,679,534</u>	<u>5,028,921</u>	<u>861,669</u>
Revenues over (under) expenditures	(397,296)	(807,838)	(1,734,667)	(275,190)
<b>Other financing sources</b>				
School Bond Loan Fund proceeds	<u>413,024</u>	<u>730,612</u>	<u>1,748,004</u>	<u>307,507</u>
<b>Net change in fund balances</b>	15,728	(77,226)	13,337	32,317
Fund balances, beginning of year	<u>176,668</u>	<u>236,349</u>	<u>6,675</u>	<u>31,490</u>
<b>Fund balances, end of year</b>	<u>\$ 192,396</u>	<u>\$ 159,123</u>	<u>\$ 20,012</u>	<u>\$ 63,807</u>



2010 Series A	2010 Series B	2010 Series C	Total
\$ 502,917	\$ 164,323	\$ 556,304	\$ 7,787,412
-	-	-	3,691
-	-	-	19,532
<hr/>	<hr/>	<hr/>	<hr/>
502,917	164,323	556,304	7,810,635
<hr/>	<hr/>	<hr/>	<hr/>
340,000	-	-	7,395,000
552,794	164,323	1,365,350	4,792,280
523	-	-	37,792
<hr/>	<hr/>	<hr/>	<hr/>
893,317	164,323	1,365,350	12,225,072
<hr/>	<hr/>	<hr/>	<hr/>
(390,400)	-	(809,046)	(4,414,437)
<hr/>	<hr/>	<hr/>	<hr/>
327,382	-	784,500	4,311,029
<hr/>	<hr/>	<hr/>	<hr/>
(63,018)	-	(24,546)	(103,408)
<hr/>	<hr/>	<hr/>	<hr/>
119,543	63,500	56,745	690,970
<hr/>	<hr/>	<hr/>	<hr/>
\$ 56,525	\$ 63,500	\$ 32,199	\$ 587,562
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## ANNUAL DISCLOSURE DOCUMENT INFORMATION

# PINCKNEY COMMUNITY SCHOOLS

## Annual Disclosure Document Information

Counties of Livingston and Washtenaw, State of Michigan  
 2003 Refunding Bonds, Dated 5/1/2003 Orig. Amt: \$14,485,000  
 CUSIP #: 722205 JV4 TO KF7

2004 Refunding Bonds, Dated 11/2/2004 Orig. Amt: \$58,705,000  
 CUSIP #: 722205 KJ9 TO LF6

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, LRO, LS8, LT6, LU3, LV1, LW9, LX7, LY5

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

2010 SERIES B - Bonds, Dated 5/27/2010 Orig. Amt: \$32,275,000  
 CUSIP #: 722205 MK4, MN8, MR9

### ANNUAL DISCLOSURE DOCUMENT

#### History of S.E.V./Taxable Value

School Year	SEV	Change	Total Taxable Value	Change
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	11.66%	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	445,884,072	6.06%	445,884,072	6.06%
1993/94	420,388,394	0.00%	420,388,394	0.00%



PINCKNEY COMMUNITY SCHOOLS

Annual Disclosure Document Information

Major Taxpayers

Taxpayer	Product/Service	2013 Taxable Value
Detroit Edison	Utility	\$13,609,544
Consumers Energy	Utility	4,342,552
Chilson Commons, LLC	Strip Mall Development	2,974,932
TopValco, Inc.	Food Store (Kroger Co.)	1,971,906
Tri-Bro LLC	Food Store (Busch's Value Land)	1,536,410
Lakelands Golf & Country Club	Golf club	1,346,726
Hamburg Professional Office	Office Development - Mich Rehab	1,714,700
Timber Trace Golf Club	Golf club	1,351,570
Charter Communications	Cable TV Services	1,414,480
Hamburg Hills - Coventry Woods	Mobile Home Park Development	1,880,840
Total		\$ 32,143,660
2013 Taxable Value		\$ 1,040,620,267
Top 10 taxpayers as a % of total taxable value		3.09%

School District Tax Rates

School Year	Allocated Operating	Voted Operating*	Debt	Total
2013/14	0	18.0000	7.5500	25.5500
2012/13	0	18.0000	7.5500	25.5500
2011/12	0	18.0000	7.5500	25.5500
2010/11	0	18.0000	7.5500	25.5500
2009/10	0	18.0000	7.5500	25.5500
2008/09	0	18.0000	7.5500	25.5500
2007/08	0	18.0000	7.5500	25.5500
2006/07	0	18.0000	7.5500	25.5500
2005/06	0	18.0000	7.5500	25.5500
2004/05	0	18.0000	7.5500	25.5500
2003/04	0	18.0000	7.5500	25.5500
2002/03	0	18.0000	7.5500	25.5500
2001/02	0	18.0000	7.5500	25.5500
2000/01	0	18.0000	7.5500	25.5500
1999/00	0	17.1552	7.5500	24.7052
1998/99	0	17.6410	7.5500	25.1910
1997/98	0	17.5187	7.5500	25.0687
1996/97	0	17.9000	5.5500	23.4500
1995/96	0	18.0000	6.2500	24.2500
1994/95	0	18.0000	7.1400	25.1400

\* levied on non-homestead property only

School Year	Total Received	Foundation Allowance per Pupil	
2012/13	\$ 26,357,254	\$ 6,966	
2011/12	26,990,887	6,846	
2010/11	28,728,784	7,146	includes reduction of \$525,950 of 2011 ARRA stabilization funds & \$745,086 EduJobs funds
2009/10	28,647,079	7,162	includes reduction of \$1,293,969 of 2010 ARRA stabilization funds
2008/09	29,257,459	6,944	includes reduction of \$1,715,953 of 2009 ARRA stabilization funds
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	
1994/95	16,160,485	4,645	
1993/94	1,411,482	-	

PINCKNEY COMMUNITY SCHOOLS

**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
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%
1994/95	1,837,925	1,605,619	87.36%	1,837,925	100.00%
1993/94	14,751,014	13,504,705	91.49%	14,745,614	99.90%

Labor Force

Class	# of Employees	Affiliation	Contract Exp. Date
Administrators - Central	3	Non-affiliated	06/15
Administrators - Building	12	PCSA	06/15
Teachers	221	PEA/MEA	06/15
Professionals/Aides/Monitors	39	PSSA	06/15
Maintenance/Custodial	28	MEA	06/15
Office Personnel			
Building level	21	PESPA	06/15
Central office	8	Local contract	06/15
Technology	4	Non-affiliated	06/15
Other Teachers/Latchkey	14	Non-affiliated	N/A
Lunch/Playground	38	Non-affiliated	N/A
<b>Total</b>	<b>388</b>		

Enrollment History

School Year	Enrollment
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
1994/95	3,951
1993/94	3,854

# PINCKNEY COMMUNITY SCHOOLS

## Annual Disclosure Document Information

### Retirement Plan

School Year	Enrollment
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
1994/95	594,000
1993/94	556,600

### Debt Statement - Direct Debt

Bonds Dated	Description	Amount Outstanding July 1, 2013
5/1/2003	Bldg & Site UTQ	\$ 1,090,000
9/30/2003	School Bond Loan	2,592,000
11/2/2004	Bldg & Site UTQ	42,630,000
5/7/2010	School Bond Loan	7,150,000
5/27/2010	QSCB	15,000,000
5/27/2010	Bldg & Site UTQ	11,225,000
5/27/2010	BAB	32,275,000
	Total	<u>\$ 111,962,000</u>

### General Fund Budget Summary - 2013/14

Revenues	\$ 33,330,454
Expenditures	<u>32,246,085</u>
Excess Revenues over Expenditures	1,084,369
July 1, 2013 Fund Balance	<u>(1,847,425)</u>
Projected June 30, 2014 Fund Balance	<u>\$ (763,056)</u>

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## SINGLE AUDIT ACT COMPLIANCE

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INDEPENDENT AUDITORS' REPORT  
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133

September 5, 2013

Board of Education  
Pinckney Community Schools  
Pinckney, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of *Pinckney Community School District* (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated September 5, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Rehmann Robson LLC*

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# PINCKNEY COMMUNITY SCHOOLS

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Agency / Cluster / Program Title	Federal CFDA Number	Passed Through	Pass-Through Grantor's Number	Approved Award/Grant Amount
<b>U.S. Department of Agriculture</b>				
Non-Cash Assistance (Commodities) -				
Entitlement commodities	10.555	Direct	47080	\$ <u>48,377</u>
National School Breakfast Program:				
Section 4 - All breakfasts	10.553	MDE	131970	66,808
Section 4 - All breakfasts	10.553	MDE	121970	6,685
Section 4 - All breakfasts	10.553	MDE	111970	6,710
				<u>80,203</u>
National School Lunch Program:				
Section 4 - All lunches	10.555	MDE	131960	262,140
Section 11 - Free and reduced	10.555	MDE	121960	31,248
Section 4 - All lunches	10.555	MDE	111960	34,004
				<u>327,392</u>
Special Milk Program	10.556	MDE	131940	578
Special Milk Program	10.556	MDE	111940	69
Special Milk Program	10.556	MDE	121940	136
				<u>783</u>
Cash Assistance Subtotal				<u>408,378</u>
Total U.S. Department of Agriculture - Nutrition Cluster				<u>456,755</u>
<b>U.S. Department of Education</b>				
Title I - Project - Regular	84.010	MDE	131530-1213	251,084
Title I - Project - Regular	84.010	MDE	121530-1112	280,709
Title I - Project - Regular	84.010	MDE	111530-1011	169,119
				<u>700,912</u>
Tech Prep	84.243A	LESA	133540	16,500
Tech Prep	84.243A	LESA	123540	16,500
				<u>33,000</u>
Title II - Part D - Regular	84.318	WISD	104240-1011	<u>15,311</u>

Accrued (Unearned) Revenue - July 1, 2012	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year In-Kind Receipts	Accrued (Unearned) Revenue - June 30, 2013
\$ -	\$ 54,118	\$ 48,377	\$ 48,377	\$ -
-	-	66,808	66,808	-
-	71,098	6,685	6,685	-
-	6,710	-	-	-
-	77,808	73,493	73,493	-
-	-	262,140	262,140	-
-	286,662	31,248	31,248	-
-	34,007	-	-	-
-	320,669	293,388	293,388	-
-	-	578	578	-
-	1,173	69	69	-
-	136	-	-	-
-	1,309	647	647	-
-	399,786	367,528	367,528	-
-	453,904	415,905	415,905	-
-	-	217,121	161,737	55,384
27,794	203,540	60,243	88,037	-
-	12,416	-	-	-
27,794	215,956	277,364	249,774	55,384
-	-	18,484	9,049	9,435
-	17,133	-	-	-
-	17,133	18,484	9,049	9,435
-	15,311	-	-	-

continued...

# PINCKNEY COMMUNITY SCHOOLS

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Agency / Cluster / Program Title	Federal CFDA Number	Passed Through	Pass-Through Grantor's Number	Approved Award/Grant Amount
U.S. Department of Education (concluded)				
Title II - Part A - Regular	84.367	MDE	130520-1213	\$ 88,445
Title II - Part A - Regular	84.367	MDE	120520-1112	93,164
Title II - Part A - Regular	84.367	MDE	110520-1011	121,465
				<u>303,074</u>
Title II - Part D - ARRA	84.386	MDE	114295-1011	<u>537</u>
ARRA - Spec Education Flow Through	84.391A	LESA	110455	<u>14,946</u>
Education Jobs Fund	84.410A	MDE	112545-1112	<u>76,159</u>
Total Department of Education				<u>1,143,939</u>
Michigan Department of Health and Human Services				
Medicaid Outreach	93.778	LESA	n/a	<u>2,999</u>
Total Expenditures of Federal Awards				<u>\$ 1,603,693</u>

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue - July 1, 2012	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year In-Kind Receipts	Accrued (Unearned) Revenue - June 30, 2013
\$ -	\$ -	\$ 55,338	\$ 42,100	\$ 13,238
4,102	71,024	5,174	9,276	-
-	10,709	-	-	-
<u>4,102</u>	<u>81,733</u>	<u>60,512</u>	<u>51,376</u>	<u>13,238</u>
-	511	-	-	-
-	14,946	-	-	-
-	76,159	-	-	-
<u>31,896</u>	<u>421,749</u>	<u>356,360</u>	<u>310,199</u>	<u>78,057</u>
-	2,508	2,999	2,999	-
<u>\$ 31,896</u>	<u>\$ 878,161</u>	<u>\$ 775,264</u>	<u>\$ 729,103</u>	<u>\$ 78,057</u>

concluded.

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Schedule of Expenditures of Federal Awards

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Pinckney Community Schools (the "District") under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

The reporting entity of Pinckney Community Schools is defined in Note I of the District's basic financial statements.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been included and all grant requirements have been met.

The Schedule has been arranged to provide information on both the actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, deferred revenue and accounts payable items at both the beginning and the end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts on the Grant Auditor Reports reconcile with this Schedule.

### 3. PASS-THROUGH AGENCIES

The District receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
LESA	Livingston Educational Service Agency
WISD	Washtenaw Intermediate School District



**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***

September 5, 2013

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 5, 2013.

#### 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 "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.



Independent Auditors' Report on Compliance for Each Major Federal Program  
and on Internal Control over Compliance Required by OMB Circular A-133

September 5, 2013

Board of Education  
Pinckney Community Schools  
Pinckney, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of *Pinckney Community Schools* (the "District") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

### *Purpose of this Report*

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

PINCKNEY COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified
Internal control over financial reporting:
Material weakness(es) identified? \_\_\_ yes \_\_\_ X no
Significant deficiency(ies) identified? \_\_\_ yes \_\_\_ X none reported
Noncompliance material to financial statements noted? \_\_\_ yes \_\_\_ X no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? \_\_\_ yes \_\_\_ X no
Significant deficiency(ies) identified? \_\_\_ yes \_\_\_ X none reported
Type of auditors' report issued on compliance for major programs: Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? \_\_\_ yes \_\_\_ X no

Identification of major programs:

CFDA Number Name of Federal Program or Cluster

10.553, 10.555 & 10.556 Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? \_\_\_ X \_\_\_ yes \_\_\_ no

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.



# PINCKNEY COMMUNITY SCHOOLS

## Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2013

None reported.

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