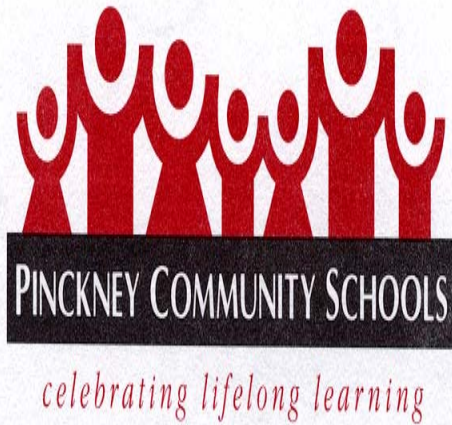


PINCKNEY
COMMUNITY
SCHOOLS



Year Ended
June 30, 2012

Financial
Statements and
Single Audit Act
Compliance

PINCKNEY COMMUNITY SCHOOLS

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PINCKNEY COMMUNITY SCHOOLS

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INDEPENDENT AUDITORS' REPORT

September 10, 2012

Board of Education
Pinckney Community Schools
Pinckney, Michigan

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, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the Pinckney Community Schools as of June 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 assurance.

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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, and is also 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 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 financial statements or to the 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 financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Annual Disclosure Document information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such 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.

As discussed in Note 17 to the financial statements, beginning net assets of governmental activities was decreased by \$1,324,862 due to an asset being entered into the system at an incorrect amount in a prior year.

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

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, 2012.

Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$14,212,408 (net assets). Of this amount, (\$5,047,729) is unrestricted net assets, \$690,970 is reserved for debt service and \$115,340 is reserved for other purposes.
- The government's total net assets decreased by \$2,330,632.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$26,294,564, a decrease of \$17,199,283 in comparison with the prior year. Approximately 0%, or \$0, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$0, or 0% percent of total general fund expenditures.

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

- Office, Building & Maintenance Equipment replacement - \$181,490
- Fencing, Parking Lots, Outside Lighting Improvements - Navigator & Pathfinder Schools - \$2,458,750
- High School Stadium & Outdoor Athletic Fields - Add'l Items - \$173,733
- Remodeled Wes Reader Concession Building - \$143,709
- Buildings & Grounds Pick-up - \$28,796
- Remodeled Transportation & Maintenance Facility - \$3,763,664
- Construction in Progress - Country and Farley Elementary, Navigator, Pathfinder and High School - \$9,864,358

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 assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the district include instruction, support services, food services, athletics, and community service. The District has no business-type activities as of and for the year ending June 30, 2012.

PINCKNEY COMMUNITY SCHOOLS

Management's Discussion and Analysis

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 fifteen 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 three 2010 capital projects funds which are major funds. Data from the other eleven 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.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$14,212,408 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 assets invested in capital assets, net of related debt used to acquire those assets that are still outstanding resulted in a deficit of \$9,970,989 at June 30, 2012. 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.

PINCKNEY COMMUNITY SCHOOLS

Management's Discussion and Analysis

	District's Net Assets	
	Governmental Activities	
	2011	2012
Current and other assets	\$ 55,298,576	\$ 39,602,614
Capital assets, net	78,182,706	86,267,089
Total assets	133,481,282	125,869,703
Long-term liabilities	124,163,730	120,717,376
Other liabilities	19,874,466	19,364,735
Total liabilities	144,038,196	140,082,111
Net assets:		
Invested in capital assets, net of related debt	(12,472,176)	(9,970,989)
Restricted- debt funds	692,298	690,970
Other Purposes	36,588	115,340
Unrestricted	1,186,376	(5,047,729)
Total net assets	\$ (10,556,914)	\$ (14,212,408)

An amount of \$806,310 included in net assets of the District represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net assets, which has a negative balance.

The government's net assets decreased by \$2,330,632 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 asset 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

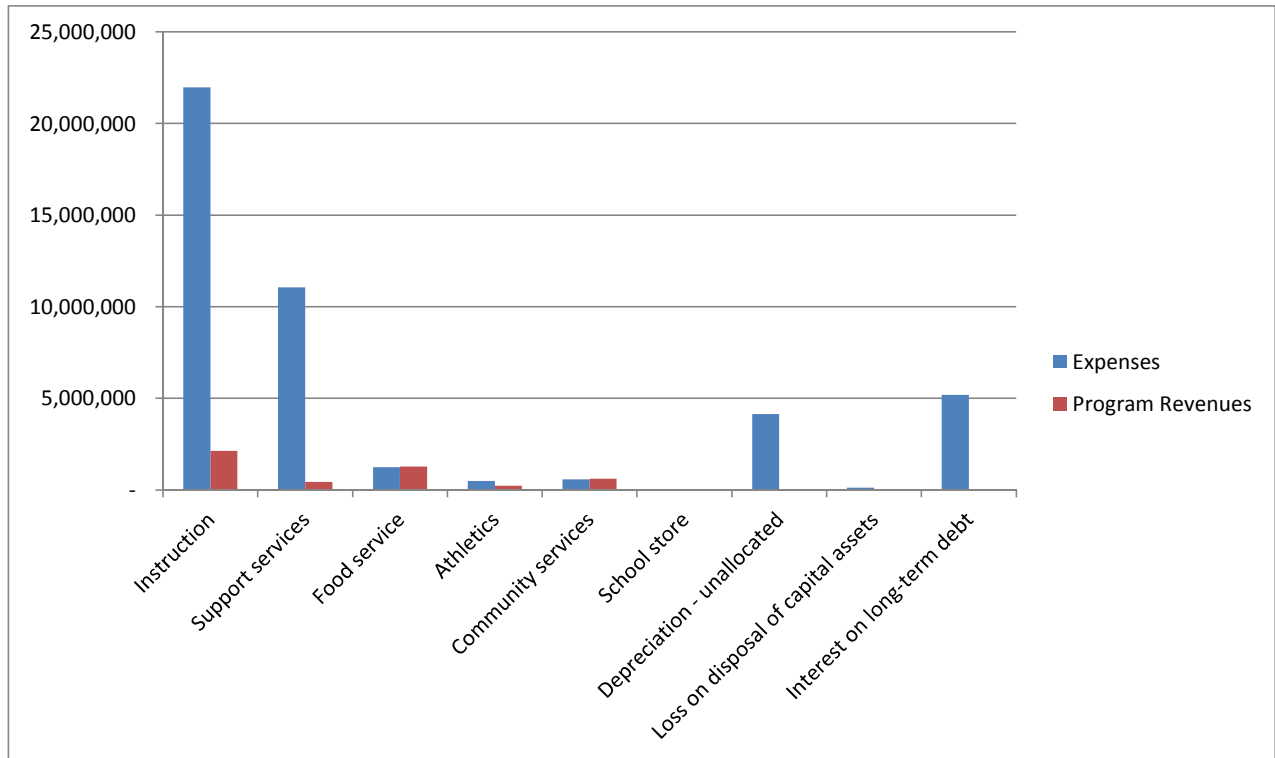
Management's Discussion and Analysis

	District's Net Assets	
	Governmental Activities	
	2011	2012
Program revenues:		
Charges for services	\$ 1,639,377	\$ 1,638,643
Operating grants	3,568,991	3,041,495
General revenues:		
Property taxes	11,934,318	11,755,054
State school aid	27,356,834	25,732,572
Other grants and contributions	1,534,106	76,159
Other	451,112	233,009
Total revenues	<u>46,484,738</u>	<u>42,476,932</u>
Expenses:		
Instruction	25,723,840	21,971,196
Support services	11,504,418	11,062,389
Food services	1,254,434	1,237,910
Athletics	464,981	498,168
Community service	627,996	573,793
School Store	9,701	10,530
Loss on disposal of assets	123,522	122,624
Depreciation- unallocated	3,493,380	4,147,866
Interest on long-term debt	5,210,572	5,183,088
Total expenses	<u>48,412,844</u>	<u>44,807,564</u>
Change in net assets	(1,928,106)	(2,330,632)
Net assets (deficit):		
Beginning of year, as restated	<u>(8,628,808)</u>	<u>(11,881,776)</u>
End of year	<u>\$ (10,556,914)</u>	<u>\$ (14,212,408)</u>

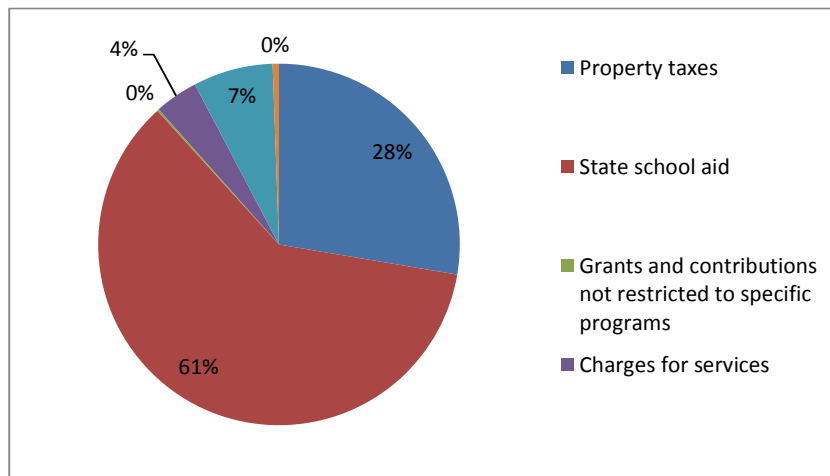
PINCKNEY COMMUNITY SCHOOLS

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 \$26,294,564 a decrease of \$17,199,283 in comparison with the prior year. Approximately 0%, or \$0 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of 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, unassigned fund balance of the general fund was \$0, while total fund balance was \$865,599. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance each represent approximately 0% and .0252% of total general fund expenditures, respectively.

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, 2012 amounted to \$86,267,089 net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment.

Depreciation Expense was \$4,258,923 for the year ended June 30, 2012.

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

- . Office, Building & Maintenance Equipment replacement - \$181,490
- . Fencing, Parking Lots, Outside Lighting Improvements - Navigator & Pathfinder Schools - \$2,458,750
- . High School Stadium & Outdoor Athletic Fields - Add'l Items - \$173,733
- . Remodeled Wes Reader Concession Building - \$143,709
- . Buildings & Grounds Pick-up - \$28,796
- . Remodeled Transportation & Maintenance Facility - \$3,763,664
- . Construction in Progress - Country and Farley Elementary, Navigator, Pathfinder and High School - \$9,864,358

PINCKNEY COMMUNITY SCHOOLS

Management's Discussion and Analysis

A summary of the District's capital assets (net of accumulated depreciation) as of June 30, 2012 follows:

Capital assets not being depreciated -	
Land	\$ 1,391,855
Construction in progress	9,864,358
Capital assets being depreciated:	
Buildings and improvements	63,525,006
Site improvements	7,893,867
Vehicles	3,494,838
Equipment	97,165
Total capital assets, net	<u>\$ 86,267,089</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 \$119,357,000.

The District's total debt principal payments were \$6,821,000 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 2012-13 fiscal year:

- The economical downswing has affected all Michigan School Districts over the past seven years primarily due to declining enrollment and stagnant funding. The foundation grant allowance has increased from \$6,846 in 2011-12 to \$6,966 in 2012-13. 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 2012-13 budget. We understand that the State of Michigan may not be able to fully fund the \$6,966 foundation grant in 12-13. 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

PINCKNEY COMMUNITY SCHOOLS

Statement of Net Assets

June 30, 2012

	Governmental Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 574,816
Investments	30,619,202
Accounts receivable	3,197
Due from other governmental units	4,959,529
Inventory and prepaids	755,061
Total current assets	<u>36,911,805</u>
Noncurrent assets:	
Deferred expenses	2,690,809
Capital assets not being depreciated	11,256,213
Capital assets being depreciated	75,010,876
Total noncurrent assets	<u>88,957,898</u>
Total assets	<u>125,869,703</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	2,829,465
Due to other governmental units	31,551
Salaries payable	2,481,873
Payroll taxes and benefits payable	576,323
State aid note payable	5,159,173
Accrued expense	389,145
Deferred revenue	109,776
Accrued sick leave payable	392,429
Current portion of long-term obligations	7,395,000
Total current liabilities	<u>19,364,735</u>
Noncurrent liabilities:	
Accrued sick leave payable	588,643
Noncurrent portion of long-term obligations	120,128,733
Total noncurrent liabilities	<u>120,717,376</u>
Total liabilities	<u>140,082,111</u>
Net assets (deficit)	
Invested in capital assets, net of related debt (deficit)	(9,970,989)
Restricted for:	
Debt service	690,970
Other purposes	115,340
Unrestricted (deficit)	<u>(5,047,729)</u>
Total net assets (deficit)	<u>\$ (14,212,408)</u>

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

PINCKNEY COMMUNITY SCHOOLS

Statement of Activities

For the Year Ended June 30, 2012

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Basic programs	\$ 17,283,818	\$ -	\$ -	\$ (17,283,818)
Added needs:				
Special education	3,679,608	-	2,003,525	(1,676,083)
Other added needs	1,007,770	20,778	101,721	(885,271)
Total instruction	<u>21,971,196</u>	<u>20,778</u>	<u>2,105,246</u>	<u>(19,845,172)</u>
Support services:				
Pupil	1,185,334	-	313,511	(871,823)
Instructional services	747,674	-	-	(747,674)
General administration	341,534	-	-	(341,534)
School administration	2,207,439	-	-	(2,207,439)
Business	627,153	-	120,809	(506,344)
Operation & maintenance	3,511,671	-	-	(3,511,671)
Pupil transportation services	1,528,367	-	-	(1,528,367)
Technology	628,764	-	-	(628,764)
Central	270,389	-	-	(270,389)
Services to other schools	14,064	-	-	(14,064)
Total supporting services	<u>11,062,389</u>	<u>-</u>	<u>434,320</u>	<u>(10,628,069)</u>
Food service	1,237,910	776,265	501,929	40,284
Athletics	498,168	223,395	-	(274,773)
Community service	573,793	607,706	-	33,913
School store	10,530	10,499	-	(31)
Depreciation - unallocated	4,147,866	-	-	(4,147,866)
Loss on disposal of capital assets	122,624	-	-	(122,624)
Interest on long-term debt	5,183,088	-	-	(5,183,088)
Total governmental activities	<u>\$ 44,807,564</u>	<u>\$ 1,638,643</u>	<u>\$ 3,041,495</u>	<u>(40,127,426)</u>

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

PINCKNEY COMMUNITY SCHOOLS

Statement of Activities (Concluded) For the Year Ended June 30, 2012

	Governmental Activities
Changes in net assets	
Net expense	<u>\$ (40,127,426)</u>
General revenues:	
Property taxes	11,755,054
State school aid	25,732,572
Grants and contributions not restricted to specific programs	76,159
Other	220,697
Unrestricted investment earnings	<u>12,312</u>
Total general revenues	<u>37,796,794</u>
Change in net assets	(2,330,632)
Net assets (deficit), beginning of year, as restated	<u>(11,881,776)</u>
Net assets (deficit), end of year	<u><u>\$ (14,212,408)</u></u>

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

PINCKNEY COMMUNITY SCHOOLS

Balance Sheet

Governmental Funds
June 30, 2012

	General Fund	2010 Series A Capital Projects	2010 Series B Capital Projects	2010 Series C Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 78,109	\$ 284,620	\$ 11,534	\$ 188	\$ 200,365	\$ 574,816
Investments	3,847,277	9,808,470	4,265,399	12,015,261	682,795	30,619,202
Accounts receivable	1,832	-	-	-	1,365	3,197
Due from other funds	-	99,019	165	-	-	99,184
Due from other governmental units	4,952,212	-	-	-	7,317	4,959,529
Inventory and prepaid expenditures	709,343	-	-	-	45,718	755,061
Total assets	\$ 9,588,773	\$ 10,192,109	\$ 4,277,098	\$ 12,015,449	\$ 937,560	\$ 37,010,989
Liabilities						
Accounts payable	\$ 106,262	\$ 13,655	\$ 406,265	\$ 1,342,897	\$ 321	\$ 1,869,400
Due to other governments	31,522	-	-	-	29	31,551
Due to other funds	-	-	-	99,184	-	99,184
State aid note payable	5,159,173	-	-	-	-	5,159,173
Salaries payable	2,475,573	-	-	-	6,300	2,481,873
Payroll taxes and benefits payable	576,323	-	-	-	-	576,323
Accrued expenses	356,733	-	-	-	32,412	389,145
Deferred revenue	17,588	-	-	-	92,188	109,776
Total liabilities	8,723,174	13,655	406,265	1,442,081	131,250	10,716,425
Fund Balances						
Nonspendable - inventory	709,343	-	-	-	31,088	740,431
Nonspendable - prepaids	-	-	-	-	14,630	14,630
Restricted - food service	-	-	-	-	42,383	42,383
Restricted - athletics	-	-	-	-	1,149	1,149
Restricted - school store	-	-	-	-	1,131	1,131
Restricted - community service	-	-	-	-	39,589	39,589
Restricted - debt service	-	-	-	-	676,340	676,340
Restricted - capital projects	-	10,178,454	3,870,833	10,573,368	-	24,622,655
Committed - facility repairs	156,256	-	-	-	-	156,256
Total fund balances	865,599	10,178,454	3,870,833	10,573,368	806,310	26,294,564
Total liabilities and fund balances	\$ 9,588,773	\$ 10,192,109	\$ 4,277,098	\$ 12,015,449	\$ 937,560	\$ 37,010,989

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

PINCKNEY COMMUNITY SCHOOLS

Reconciliation

Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
June 30, 2012

Fund balances - total governmental funds \$ 26,294,564

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

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

Capital assets	142,344,989
Accumulated depreciation on capital assets	(56,077,900)
Unamortized portion of deferred expenses of bond issuance	2,690,809

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	(126,020,000)
Accrued interest on bonds payable	(960,065)
Unamortized premium related to bond issuance	(1,503,733)
Compensated absences	(981,072)

Net assets (deficit) of governmental activities \$ (14,212,408)

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

PINCKNEY COMMUNITY SCHOOLS

Statement of Revenue, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2012

	General Fund	2010 Series A Capital Projects	2010 Series B Capital Projects	2010 Series C Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues						
Local sources:						
Property taxes	\$ 3,946,037	\$ -	\$ -	\$ -	\$ 7,809,807	\$ 11,755,844
Other local sources	91,785	27,339	72,983	16,689	1,575,767	1,784,563
State sources	27,030,499	-	-	-	54,569	27,085,068
Federal sources	424,257	-	-	-	453,904	878,161
Interdistrict sources	753,200	-	-	-	-	753,200
Other sources	161,212	-	-	-	58,884	220,096
Total revenues	32,406,990	27,339	72,983	16,689	9,952,931	42,476,932
Expenditures						
Instruction:						
Basic programs	18,447,046	-	-	-	-	18,447,046
Added needs:						
Special education	3,679,608	-	-	-	-	3,679,608
Other added needs	1,003,916	-	-	-	-	1,003,916
Total instruction	23,130,570	-	-	-	-	23,130,570
Support services:						
Pupil	1,185,334	-	-	-	-	1,185,334
Instructional services	747,674	-	-	-	-	747,674
General administration	341,534	-	-	-	-	341,534
School administration	2,185,674	-	-	-	-	2,185,674
Business	567,374	-	-	-	-	567,374
Operation & maintenance	3,439,845	-	-	-	-	3,439,845
Pupil transportation services	1,528,367	-	-	-	-	1,528,367
Technology	623,681	-	-	-	-	623,681
Central	270,389	-	-	-	-	270,389
Services to other schools	14,064	-	-	-	-	14,064
Total support services	10,903,936	-	-	-	-	10,903,936
Food service	-	-	-	-	1,233,101	1,233,101
Athletics	-	-	-	-	498,168	498,168
School store	-	-	-	-	10,530	10,530
Community service	-	-	-	-	573,793	573,793
Debt service:						
Principal	-	-	-	-	6,821,000	6,821,000
Interest and other fiscal charges	-	-	-	-	5,060,927	5,060,927
Capital outlay	-	62,270	8,987,325	6,442,057	-	15,491,652
Total expenditures	34,034,506	62,270	8,987,325	6,442,057	14,197,519	63,723,677
Revenues under expenditures	(1,627,516)	(34,931)	(8,914,342)	(6,425,368)	(4,244,588)	(21,246,745)
Other financing sources (uses)						
Transfers out	(274,550)	-	-	-	-	(274,550)
Transfers in	-	-	-	-	274,550	274,550
School Bond Loan Fund proceeds	-	-	-	-	4,047,462	4,047,462
Total other financing sources (uses)	(274,550)	-	-	-	4,322,012	4,047,462
Net change in fund balances	(1,902,066)	(34,931)	(8,914,342)	(6,425,368)	77,424	(17,199,283)
Fund balances, beginning of year	2,767,665	10,213,385	12,785,175	16,998,736	728,886	43,493,847
Fund balances, end of year	\$ 865,599	\$ 10,178,454	\$ 3,870,833	\$ 10,573,368	\$ 806,310	\$ 26,294,564

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 Assets of Governmental Activities
For the Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ (17,199,283)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	16,660,988
Depreciation expense	(4,258,923)
Loss on disposal of capital assets	(122,624)

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 assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Amortization of premium on bond refunding	100,249
Amortization of deferred bond cost	(179,387)
Principal payments on long-term liabilities	6,821,000
Proceeds from School Bond Loan Fund	(4,047,462)

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.

Change in the accrual for compensated absences	(2,388)
Change in accrued interest payable on bonds	(102,802)

Change in net assets of governmental activities \$ (2,330,632)

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

PINCKNEY COMMUNITY SCHOOLS

Statement of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Over (under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 3,732,804	\$ 3,953,322	\$ 3,946,037	\$ (7,285)
Other local sources	115,800	70,800	91,785	20,985
State sources	27,406,016	27,018,177	27,030,499	12,322
Federal sources	302,000	526,620	424,257	(102,363)
Interdistrict sources	699,000	703,000	753,200	50,200
Other sources	130,000	134,600	161,212	26,612
Total revenues	32,385,620	32,406,519	32,406,990	471
Expenditures				
Instruction:				
Basic programs	17,959,288	18,516,333	18,447,046	(69,287)
Added needs:				
Special education	3,843,780	3,657,812	3,679,608	21,796
Other added needs	887,959	1,040,841	1,003,916	(36,925)
Total instruction	22,691,027	23,214,986	23,130,570	(84,416)
Support services:				
Pupil	1,221,828	1,215,428	1,185,334	(30,094)
Instructional services	917,852	815,919	747,674	(68,245)
General administration	321,863	342,175	341,534	(641)
School administration	2,213,095	2,208,702	2,185,674	(23,028)
Business	570,214	575,900	567,374	(8,526)
Operation & maintenance	3,526,970	3,470,727	3,439,845	(30,882)
Pupil transportation services	1,565,900	1,560,800	1,528,367	(32,433)
Technology	589,014	658,526	623,681	(34,845)
Central	289,320	269,362	270,389	1,027
Services to other schools	61,000	16,639	14,064	(2,575)
Total support services	11,277,056	11,134,178	10,903,936	(230,242)
Total expenditures	33,968,083	34,349,164	34,034,506	(314,658)
Revenues (under) expenditures	(1,582,463)	(1,942,645)	(1,627,516)	315,129
Other financing uses				
Transfers out - Athletic Fund	(245,000)	(277,524)	(274,550)	(2,974)
Net change in fund balance	(1,827,463)	(2,220,169)	(1,902,066)	318,103
Fund balance, beginning of year	2,767,665	2,767,665	2,767,665	-
Fund balance, end of year	\$ 940,202	\$ 547,496	\$ 865,599	\$ 318,103

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

PINCKNEY COMMUNITY SCHOOLS

Statement of Fiduciary Net Assets June 30, 2012

	Agency Funds
Assets	
Cash and cash equivalents	\$ 416,591
Liabilities	
Due to student groups	\$ 414,616
Due to other governments	1,975
Total liabilities	\$ 416,591

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

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 assets 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 2012.

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, Series B 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 three 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 *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, 2012.

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 assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

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 - special education	\$ 3,657,812	\$ 3,679,608	\$ 21,796
Support services - central	269,362	270,389	1,027

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

4. DEPOSITS AND INVESTMENTS

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

Statement of Net Assets:	
Cash and cash equivalents	\$ 574,816
Investments	<u>30,619,202</u>
	31,194,018
Statement of Fiduciary Net Assets -	
Cash and cash equivalents	<u>416,591</u>
Total	<u>\$ 31,610,609</u>
Bank deposits (checking accounts, savings accounts and CDs)	
Investments	\$ 3,686,002
Cash on hand	<u>27,920,007</u>
	4,600
Total	<u>\$ 31,610,609</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, \$1,789,436 of the District's bank balance of \$3,971,747 was exposed to custodial credit risk because it was uninsured and uncollateralized. The book value of these deposits was \$3,686,002 at June 30, 2012.

Custodial Credit Risk - Investments. Following is a summary of the District's investments as of June 30, 2012:

U.S. agencies	\$ 7,991,379
Michigan Liquid Asset Fund (MILAF)	2,205,008
MBIA	2,831,650
Commercial paper	<u>14,891,970</u>
	<u>\$ 27,920,007</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, 2012, the District's investments were rated by Standard and Poor's as follows:

	U.S. Agencies	MILAF	MBIA	Commercial Paper
Rating				
AAAm	\$ -	\$ 2,205,008	\$ 2,831,650	\$ -
AAA	7,991,379	-	-	-
A-1+	-	-	-	6,697,309
A-1	-	-	-	8,194,661
	<u>\$ 7,991,379</u>	<u>\$ 2,205,008</u>	<u>\$ 2,831,650</u>	<u>\$ 14,891,970</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, 2012, the District had greater than 5% of its total investments concentrated as follows:

Investment Type	Issuer	% of Portfolio
U.S. agencies	Federal Home Loan Bank	19.8%
U.S. agencies	Federal Home Loan Mortgage Corporation	8.9%

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, 2012, 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	\$ 7,991,379	\$ 2,419,622	\$ 5,571,757
Commercial paper	14,891,970	14,891,970	-
	<u>\$ 22,883,349</u>	<u>\$ 17,311,592</u>	<u>\$ 5,571,757</u>

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 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		9,864,358
	<u>1,391,855</u>	<u>9,864,358</u>	<u>-</u>	<u>11,256,213</u>
Capital assets, being depreciated:				
Buildings and improvements	107,629,141	3,512,426	126,460	111,015,107
Site improvements	9,474,704	3,049,556	193,438	12,330,822
Equipment	9,427,667	200,086	2,192,200	7,435,553
Vehicles	272,732	34,562	-	307,294
	<u>126,804,244</u>	<u>6,796,630</u>	<u>2,512,098</u>	<u>131,088,776</u>
Less accumulated depreciation for:				
Buildings and improvements	44,711,496	2,827,438	48,833	47,490,101
Site improvements	4,099,760	490,779	153,584	4,436,955
Equipment	5,205,158	922,614	2,187,057	3,940,715
Vehicles	192,037	18,092	-	210,129
	<u>54,208,451</u>	<u>4,258,923</u>	<u>2,389,474</u>	<u>56,077,900</u>
Total capital assets being depreciated, net	<u>72,595,793</u>	<u>2,537,707</u>	<u>122,624</u>	<u>75,010,876</u>
Governmental activities capital assets, net	<u>\$ 73,987,648</u>	<u>\$ 12,402,065</u>	<u>\$ 122,624</u>	<u>\$ 86,267,089</u>

Beginning capital assets were decreased by \$1,324,862 due to an asset being entered into the system at an incorrect amount in a prior year.

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

Instruction:

Basic programs	\$ 3,720
Added needs- other	3,854

Support services:

School administration	21,765
Operation and maintenance	71,826
Technology	5,083
Food service	4,809
Depreciation- unallocated	<u>4,147,866</u>

Total depreciation expense- governmental activities

\$ 4,258,923

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

At June 30, 2012, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
2010 Series A capital projects fund	\$ 99,019	\$ -
2010 Series B capital projects fund	165	-
2010 Series C capital projects fund	-	99,184
	<u>\$ 99,184</u>	<u>\$ 99,184</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:

Transfer from general fund to nonmajor funds	<u>\$ 274,550</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, 2012, the District transferred funds to subsidize the athletic program.

7. LONG-TERM DEBT

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 126,178,000	\$ -	\$ (6,821,000)	\$ 119,357,000	\$ 7,395,000
Premium on bonds	1,603,982	-	(100,249)	1,503,733	-
School bond loan principal	2,615,538	4,047,462	-	6,663,000	-
Compensated absences	978,684	2,388	-	981,072	392,429
	<u>\$ 131,376,204</u>	<u>\$ 4,049,850</u>	<u>\$ (6,921,249)</u>	<u>\$ 128,504,805</u>	<u>\$ 7,787,429</u>
Totals					

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

Bonds payable at June 30, 2012 are as follows:

\$14,485,000 2003 Bond refunding of 1978 and 1993 building and site serial bonds due in annual installments of \$1,090,000 to \$1,115,000 through May 2014; interest from 3.75% to 4.00%. The defeased bonds outstanding on the original issues is \$9,115,000. \$ 2,205,000

\$21,120,960 2003 School Bond Loan Fund refunding bonds due in annual installments ranging from \$2,510,000 to \$2,592,000 through May 2014; interest at 3.318%. 5,102,000

\$58,705,000 2004 Bond refunding of a portion of the 1997 building and site serial bonds due in annual installments of \$2,855,000 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. 45,485,000

\$7,980,000 2010 School Bond Loan Fund refunding bonds due in annual installments ranging from \$575,000 to \$3,125,000 through May 2016; interest from 2.45% to 4.125%. 7,725,000

\$12,190,000 2010 School Building and Site Bonds, Series A due in annual installments ranging from \$340,000 to \$2,475,000 through May 2020; interest from 2.55% to 5.40%. 11,565,000

\$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%. 32,275,000

Total bonded debt \$ 119,357,000

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
2013	\$ 7,395,000	\$ 6,348,147	\$ 13,743,147
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	5,176,162	9,951,162
2018-2022	21,910,000	22,162,917	44,072,917
2023-2027	29,875,000	17,323,938	47,198,938
2028-2032	19,475,000	8,052,237	27,527,237
2033-2035	12,800,000	1,683,350	14,483,350
Totals	\$ 119,357,000	\$ 78,154,876	\$ 197,511,876

Loans represent \$6,663,000 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 \$981,072 which are generally liquidated by the general fund.

8. SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
State aid note	\$ 3,624,284	\$ 5,159,173	\$ 3,624,284	\$ 5,159,173

The District has two short-term state aid notes totaling \$5,137,743, plus interest of \$21,430 that are included as a liability in the general fund at June 30, 2012. These notes carry interest rates of 0.600% and 0.311% and are due August 2012.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

9. NET ASSETS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

The composition of net assets invested in capital assets, net of related debt as of June 30, 2012, was as follows:

Capital assets, net	\$ 86,267,089
Bonds payable	(119,357,000)
Premium on bonds payable	(1,503,733)
Unexpended bond proceeds	<u>24,622,655</u>
Invested in capital assets, net of related debt	<u>\$ (9,970,989)</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 ("MPERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides 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 MPERS. That report can be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling (517) 322-5103.

PINCKNEY COMMUNITY SCHOOLS

Notes to Financial Statements

Funding Policy. 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 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 Pension Plus Plan which contains a defined contribution component. Member contributions are matched at a rate of 50 percent by the employer, up to a maximum of one percent. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The rates for the year ended June 30, 2012 as a percentage of payroll range from 20.66 to 24.46 percent for MIP members and 19.16 to 23.23 percent for Pension Plus members. 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 retirement plans for the years ended June 30, 2012, 2011, and 2010 were \$4,473,054, \$3,930,726, and \$3,485,403, respectively, equal to the required contributions for each year.

13. OTHER POSTEMPLOYMENT BENEFITS

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages 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.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

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.

PINCKNEY COMMUNITY SCHOOLS

■ Notes to Financial Statements

15. COMMITMENTS

At year end, the District was committed for the estimated cost of completing renovations at Pathfinder school in the amount of \$7,830,519, the site at Navigator and Pathfinder schools in the amount of \$945,608, Fine Arts addition in the amount of \$1,229,956, County Elementary in the amount of \$1,358,599, Farley Hill Elementary in the amount of \$887,293, High School water filtration upgrade in the amount of \$33,309 and the transportation and maintenance facility in the amount of \$47,207.

16. SUBSEQUENT EVENT

The District borrowed \$7,500,000 in State Aid Notes on August 20, 2012 for cash flow purposes and are due on August 20, 2013.

17. RESTATEMENT

Beginning net assets of governmental activities were restated by a reduction of \$1,324,862 due to an asset being entered into the system at an incorrect amount in a prior year.



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**COMBINING AND INDIVIDUAL FUND
STATEMENTS**

PINCKNEY COMMUNITY SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2012

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 200,365	\$ -	\$ 200,365
Investments	-	682,795	682,795
Accounts receivable	1,365	-	1,365
Due from other governments	7,317	-	7,317
Inventory and prepaid expenses	31,088	14,630	45,718
Total assets	\$ 240,135	\$ 697,425	\$ 937,560
Liabilities			
Accounts payable	\$ 321	\$ -	\$ 321
Due to other governments	29	-	29
Accrued payroll	6,300	-	6,300
Accrued expenses	32,412	-	32,412
Deferred revenue	85,733	6,455	92,188
Total liabilities	124,795	6,455	131,250
Fund balances			
Nonspendable	31,088	14,630	45,718
Restricted	84,252	676,340	760,592
Total fund balances	115,340	690,970	806,310
Total liabilities and fund balances	\$ 240,135	\$ 697,425	\$ 937,560

PINCKNEY COMMUNITY SCHOOLS

Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended June 30, 2012

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Revenues			
Local sources:			
Property tax revenue	\$ -	\$ 7,809,807	\$ 7,809,807
Admissions	72,995	-	72,995
Sales to students and adults	801,245	-	801,245
Pay-to-participate fees	132,579	-	132,579
Program fees	565,073	-	565,073
Interest on investments	77	3,798	3,875
State sources	35,037	19,532	54,569
Federal sources	453,904	-	453,904
Other sources	58,884	-	58,884
Total revenues	2,119,794	7,833,137	9,952,931
Expenditures			
Food service	1,233,101	-	1,233,101
Athletics	498,168	-	498,168
School store	10,530	-	10,530
Community service	573,793	-	573,793
Bond principal payments	-	6,821,000	6,821,000
Bond interest payments	-	5,001,150	5,001,150
Other fiscal charges	-	59,777	59,777
Total expenditures	2,315,592	11,881,927	14,197,519
Revenue under expenditures	(195,798)	(4,048,790)	(4,244,588)
Other financing sources			
Transfers in - General Fund	274,550	-	274,550
School Bond Loan Fund proceeds	-	4,047,462	4,047,462
Total other financing sources	274,550	4,047,462	4,322,012
Net change in fund balances	78,752	(1,328)	77,424
Fund balances, beginning of year	36,588	692,298	728,886
Fund balances, end of year	\$ 115,340	\$ 690,970	\$ 806,310

PINCKNEY COMMUNITY SCHOOLS

Combining Balance Sheet - Nonmajor Special Revenue Funds

June 30, 2012

	Food Service	Athletics	School Store	Community Service	Total
Assets					
Cash and cash equivalents	\$ 60,262	\$ 5,691	\$ 1,246	\$ 133,166	\$ 200,365
Accounts receivable	-	-	-	1,365	1,365
Due from other governments	7,317	-	-	-	7,317
Inventory and prepaid expenses	24,005	-	7,083	-	31,088
Total assets	\$ 91,584	\$ 5,691	\$ 8,329	\$ 134,531	\$ 240,135
Liabilities					
Accounts payable	\$ 83	\$ 26	\$ 115	\$ 97	\$ 321
Due to other governments	29	-	-	-	29
Accrued payroll	-	2,882	-	3,418	6,300
Accrued expenses	-	-	-	32,412	32,412
Deferred revenue	25,084	1,634	-	59,015	85,733
Total liabilities	25,196	4,542	115	94,942	124,795
Fund balances					
Nonspendable	24,005	-	7,083	-	31,088
Restricted	42,383	1,149	1,131	39,589	84,252
Total fund balances	66,388	1,149	8,214	39,589	115,340
Total liabilities and fund balances	\$ 91,584	\$ 5,691	\$ 8,329	\$ 134,531	\$ 240,135

PINCKNEY COMMUNITY SCHOOLS

Combining Statement of Revenue, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2012

	Food Service	Athletics	School Store	Community Service	Total
Revenues					
Local sources:					
Admissions and fees	\$ -	\$ 72,995	\$ -	\$ -	\$ 72,995
Sales to students and adults	776,267	14,481	10,497	-	801,245
Pay-to-participate fees	-	132,579	-	-	132,579
Program fees	-	-	-	565,073	565,073
Interest	21	2	2	52	77
State sources	35,037	-	-	-	35,037
Federal sources	453,904	-	-	-	453,904
Other sources	12,965	3,338	-	42,581	58,884
Total revenues	1,278,194	223,395	10,499	607,706	2,119,794
Expenditures					
Food service	1,233,101	-	-	-	1,233,101
Athletics	-	498,168	-	-	498,168
School store	-	-	10,530	-	10,530
Community service	-	-	-	573,793	573,793
Total expenditures	1,233,101	498,168	10,530	573,793	2,315,592
Revenue over (under) expenditures	45,093	(274,773)	(31)	33,913	(195,798)
Other financing sources					
Transfers in - General Fund	-	274,550	-	-	274,550
Net change in fund balances	45,093	(223)	(31)	33,913	78,752
Fund balances, beginning of year	21,295	1,372	8,245	5,676	36,588
Fund balances, end of year	\$ 66,388	\$ 1,149	\$ 8,214	\$ 39,589	\$ 115,340

PINCKNEY COMMUNITY SCHOOLS

Combining Balance Sheet - Nonmajor Debt Service Funds June 30, 2012

	2003	2003 School Bond Loan	2004
Assets			
Investments	\$ 176,668	\$ 236,349	\$ 13,130
Prepaid expense	-	-	-
Total assets	<u>\$ 176,668</u>	<u>\$ 236,349</u>	<u>\$ 13,130</u>
Liabilities			
Deferred revenue	\$ -	\$ -	\$ 6,455
Fund balances			
Restricted	<u>176,668</u>	<u>236,349</u>	<u>6,675</u>
Total liabilities and fund balances	<u>\$ 176,668</u>	<u>\$ 236,349</u>	<u>\$ 13,130</u>



2010 School Bond Loan	2010 Series A	2010 Series B	2010 Series C	Total
\$ 31,490	\$ 104,913	\$ 63,500	\$ 56,745	\$ 682,795
-	14,630	-	-	14,630
<u>\$ 31,490</u>	<u>\$ 119,543</u>	<u>\$ 63,500</u>	<u>\$ 56,745</u>	<u>\$ 697,425</u>
\$ -	\$ -	\$ -	\$ -	\$ 6,455
<u>31,490</u>	<u>119,543</u>	<u>63,500</u>	<u>56,745</u>	<u>690,970</u>
<u>\$ 31,490</u>	<u>\$ 119,543</u>	<u>\$ 63,500</u>	<u>\$ 56,745</u>	<u>\$ 697,425</u>

PINCKNEY COMMUNITY SCHOOLS

Combining Statement of Revenue, Expenditures and Changes in Fund Balances

Nonmajor Debt Service Funds

For the Year Ended June 30, 2012

	2003	2003 School Bond Loan	2004
Revenue			
Local sources :			
Property tax revenue	\$ 854,081	\$ 2,041,495	\$ 3,273,303
Interest on investments	2,044	122	1,632
State sources	-	-	19,532
Total revenue	<u>856,125</u>	<u>2,041,617</u>	<u>3,294,467</u>
Expenditures			
Bond principal payments	1,070,000	2,431,000	2,740,000
Bond interest payments	138,976	249,944	2,271,136
Other fiscal charges	58,537	-	717
Total expenditures	<u>1,267,513</u>	<u>2,680,944</u>	<u>5,011,853</u>
Revenues over (under) expenditures	(411,388)	(639,327)	(1,717,386)
Other financing sources			
School Bond Loan Fund proceeds	<u>365,934</u>	<u>641,687</u>	<u>1,723,955</u>
Net change in fund balances	(45,454)	2,360	6,569
Fund balances, beginning of year	<u>222,122</u>	<u>233,989</u>	<u>106</u>
Fund balances, end of year	<u>\$ 176,668</u>	<u>\$ 236,349</u>	<u>\$ 6,675</u>



2010 School Bond Loan	2010 Series A	2010 Series B	2010 Series C	Total
\$ 344,930	\$ 517,813	\$ 189,755	\$ 588,430	\$ 7,809,807
-	-	-	-	3,798
-	-	-	-	19,532
<u>344,930</u>	<u>517,813</u>	<u>189,755</u>	<u>588,430</u>	<u>7,833,137</u>
255,000	325,000	-	-	6,821,000
290,749	557,995	127,000	1,365,350	5,001,150
-	523	-	-	59,777
<u>545,749</u>	<u>883,518</u>	<u>127,000</u>	<u>1,365,350</u>	<u>11,881,927</u>
(200,819)	(365,705)	62,755	(776,920)	(4,048,790)
<u>232,100</u>	<u>382,795</u>	<u>-</u>	<u>700,991</u>	<u>4,047,462</u>
31,281	17,090	62,755	(75,929)	(1,328)
<u>209</u>	<u>102,453</u>	<u>745</u>	<u>132,674</u>	<u>692,298</u>
<u>\$ 31,490</u>	<u>\$ 119,543</u>	<u>\$ 63,500</u>	<u>\$ 56,745</u>	<u>\$ 690,970</u>

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, LR0, LS8, LT6, LU3, LV1, LW9, LX7, LY5

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

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
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	2012 Taxable Value
Detroit Edison	Utility	\$ 13,651,200
Consumers Energy	Utility	4,293,878
Chilson Commons, LLC	Strip Mall Development	2,957,270
TopValco, Inc.	Food Store (Kroger Co.)	1,925,690
Tri-Bro LLC	Food Store (Busch's Valu Land)	1,919,030
Lakelands Golf & Country Club	Golf club	1,814,323
Hamburg Professional Office	Office Development - Mich Rehab	1,340,610
Timber Trace Golf Club	Golf club	1,322,050
Charter Communications	Cable TV Services	1,248,780
Hamburg Hills - Coventry Woods	Mobile Home Park Development	1,160,720
Total		\$ 31,633,551
2012 Taxable Value		\$ 1,024,149,093
Top 10 taxpayers as a % of total taxable value		3.09%

School District Tax Rates

School Year	Allocated Operating	Voted Operating*	Debt	Total
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
2011/12	\$26,990,887	\$6,846
2010/11	28,728,784	7,146
2009/10	28,647,079	7,162
2008/09	29,257,459	6,944
2007/08	30,864,081	7,204
2006/07	30,706,650	7,085
2005/06	30,904,289	6,875
2004/05	30,738,589	6,700
2003/04	31,235,773	6,626
2002/03	31,178,214	6,628
2001/02	30,081,884	6,500
2000/01	27,441,797	6,000
1999/00	25,082,634	5,700
1998/99	23,323,995	5,413
1997/98	22,390,570	5,413
1996/97	20,303,257	5,161
1995/96	18,042,203	4,903
1994/95	16,160,485	4,645
1993/94	1,411,482	-

includes reduction of \$525,950 of 2011 ARRA stabilization funds & \$745,086 EduJobs fund
 includes reduction of \$1,293,969 of 2010 ARRA stabilization funds
 includes reduction of \$1,715,953 of 2009 ARRA stabilization funds

PINCKNEY COMMUNITY SCHOOLS

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
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	06/13
Administrators - Building	13	PCSA	06/13
Teachers	227	PEA/MEA	06/13
Professionals/Aides/Monitors	38	PSSA	06/13
Maintenance/Custodial	29	MEA	06/13
Office Personnel			
Building level	20	PESPA	06/13
Central office	8	Local contract	06/13
Technology	4	Non-affiliated	06/13
Other Teachers/Latchkey	14	Non-affiliated	N/A
Lunch/Playground	38	Non-affiliated	N/A
Total	394		

Enrollment History

School Year	Enrollment
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
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, 2012
5/1/2003	Bldg & Site UTQ	\$2,205,000
9/30/2003	School Bond Loan	5,102,000
11/2/2004	Bldg & Site UTQ	45,485,000
5/7/2010	School Bond Loan	7,725,000
5/27/2010	QSCB	15,000,000
5/27/2010	Bldg & Site UTQ	11,565,000
5/27/2010	BAB	32,275,000
Total		<u>\$119,357,000</u>

General Fund Budget Summary - 2012/13

Revenues	\$ 31,096,079
Expenditures	<u>34,938,118</u>
Excess Revenues over Expenditures	(3,842,039)
July 1, 2012 Fund Balance	<u>865,599</u>
Projected June 30, 2013 Fund Balance	<u>\$ (2,976,440)</u>

SINGLE AUDIT ACT COMPLIANCE

PINCKNEY COMMUNITY SCHOOLS

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Agency / Cluster / Program Title	Federal CFDA Number	Passed Through	Pass-Through Grantor's Number	Approved Award/Grant Amount	Accrued (Deferred) Revenue - July 1, 2011	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year In-Kind Receipts	Accrued (Deferred) Revenue - June 30, 2012
U.S. Department of Education									
Title I - Project - Regular	84.010	MDE	121530-1112	\$ 280,709	\$ -	\$ -	\$ 203,540	\$ 175,746	\$ 27,794
Title I - Project - Regular	84.010	MDE	111530-1011	169,119	22,721	156,703	12,416	35,137	-
Title I - Project - Regular	84.010	MDE	101530-0910	143,851	-	2,058	-	-	-
				<u>593,679</u>	<u>22,721</u>	<u>158,761</u>	<u>215,956</u>	<u>210,883</u>	<u>27,794</u>
Title II - Part A - Regular	84.367	MDE	120520-1112	121,504	-	-	71,024	66,922	4,102
Title II - Part A - Regular	84.367	MDE	110520-1011	121,465	-	82,416	10,709	10,709	-
Title II - Part A - Regular	84.367	MDE	100520-0910	107,815	-	14,750	-	-	-
				<u>350,784</u>	<u>-</u>	<u>97,166</u>	<u>81,733</u>	<u>77,631</u>	<u>4,102</u>
Title II - Part D - ARRA	84.386	MDE	114295-1011	537	-	-	511	511	-
ARRA - Education Stabilization	84.394	MDE	112525-1011	525,950	95,670	525,950	-	95,670	-
Education Jobs Fund	84.410A	MDE	112545-1112	76,159	-	-	76,159	76,159	-
Education Jobs Fund	84.410A	MDE	112545-1011	1,008,156	157,060	1,008,156	-	157,060	-
				<u>1,084,315</u>	<u>157,060</u>	<u>1,008,156</u>	<u>76,159</u>	<u>233,219</u>	<u>-</u>
ARRA - Spec Education Flow Through	84.391A	LESA	100455	14,946	-	-	14,946	14,946	-
ARRA - Spec Education Flow Through	84.391A	LESA	100455	439,567	152,849	419,641	-	152,849	-
				<u>454,513</u>	<u>152,849</u>	<u>419,641</u>	<u>14,946</u>	<u>167,795</u>	<u>-</u>
Perkins - Technical	84.048A	LESA	113520	5,000	-	3,456	-	-	-
Perkins - Supplemental	84.048A	LESA	113520	642	-	642	-	-	-
				<u>5,642</u>	<u>-</u>	<u>4,098</u>	<u>-</u>	<u>-</u>	<u>-</u>
Tech Prep	84.243A	LESA	123540	16,500	-	-	17,133	17,133	-
Tech Prep	84.243A	LESA	113540	19,000	5,927	16,685	-	5,927	-
Tech Prep - Supplemental	84.243A	LESA	113540	2,507	-	2,507	-	-	-
				<u>38,007</u>	<u>5,927</u>	<u>19,192</u>	<u>17,133</u>	<u>23,060</u>	<u>-</u>
Drug Free - Title IV	84.186A	LESA	112860	412	412	412	-	412	-
McKinney Vento - Homeless Education	84.196A	WISD	102320	2,801	357	2,801	-	357	-
Title II - Part D - Regular	84.318	WISD	104240-1011	15,311	-	-	15,311	15,311	-
Title II - Part D - Regular	84.318	WISD	104240-0910	50,000	2,118	13,507	-	2,118	-
				<u>65,311</u>	<u>2,118</u>	<u>13,507</u>	<u>15,311</u>	<u>17,429</u>	<u>-</u>
Total Department of Education				<u>3,121,951</u>	<u>437,114</u>	<u>2,249,684</u>	<u>421,749</u>	<u>826,967</u>	<u>31,896</u>

continued...

PINCKNEY COMMUNITY SCHOOLS

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Agency / Cluster / Program Title	Federal CFDA Number	Passed Through	Pass-Through Grantor's Number	Approved Award/Grant Amount	Accrued (Deferred) Revenue - July 1, 2011	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year In-Kind Receipts	Accrued (Deferred) Revenue - June 30, 2012
U.S. Department of Agriculture									
Non-Cash Assistance (Commodities) - Entitlement commodities	10.555	Direct	47080	\$ 54,118	\$ -	\$ 44,390	\$ 54,118	\$ 54,118	\$ -
National School Breakfast Program:									
Section 4 - All breakfasts	10.553	MDE	121970	71,094	-	-	71,098	71,098	-
Section 4 - All breakfasts	10.553	MDE	111970	6,710	2,729	46,029	6,710	9,439	-
Section 4 - All breakfasts	10.553	MDE	101970	20,527	-	3,401	-	-	-
				<u>98,331</u>	<u>2,729</u>	<u>49,430</u>	<u>77,808</u>	<u>80,537</u>	<u>-</u>
National School Lunch Program:									
Section 11 - Free and reduced	10.555	MDE	121960	286,662	-	-	286,662	286,662	-
Section 11 - Free and reduced	10.555	MDE	111950	-	2,148	56,385	-	2,148	-
Section 4 - All lunches	10.555	MDE	111960	34,007	8,507	215,572	34,007	42,514	-
Section 11 - Free and reduced	10.555	MDE	101950	64,679	-	6,130	-	-	-
Section 4 - All lunches	10.555	MDE	101960	244,833	-	23,545	-	-	-
				<u>630,181</u>	<u>10,655</u>	<u>301,632</u>	<u>320,669</u>	<u>331,324</u>	<u>-</u>
Special Milk Program	10.556	MDE	111940	136	-	-	136	136	-
Special Milk Program	10.556	MDE	121940	1,173	15	1,125	1,173	1,188	-
Special Milk Program	10.556	MDE	101940	1,772	-	79	-	-	-
				<u>3,081</u>	<u>15</u>	<u>1,204</u>	<u>1,309</u>	<u>1,324</u>	<u>-</u>
Cash Assistance Subtotal				<u>731,593</u>	<u>13,399</u>	<u>352,266</u>	<u>399,786</u>	<u>413,185</u>	<u>-</u>
Total U.S. Department of Agriculture - Nutrition Cluster				<u>785,711</u>	<u>13,399</u>	<u>396,656</u>	<u>453,904</u>	<u>467,303</u>	<u>-</u>
Michigan Department of Health and Human Services									
Medicaid Outreach	93.778	LESA	n/a	2,508	-	3,124	2,508	2,508	-
Total Expenditures of Federal Awards				<u>\$ 3,910,170</u>	<u>\$ 450,513</u>	<u>\$ 2,649,464</u>	<u>\$ 878,161</u>	<u>\$ 1,296,778</u>	<u>\$ 31,896</u>

See notes to schedule of expenditures of federal awards.

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, 2012. 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 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 grant 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 10, 2012

To the Board of Education
Pinckney Community Schools
Pinckney , Michigan

We have audited 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, 2012, which collectively comprise the basic financial statements of the District, and have issued our report thereon dated September 10, 2012. 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.

Internal Control Over Financial Reporting

Management of Pinckney Community Schools is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Rehmann Johnson". The signature is written in a cursive style with a large, prominent initial 'R'.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

September 10, 2012

To the Board of Education
Pinckney Community Schools
Pinckney , Michigan

Compliance

We have audited Pinckney Community Schools' compliance 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, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, Pinckney Community Schools complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Education, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

PINCKNEY COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.556	Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$ 300,000 </u>
Auditee qualified as low-risk auditee?	<u> X </u> yes <u> </u> 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, 2012

None Reported

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