



PINCKNEY COMMUNITY SCHOOLS

celebrating lifelong learning

FINANCIAL STATEMENTS

For The Year Ended June 30, 2010

PINCKNEY COMMUNITY SCHOOLS

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INDEPENDENT AUDITORS' REPORT

September 9, 2010

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**, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of **Pinckney Community Schools'** 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 **Pinckney Community Schools** as of June 30, 2010, and the respective changes in financial position thereof and the 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 9, 2010, on our consideration of the Pinckney Community School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

The Management's Discussion and Analysis on pages 3-10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the *Pinckney Community Schools* basic financial statements. The combining fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of *Pinckney Community Schools*. 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, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of *Pinckney Community Schools*. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Annual Disclosure Document Information on pages 42 through 44 was not audited by us, and we express no opinion on it.

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

MANAGEMENT'S DISCUSSION and ANALYSIS

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, 2010.

Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$8,628,808 (*net assets*). Of this amount, \$914,906 is *unrestricted net assets* and \$1,480,475 is reserved for debt service and (\$11,024,189) is invested in capital assets, net of related debt.
- The government's total net assets decreased by \$237,870.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$59,689,349, an increase of \$56,961,319 in comparison with the prior year. Approximately 2.1%, or \$1,236,930, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,207,378, or 3.5% percent of total general fund expenditures.
- The spending of \$1,909,369 for Computers & Technology Equipment replacement equipment was made as investments for the future. New debt was issued to finance these projects.

Overview of the Financial Statements

This 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*). The governmental activities of the District include instruction, support services, food service, athletics and community service. The District has no business-type activities as of and for the year ended June 30, 2010.

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 twelve 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, the 2004 debt service fund, and there 2010 capital projects funds, which are major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the general fund, which is a major fund, in order to demonstrate compliance with those budgets.

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

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

Other information. 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 to the financial statements.

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 \$8,628,808 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 (\$11,024,189) at June 30, 2010. 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.

District’s Net Assets

	Governmental Activities	
	<u>2008-09</u>	<u>2009-10</u>
Current and other assets	\$ 11,368,383	\$ 67,426,848
Capital assets, net	<u>70,706,563</u>	<u>67,720,154</u>
Total assets	<u>82,074,946</u>	<u>135,147,002</u>
Long-term liabilities outstanding	<u>73,470,163</u>	<u>128,495,270</u>
Other liabilities	<u>16,995,721</u>	<u>15,280,540</u>
Total liabilities	<u>90,465,884</u>	<u>143,775,810</u>
Net assets:		
Invested in capital assets, net of related debt	(9,318,685)	(11,024,189)
Restricted –debt funds	1,613,948	1,480,475
Unrestricted	<u>(686,201)</u>	<u>914,906</u>
Total net assets (deficit)	<u>\$ 8,390,938</u>	<u>\$ (8,628,808)</u>

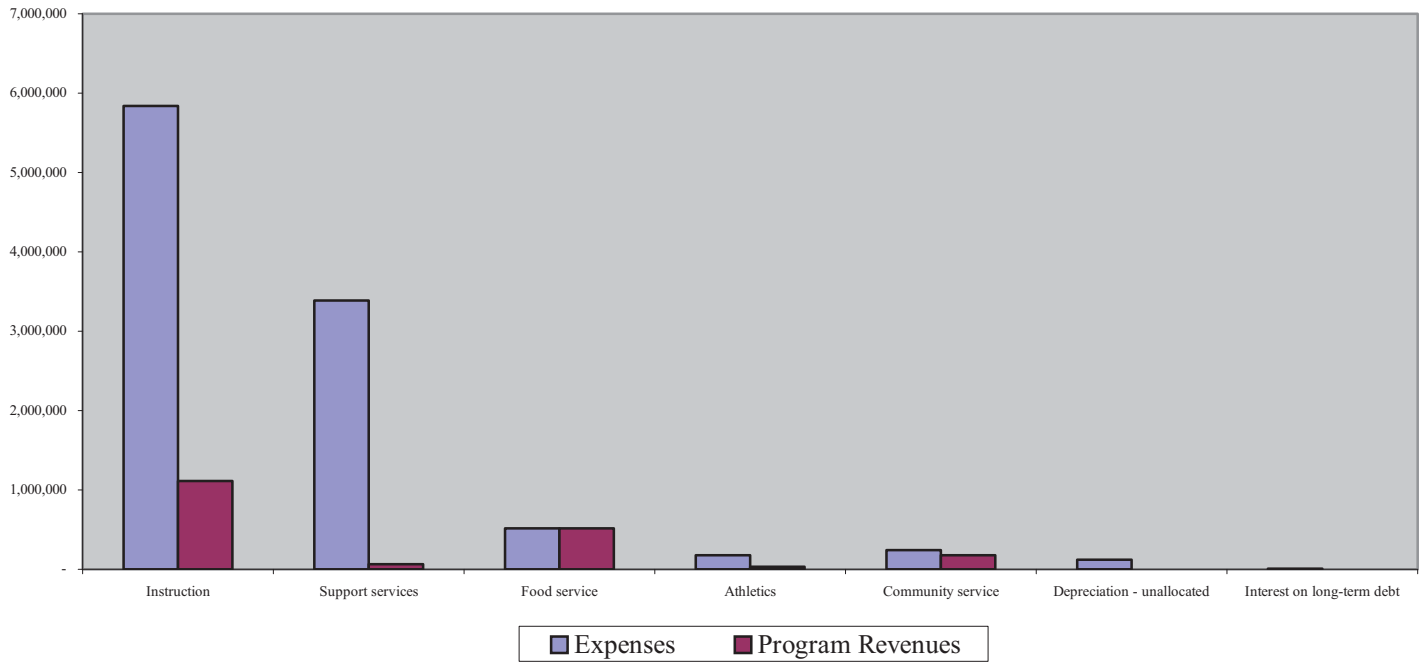
An amount of \$1,480,475 included in net assets of the District at June 30, 2010 represents resources that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net assets* or \$914,906.

The government's net assets decreased by \$237,870 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 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 4,400 student level.

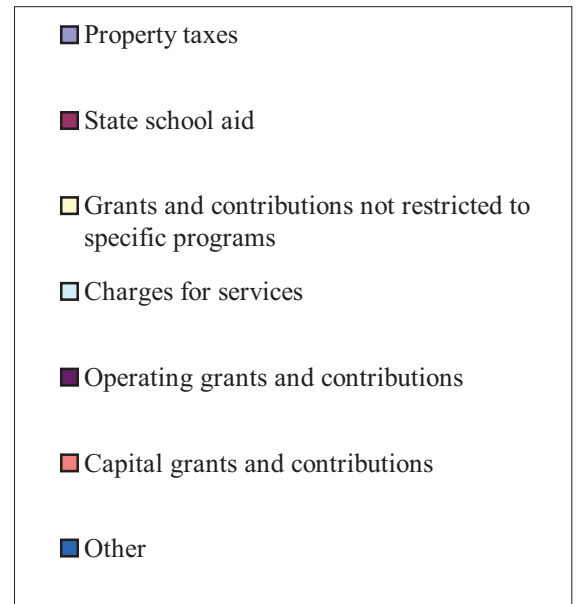
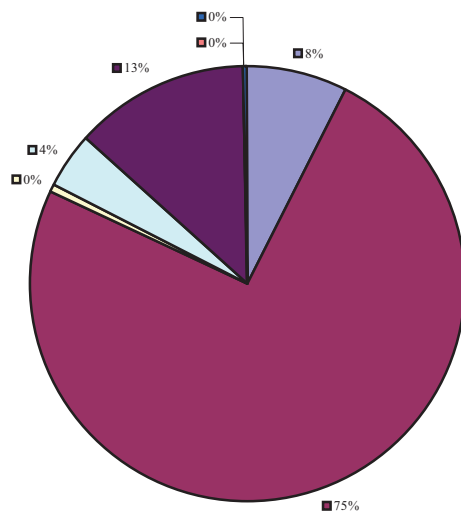
District's Changes in Net Assets

	<u>Governmental</u> <u>Activities</u>	
	<u>2008-09</u>	<u>2009-10</u>
<i>Revenue</i>		
Program revenue		
Charges for services	\$1,780,347	\$1,739,680
Operating grants and contributions	2,973,629	3,487,359
Capital grants	-	165,941
General revenue		
Property taxes	12,852,460	12,682,978
State school aid	28,002,906	26,997,529
Other grants and contributions	1,467,991	1,293,969
Other	<u>229,787</u>	<u>169,371</u>
Total revenue	<u>47,307,120</u>	<u>46,536,827</u>
<i>Expenses</i>		
Instruction	24,230,169	23,384,546
Support services	11,438,231	14,035,873
Food service	1,242,544	1,252,568
Athletics	439,966	453,765
Community service	665,542	665,544
School store	16,265	9,269
Depreciation - unallocated	2,982,931	2,923,796
Interest on long-term debt	<u>3,886,732</u>	<u>4,040,374</u>
Total expenses	<u>44,902,380</u>	<u>46,774,697</u>
Increase (decrease) in net assets	<u>2,404,740</u>	<u>(237,870)</u>
Net assets (deficit) beginning of year	<u>10,795,678</u>	<u>8,390,938</u>
Net assets (deficit) end of year	<u><u>(\$8,390,938)</u></u>	<u><u>(\$8,628,808)</u></u>

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



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, *unreserved 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 \$59,689,349, an increase of \$56,961,319 in comparison with the prior year. Approximately 2.1% of this total amount (\$1,236,930) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because the underlying assets are included in inventory and prepaid expenses and are not available for current expenditure, or are in debt service or capital projects funds.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,207,378, while total fund balance was \$1,348,526. 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. Unreserved fund balance and total fund balance each represent 3.5 percent and 3.9 percent of total general fund expenditures, respectively.

The fund balance of the District's general fund increased by \$264,635 during the current fiscal year.

The 2004 debt service fund has a \$1,113,496 fund balance as of June 30, 2010, which is reserved for future principal and interest payments.

The three 2010 capital project fund are designated for future authorized expenditures on those capital project initiatives. Computer and technology equipment of \$1,909,369 was included as capital outlays during the year.

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, 2010, amounted to \$64,670,571 net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles and equipment.

Depreciation expense was \$3,043,305 for the year ended June 30, 2010.

District's Capital Assets
(net of depreciation)
June 30, 2010

Land	\$ 1,391,855
Buildings & Bldg Improvements	60,611,881
Site Improvements	1,739,386
Vehicles	44,066
Equipment	<u>883,383</u>
Total	<u>\$ 64,670,571</u>

Additional information on the District's capital assets can be found in note III.C 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 \$132,488,000.

The District's total debt principal payments were \$5,785,000 during the current fiscal year, all in accordance with scheduled payments. Also, the School Bond loan balance was paid off during the year.

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

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2010-11 fiscal year:

- The economic downswing has affected all Michigan School Districts over the past nine years primarily due to declining enrollment and stagnant funding. The foundation grant allowance has remained at \$7,316. Any 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 2010-11 budget.
- Inflationary trends in the region compare favorably to national indices.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

PINCKNEY COMMUNITY SCHOOLS

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 668,562
Investments	61,158,340
Accounts receivable	2,118
Due from other governmental units	5,419,124
Inventory and prepaids	178,704
Total current assets	<u>67,426,848</u>
Noncurrent assets:	
Deferred expenses	3,049,583
Capital assets, net	64,670,571
Total noncurrent assets	<u>67,720,154</u>
Total assets	<u>135,147,002</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	2,310,162
Due to other governmental units	7,938
Salaries payable	1,900,225
Payroll taxes and benefits payable	1,124,978
State aid note payable	2,806,250
Accrued expense	320,640
Deferred revenue	91,655
Accrued sick leave payable	408,692
Current portion of long-term obligations	6,310,000
Total current liabilities	<u>15,280,540</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	127,882,231
Accrued sick leave payable	613,039
Total noncurrent liabilities	<u>128,495,270</u>
Total liabilities	<u>143,775,810</u>
Net assets (deficit)	
Invested in capital assets, net of related debt (deficit)	(11,024,189)
Restricted for debt service	1,480,475
Unrestricted	914,906
Total net assets (deficit)	<u>\$ (8,628,808)</u>

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

PINCKNEY COMMUNITY SCHOOLS

Statement of Activities

For the Year Ended June 30, 2010

Functions / Programs	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Basic programs	\$ 18,685,330	\$ -	\$ -	\$ -	(18,685,330)
Added needs:					
Special education	3,774,709	-	2,247,421	-	(1,527,288)
Other added needs	933,469	8,987	108,646	-	(815,836)
Total instruction	23,393,508	8,987	2,356,067	-	(21,028,454)
Support services:					
Pupil	1,247,097	-	703,664	-	(543,433)
Instructional services	904,510	-	652	-	(903,858)
General administration	328,624	-	-	-	(328,624)
School administration	2,064,203	-	-	-	(2,064,203)
Business	637,522	-	2,032	-	(635,490)
Operation & maintenance	3,740,156	-	-	-	(3,740,156)
Pupil transportation services	1,732,007	-	-	-	(1,732,007)
Technology	3,082,071	-	-	165,941	(2,916,130)
Central	235,853	-	-	-	(235,853)
Services to other schools	63,830	-	-	-	(63,830)
Total supporting services	14,035,873	-	706,348	165,941	(13,163,584)
Food service	1,252,568	829,986	424,944	-	2,362
Athletics	453,765	208,887	-	-	(244,878)
Community service	665,544	679,618	-	-	14,074
School store	9,269	12,202	-	-	2,933
Depreciation - unallocated	2,923,796	-	-	-	(2,923,796)
Interest on long-term debt	4,040,374	-	-	-	(4,040,374)
Total governmental activities	\$ 46,774,697	\$ 1,739,680	\$ 3,487,359	\$ 165,941	(41,381,717)

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

PINCKNEY COMMUNITY SCHOOLS
Statement of Activities (Concluded)
For the Year Ended June 30, 2010

	Governmental Activities
Changes in net assets	
Net expense	\$ (41,381,717)
General revenues:	
Property taxes	12,682,978
State school aid	26,997,529
Grants and contributions not restricted to specific programs	1,293,969
Other	158,481
Unrestricted investment earnings	10,890
Total general revenues	41,143,847
Change in net assets	(237,870)
Net assets (deficit), beginning of year	(8,390,938)
Net assets (deficit), end of year	\$ (8,628,808)

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

FUND FINANCIAL STATEMENTS

PINCKNEY COMMUNITY SCHOOLS

**Balance Sheet
Governmental Funds
June 30, 2010**

	General Fund	2004 Debt Service	2010 Series A Capital Projects	2010 Series B Capital Projects
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 115,667	\$ 3,328	\$ 165,933	\$ 56,801
Investments	1,942,102	1,110,168	11,471,712	14,772,605
Accounts and interest receivable	-	-	-	-
Due from other funds	-	-	454,399	37,801
Due from other governmental units	5,410,654	-	-	-
Inventory and prepaid expenditures	141,148	-	-	-
<u>TOTAL ASSETS</u>	\$ 7,609,571	\$ 1,113,496	\$ 12,092,044	\$ 14,867,207
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 121,467		\$ 281	\$ 528
Due to other governments	7,883	-	-	-
Due to other funds	21,878	-	37,801	-
State aid note payable	2,806,250	-	-	-
Salaries payable	1,892,788	-	-	-
Payroll taxes and benefits payable	1,123,402	-	-	-
Accrued expenses	287,377	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	6,261,045	-	38,082	528
Fund Balances				
Reserved for inventories and prepaids	141,148	-	-	-
Reserved for debt service	-	1,113,496	-	-
Reserved for construction projects	-	-	12,053,962	14,866,679
Unreserved, undesignated, reported in:				
General fund	1,207,378	-	-	-
Special revenue funds	-	-	-	-
Total fund balances	1,348,526	1,113,496	12,053,962	14,866,679
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 7,609,571	\$ 1,113,496	\$ 12,092,044	\$ 14,867,207

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

2010 Series C Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 195,188	\$ 131,645	\$ 668,562
31,494,774	366,979	61,158,340
-	2,118	2,118
-	38,952	531,152
-	8,470	5,419,124
-	37,556	178,704
\$ 31,689,962	\$ 585,720	\$ 67,958,000

\$ 1,362,964	\$ 573	\$ 1,485,813
-	55	7,938
454,399	17,074	531,152
-	-	2,806,250
-	7,437	1,900,225
-	1,576	1,124,978
-	33,263	320,640
-	91,655	91,655
1,817,363	151,633	8,268,651

-	37,556	178,704
-	366,979	1,480,475
29,872,599	-	56,793,240
-	-	1,207,378
-	29,552	29,552
29,872,599	434,087	59,689,349

\$ 31,689,962	\$ 585,720	\$ 67,958,000
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PINCKNEY COMMUNITY SCHOOLS
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2010

Fund balances - total governmental funds	\$	59,689,349
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Amounts reported for *governmental activities* in the statement of net assets are different because:

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

Add - capital assets		115,999,713
Deduct - accumulated depreciation on capital assets		(51,329,142)
Add - unamortized portion of deferred expenses of bond issuance		3,049,583

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

Deduct - bonds payable		(132,488,000)
Deduct - accrued interest on bonds payable		(824,349)
Deduct - unamortized premium related to bond issuance		(1,704,231)
Deduct- compensated absences		(1,021,731)

Net assets (deficit) of governmental activities	\$	<u>(8,628,808)</u>
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The accompanying notes are an integral part of these financial statements.

PINCKNEY COMMUNITY SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2010

	General Fund	2004 Debt Service	2010 Series A Capital Projects	2010 Series B Capital Projects
Revenues				
Local sources:				
Property taxes	\$ 3,913,785	\$ 4,733,037	\$ -	\$ -
Other local sources	40,240	6,095	159,588	5,922
State sources	28,774,861	-	-	-
Federal sources	1,991,800	-	-	-
Interdistrict sources	556,264	-	-	-
Other sources	131,660	-	-	-
Total revenues	<u>35,408,610</u>	<u>4,739,132</u>	<u>159,588</u>	<u>5,922</u>
Expenditures				
Instruction:				
Basic programs	18,869,227	-	-	-
Added needs:				
Special education	3,774,709	-	-	-
Other added needs	920,729	-	-	-
Total instruction	<u>23,564,665</u>	<u>-</u>	<u>-</u>	<u>-</u>
Support services:				
Pupil	1,247,097	-	-	-
Instructional services	904,510	-	-	-
General administration	324,237	-	-	-
School administration	2,033,425	-	-	-
Business	635,672	-	-	-
Operation & maintenance	3,494,572	-	-	-
Pupil transportation services	1,732,007	-	-	-
Technology	663,236	-	-	-
Central	235,853	-	-	-
Services to other schools	63,830	-	-	-
Total support services	<u>11,334,439</u>	<u>-</u>	<u>-</u>	<u>-</u>
Food service	-	-	-	-
Athletics	-	-	-	-
School store	-	-	-	-
Community service	-	-	-	-
Debt service				
Principal	-	2,430,000	-	-
Interest and other fiscal charges	-	2,480,937	-	-
Capital outlay	-	-	295,626	139,243
Total expenditures	<u>34,899,104</u>	<u>4,910,937</u>	<u>295,626</u>	<u>139,243</u>
Revenues over (under) expenditures	<u>509,506</u>	<u>(171,805)</u>	<u>(136,038)</u>	<u>(133,321)</u>
Other financing sources (uses)				
Transfers out	(244,871)	-	-	-
Transfers in	-	-	-	-
Discount on bond issuance	-	-	-	-
Proceeds from sale of bonds	-	-	12,190,000	15,000,000
School Bond Loan Fund repayment	-	-	-	-
	<u>(244,871)</u>	<u>-</u>	<u>12,190,000</u>	<u>15,000,000</u>
Net change in fund balances	264,635	(171,805)	12,053,962	14,866,679
Fund balance, beginning of year	1,083,891	1,285,301	-	-
Fund balance, end of year	<u>\$ 1,348,526</u>	<u>\$ 1,113,496</u>	<u>\$ 12,053,962</u>	<u>\$ 14,866,679</u>

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

2010 Series C Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 4,036,156	\$ 12,682,978
431	1,676,107	1,888,383
-	65,895	28,840,756
-	378,581	2,370,381
-	-	556,264
-	66,402	198,062
431	6,223,141	46,536,824
-	-	18,869,227
-	-	3,774,709
-	-	920,729
-	-	23,564,665
-	-	1,247,097
-	-	904,510
-	-	324,237
-	-	2,033,425
-	-	635,672
-	-	3,494,572
-	-	1,732,007
-	-	663,236
-	-	235,853
-	-	63,830
-	-	11,334,439
-	1,250,861	1,250,861
-	453,765	453,765
-	9,268	9,268
-	665,543	665,543
-	3,355,000	5,785,000
-	766,536	3,247,473
2,402,832	-	2,837,701
2,402,832	6,500,973	49,148,715
(2,402,401)	(277,832)	(2,611,891)
-	-	(244,871)
-	244,871	244,871
-	(49,157)	(49,157)
32,275,000	7,980,000	67,445,000
-	(7,822,633)	(7,822,633)
32,275,000	353,081	59,573,210
29,872,599	75,249	56,961,319
-	358,838	2,728,030
\$ 29,872,599	\$ 434,087	\$ 59,689,349

PINCKNEY COMMUNITY SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ 56,961,319

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.

Add - capital outlay	246,283
Deduct - depreciation expense	(3,053,305)

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.

Add - amortization of premium on bond refunding	100,249
Deduct - amortization of deferred bond cost	(179,387)
Add - principal payments on long-term liabilities	5,785,000
Add - principal payments on School Bond Loan Fund	5,968,278
Add - long term interest payments on School Bond Loan Fund	1,854,356
Deduct - increase in interest expense on School Bond Loan fund before payoff	(356,896)
Deduct - increase in interest expense on government wide statements	(307,711)
Deduct - bond proceeds	(67,445,000)

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.

Add - decrease in Voluntary Severance Program	120,000
Add - decrease in the accrual for compensated absences	68,944

Change in net assets of governmental activities	\$ (237,870)
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The accompanying notes are an integral part of these financial statements.

PINCKNEY COMMUNITY SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2010

	Budget Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Local sources:				
Property taxes	\$ 3,879,000	\$ 3,860,000	\$ 3,913,785	\$ 53,785
Other local sources	148,400	94,700	40,240	(54,460)
State sources	28,531,739	28,725,340	28,774,861	49,521
Federal sources	2,077,121	1,630,311	1,991,800	361,489
Interdistrict sources	1,035,000	921,136	556,264	(364,872)
Other sources	115,600	131,550	131,660	110
Total revenues	<u>35,786,860</u>	<u>35,363,037</u>	<u>35,408,610</u>	<u>45,573</u>
Expenditures				
Instruction:				
Basic programs	19,376,753	18,893,998	18,869,227	(24,771)
Added needs:				
Special education	3,823,394	3,785,699	3,774,709	(10,990)
Other added needs	889,259	922,226	920,729	(1,497)
Total instruction	<u>24,089,406</u>	<u>23,601,923</u>	<u>23,564,665</u>	<u>(37,258)</u>
Support services:				
Pupil	1,253,038	1,260,939	1,247,097	(13,842)
Instructional services	699,650	914,712	904,510	(10,202)
General administration	329,997	329,243	324,237	(5,006)
School administration	2,162,676	2,039,617	2,033,425	(6,192)
Business	590,067	660,205	635,672	(24,533)
Operation & maintenance	3,734,424	3,511,157	3,494,572	(16,585)
Pupil transportation services	1,699,200	1,732,600	1,732,007	(593)
Technology	645,691	663,379	663,236	(143)
Central	322,711	237,980	235,853	(2,127)
Services to other schools	-	64,420	63,830	(590)
Total support services	<u>11,437,454</u>	<u>11,414,252</u>	<u>11,334,439</u>	<u>(79,813)</u>
Total expenditures	<u>35,526,860</u>	<u>35,016,175</u>	<u>34,899,104</u>	<u>(117,071)</u>
Revenues over expenditures	260,000	346,862	509,506	162,644
Other financing (uses)				
Transfers out - Athletic Fund	(260,000)	(253,000)	(244,871)	(8,129)
Net change in fund balances	-	93,862	264,635	170,773
Fund balance, beginning of year	1,083,891	1,083,891	1,083,891	-
Fund balance, end of year	<u>\$ 1,083,891</u>	<u>\$ 1,177,753</u>	<u>\$ 1,348,526</u>	<u>\$ 170,773</u>

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

PINCKNEY COMMUNITY SCHOOLS
Statement of Fiduciary Net Assets
June 30, 2010

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 117,425
Investments	265,184
Accounts receivable	<u>800</u>
TOTAL ASSETS	<u><u>\$ 383,409</u></u>
LIABILITIES	
Sales tax payable	\$ 706
Due to student groups	<u>382,703</u>
TOTAL LIABILITIES	<u><u>\$ 383,409</u></u>

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

NOTES to the FINANCIAL STATEMENTS

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. 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 2010.

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.

C. 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.

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

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.

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 *2004 debt service fund* accounts for the principal and interest payments on these bonds used to finance various construction projects in the District.

The *2010 Series A, Series B and Series C capital projects funds* account for the proceeds of three separate bond issues and the related expenditures thereon.

Additionally, the District reports the following fund types:

The *food service fund* accounts for the activities of the food service operation at the various cafeteria locations. The District charges users primarily for the direct costs of this program, which is subsidized by state and federal grants.

The *athletics fund* accounts for the various athletic programs sponsored by the District.

The *school store fund* accounts for the revenues and expenditures of the high school store operation.

The *community service fund* accounts for the revenue and expenditures of child care and other community education programs and projects.

The *debt service funds* account for the principal and interest payments on these bonds used to finance various construction projects in the District.

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

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

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.

D. Assets, liabilities and equity

1. 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 market value.

2. 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, 2010.

3. Inventory and Prepaid Items

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the General Fund and School Service Funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by 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.

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

4. *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 primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	45
Equipment	5-20
Vehicles	5-10

5. *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.

6. *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 the Financial Statements

7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. **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.

B. **Excess of expenditures over appropriations**

Expenditures in excess of budgeted amounts at the legal level of control are disclosed in the Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General fund.

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

III. DETAILED NOTES ON ALL FUNDS

A. 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	\$ 668,562
Investments	61,158,340
	<hr/>
	61,826,902

Statement of Fiduciary Net Assets:

Cash and cash equivalents	117,425
Investments	265,184
	<hr/>
	382,609

\$ 62,209,511

Bank deposits (checking accounts, savings accounts, CDARS and CDs)	\$ 3,241,237
Investments	58,965,424
Cash on hand	2,850
	<hr/>
	<u><u>\$ 62,209,511</u></u>

Statutory Authority

State statutes authorize the District to invest in:

- (a) 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.
- (b) 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.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

- (d) 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.
- (e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

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

Investment and deposit 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, \$1,173,503 of the District's bank balance of \$3,968,345 was exposed to custodial credit risk because it was uninsured and uncollateralized. The book value of these deposits was \$3,241,237 at June 30, 2010.

Custodial Credit Risk – Investments. Following is a summary of the District's investments as of June 30, 2010:

U.S agencies	\$ 42,972,770
Commercial paper	14,439,907
MBIA	1,226,335
Mutual funds	<u>326,412</u>
	<u><u>\$ 58,965,424</u></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.

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

As of June 30, 2010, the District's investments were rated by Standard and Poor's as follows:

<u>Rating</u>	<u>U.S. agencies</u>	<u>Commercial paper</u>	<u>MBIA</u>	<u>Mutual funds</u>
AAAm	\$ -	\$ -	\$ 1,226,335	\$ 326,412
AAA	38,604,835	-	-	-
A-1+	4,367,935	13,439,918	-	-
A-1	-	999,989	-	-
	<u>\$ 42,972,770</u>	<u>\$ 14,439,907</u>	<u>\$ 1,226,335</u>	<u>\$ 326,412</u>

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. At June 30, 2010, the District had greater than 5% of its total investments concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
Commercial paper	Barclays US Funding LLC	6.8 %
Commercial paper	General Electric Corp	6.6
U.S. agencies	Federal Home Loan Bank	39.3
U.S. agencies	Federal Home Loan Mortgage Corp	13.3
U.S. agencies	Federal National Mortgage Assoc	20.3

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, 2010, maturities of the District's investments in federal agencies and commercial paper were as follows.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (fair value by years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Federal agencies	\$ 42,972,770	\$ 18,443,496	\$ 24,529,274
Commercial paper	14,439,907	14,439,907	-
	<u>\$ 57,412,677</u>	<u>\$ 32,883,403</u>	<u>\$ 24,529,274</u>

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

B. Receivables

Receivables in the governmental activities are 99 percent due from general accounts and 1 percent accrued interest.

C. Capital assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated - land	\$ 1,391,855	\$ -	\$ -	\$ 1,391,855
Capital assets being depreciated:				
Building and improvements	103,185,032	35,804	-	103,220,836
Site improvements	5,601,456	-	-	5,601,456
Equipment	5,351,824	210,479	-	5,562,303
Vehicles	223,263	-	-	223,263
Total capital assets being depreciated	<u>114,361,575</u>	<u>246,283</u>	<u>-</u>	<u>114,607,858</u>
Less accumulated depreciation for:				
Buildings and improvements	39,953,069	2,620,082	-	42,573,151
Site improvements	3,634,578	227,492	-	3,862,070
Equipment	4,522,191	192,533	-	4,714,724
Vehicles	165,999	13,198	-	179,197
Total accumulated depreciation	<u>48,275,837</u>	<u>3,053,305</u>	<u>-</u>	<u>51,329,142</u>
Total capital assets being depreciated, net	<u>66,085,738</u>	<u>(2,807,022)</u>	<u>-</u>	<u>63,278,716</u>
Governmental activities capital assets, net	<u>\$ 67,477,593</u>	<u>\$ (2,807,022)</u>	<u>\$ -</u>	<u>\$ 64,670,571</u>

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

Instruction:		
Basic programs	\$	3,749
Added needs – other		9,557
Support services:		
General administration		937
School administration		30,193
Operation and maintenance		76,272
Technology		7,095
Food service		1,706
Depreciation – unallocated		<u>2,923,796</u>

Total depreciation expense – governmental activities **\$ 3,053,305**

D. Interfund receivables, payables and transfers

The following balances at June 30, 2010, represent individual fund interfund receivables and payables:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Due To/From Other Funds:		
General fund	\$ -	\$ 21,878
2010 Series A Capital projects fund	454,399	37,801
2010 Series B Capital projects fund	37,801	-
2010 Series C Capital projects fund	-	454,399
Non-major funds	<u>38,952</u>	<u>17,074</u>
Total	<u>\$ 531,152</u>	<u>\$ 531,152</u>

The District reports interfund balances between certain funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the balance sheet for governmental 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 then ended, interfund transfers consisted of the following:

Transfer from general fund to non-major funds	<u>\$244,871</u>
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For the year ended June 30, 2010, the District transferred funds to subsidize the athletic program.

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

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.

E. Long-Term Debt

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

	Balance July 1, 2009	Increases	(Decreases)	Balance June 30, 2010	Due Within One Year
Bonds payable	\$ 70,828,000	\$ 67,445,000	\$ (5,785,000)	\$ 132,488,000	\$ 6,310,000
Premium on bonds	1,804,480	-	(100,249)	1,704,231	-
School bond loan principal	5,968,278	-	(5,968,278)	-	-
Voluntary Severance Program	120,000	-	(120,000)	-	-
Compensated absences	1,090,675	-	(68,944)	1,021,731	408,692
Totals	\$ 79,811,433	\$ 67,445,000	\$ (12,042,471)	\$ 135,213,962	\$ 6,718,692

Bonds payable at June 30, 2010 are as follows:

<p>\$14,485,000 2003 Bond refunding of 1978 and 1993 building and site serial bonds due in annual installments of \$1,090,000 to \$1,750,000 through May 2014; interest from 2.00% to 5.00%. The defeased bonds outstanding on the original issues is \$9,115,000.</p>	\$ 4,345,000
<p>\$21,120,960 2003 School Bond Loan fund refunding bonds due in annual installments ranging from \$255,000 to \$2,592,000 through May 2014; interest at 3.318%.</p>	9,888,000
<p>\$58,705,000 2004 Bond refunding of a portion of the 1997 building and site serial bonds due in annual installments of \$330,000 to \$2,935,000 through May 2027; interest from 2.00% to 5.00%. The defeased bonds outstanding on the original issue is \$56,650,000.</p>	50,810,000
<p>\$7,980,000 2010 School Bond Loan fund refunding bonds due in annual installments ranging from \$255,000 to \$3,125,000 through May 2016; interest from 1.60% to 4.125%.</p>	7,980,000

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

\$12,190,000 2010 School Building and Site Bonds, Series A due in annual installments ranging from \$300,000 to \$2,475,000 through May 2020; interest from 1.00% to 5.40%	12,190,000
\$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	<u><u>\$ 132,488,000</u></u>

BOND DEBT SERVICE REQUIREMENTS

The annual requirements to service the bonds outstanding to maturity, including both principal and interest, are as follows:

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 6,310,000	\$ 6,576,644	\$ 12,886,644
2012	6,821,000	6,594,337	13,415,337
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
2016-2020	28,270,000	24,747,594	53,017,594
2021-2025	15,070,000	19,151,188	34,221,188
2026-2030	32,265,000	11,869,763	44,134,763
2031-3035	20,900,000	4,153,150	25,053,150
Total	<u><u>\$ 132,488,000</u></u>	<u><u>\$ 91,325,859</u></u>	<u><u>\$ 223,813,859</u></u>

Loans represent \$5,968,278 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 loans plus accrued interest were paid off with the issuance of \$7,980,000 in debt on May 7, 2010. This resulted in a reduction to total debt service expenditures of \$245,380 over the next 6 years and in an economic gain of \$264,598.

The other long-term obligations are comprised of employee compensated absences of \$1,021,731 which are generally liquidated by the general fund.

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

The District has a short-term state aid note of \$2,750,000, plus interest of \$56,250 are included as a liability in the general fund at June 30, 2010. This note carries an interest rate of 1.70% and is due August 20, 2010.

Short-term debt activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
State Aid Notes	<u>\$4,600,000</u>	<u>\$5,000,000</u>	<u>\$6,850,000</u>	<u>\$2,750,000</u>

V. OTHER INFORMATION

A. 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.

B. 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.

C. Defined benefit pension plan

Plan Description

Pinckney Community Schools 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's Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions are established and must be amended by state statute.

PINCKNEY COMMUNITY SCHOOLS

Notes to the Financial Statements

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

Funding Policy

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 and before July 1, 2008 paid \$510 plus at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Due to the enactment of Public Act 111 of 2007, employees hired after July 1, 2008, pay \$510 plus 6.4% of salary above \$15,000. Basic Plan members make no contributions. 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 current rate is 16.94% of annual covered payroll. Of that amount, 6.81% is for retiree health care and 10.13% for pension benefits. The contribution requirements of plan members and the District are established by State of Michigan statute and may be amended only by action of the State Legislature. The School District's contributions to MPSERS for the years ended June 30, 2010, 2009 and 2008 were \$3,485,403, \$3,467,207 and \$3,639,873, respectively, equal to the required contributions for each year.

Other Postemployment Benefits

Retirees have the option of health coverage, which is funded on a cash disbursement basis by their former 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).

D. Subsequent Event

The District borrowed \$6,000,000 on a State aid note on August 20, 2010 for cash flow purposes.

* * * * *

COMBINING FUND STATEMENTS

PINCKNEY COMMUNITY SCHOOLS

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2010

	Special	Debt	Total
	Revenue	Service	Nonmajor
			Governmental
			Funds
	<hr/>		
<u>ASSETS</u>			
Assets			
Cash and cash equivalents	\$ 131,645	\$ -	\$ 131,645
Investments	-	366,979	366,979
Accounts receivable	2,118	-	2,118
Due from other funds	23,277	15,675	38,952
Due from other governments	8,470	-	8,470
Inventory and prepaid expenses	21,881	15,675	37,556
	<hr/>		
<u>TOTAL ASSETS</u>	\$ 187,391	\$ 398,329	\$ 585,720
	<hr/> <hr/>		
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$ 573	\$ -	\$ 573
Due to other funds	1,399	15,675	17,074
Due to other governments	55	-	55
Accrued payroll	7,437	-	7,437
Payroll withholdings	1,576	-	1,576
Accrued expenses	33,263	-	33,263
Deferred revenue	91,655	-	91,655
	<hr/>		
Total liabilities	135,958	15,675	151,633
	<hr/>		
Fund balances			
Reserved for inventories and prepaids	21,881	15,675	37,556
Reserved for debt service	-	366,979	366,979
Unreserved and undesignated	29,552	-	29,552
	<hr/>		
Total fund balances	51,433	382,654	434,087
	<hr/>		
<u>TOTAL LIABILITIES</u>	\$ 187,391	\$ 398,329	\$ 585,720
<u>AND FUND BALANCES</u>	\$ 187,391	\$ 398,329	\$ 585,720
	<hr/> <hr/>		

PINCKNEY COMMUNITY SCHOOLS
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Revenues			
Local sources			
Property tax revenue	\$ -	\$ 4,036,156	\$ 4,036,156
Admissions	72,702	-	72,702
Sales to students and adults	825,618	-	825,618
Pay-to-participate fees	135,825	-	135,825
Program fees	636,430	-	636,430
Interest on investments	171	5,361	5,532
State sources	46,363	19,532	65,895
Federal sources	378,581	-	378,581
Other sources	60,118	6,284	66,402
Total revenues	<u>2,155,808</u>	<u>4,067,333</u>	<u>6,223,141</u>
Expenditures			
Food service	1,250,861	-	1,250,861
Athletics	453,765	-	453,765
School store	9,268	-	9,268
Community service	665,543	-	665,543
Bond principal payments	-	3,355,000	3,355,000
Bond interest payments	-	620,459	620,459
Other fiscal charges	-	146,077	146,077
Total expenditures	<u>2,379,437</u>	<u>4,121,536</u>	<u>6,500,973</u>
Revenue under expenditures	<u>(223,629)</u>	<u>(54,203)</u>	<u>(277,832)</u>
Other financing sources (uses)			
Transfers in - General Fund	244,871	-	244,871
Discount on bond issuance	-	(49,157)	(49,157)
Proceeds from bond refunding	-	7,980,000	7,980,000
School Bond Loan Fund repayment	-	(7,822,633)	(7,822,633)
Total other financing sources	<u>244,871</u>	<u>108,210</u>	<u>353,081</u>
Net change in fund balances	21,242	54,007	75,249
Fund balance, beginning of year	<u>30,191</u>	<u>328,647</u>	<u>358,838</u>
Fund balance, end of year	<u>\$ 51,433</u>	<u>\$ 382,654</u>	<u>\$ 434,087</u>

PINCKNEY COMMUNITY SCHOOLS

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2010

<u>ASSETS</u>	Food Service	Athletics	School Store	Community Service	Total
Assets					
Cash and cash equivalents	\$ 1,266	\$ 217	\$ 2,790	\$ 127,372	\$ 131,645
Accounts receivable	-	-	-	2,118	2,118
Due from other funds	20,000	3,277	-	-	23,277
Due from other governments	8,470	-	-	-	8,470
Inventory and prepaid expenses	15,024	-	6,857	-	21,881
	<hr/>				
<u>TOTAL ASSETS</u>	\$ 44,760	\$ 3,494	\$ 9,647	\$ 129,490	\$ 187,391
<hr/>					
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable	\$ -	\$ 50	\$ -	\$ 523	\$ 573
Due to other funds	-	-	-	1,399	1,399
Due to other governments	51	-	4	-	55
Accrued payroll	-	1,105	-	6,332	7,437
Payroll withholdings	-	272	-	1,304	1,576
Accrued expenses	-	695	-	32,568	33,263
Deferred revenue	23,055	-	-	68,600	91,655
Total liabilities	23,106	2,122	4	110,726	135,958
<hr/>					
Fund balances					
Reserved for inventory and prepaid expenses	15,024	-	6,857	-	21,881
Unreserved and undesignated	6,630	1,372	2,786	18,764	29,552
Total fund balances	21,654	1,372	9,643	18,764	51,433
	<hr/>				
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 44,760	\$ 3,494	\$ 9,647	\$ 129,490	\$ 187,391
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PINCKNEY COMMUNITY SCHOOLS
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2010

	Food Service	Athletics	School Store	Community Service	Total
Revenues					
Local sources					
Admissions and fees	\$ -	\$ 72,702	\$ -	\$ -	\$ 72,702
Sales to students and adults	813,416	-	12,202	-	825,618
Pay-to-participate fees	-	135,825	-	-	135,825
Program fees	-	-	-	636,430	636,430
Interest	93	7	1	70	171
State sources	46,363	-	-	-	46,363
Federal sources	378,581	-	-	-	378,581
Other sources	16,570	360	-	43,188	60,118
Total revenues	<u>1,255,023</u>	<u>208,894</u>	<u>12,203</u>	<u>679,688</u>	<u>2,155,808</u>
Expenditures					
Food service	1,250,861	-	-	-	1,250,861
Athletics	-	453,765	-	-	453,765
School store	-	-	9,268	-	9,268
Community service	-	-	-	665,543	665,543
Total expenditures	<u>1,250,861</u>	<u>453,765</u>	<u>9,268</u>	<u>665,543</u>	<u>2,379,437</u>
Revenue over (under) expenditures	4,162	(244,871)	2,935	14,145	(223,629)
Other financing sources					
Transfers in - General Fund	-	244,871	-	-	244,871
Net change in fund balances	4,162	-	2,935	14,145	21,242
Fund balance, beginning of year	17,492	1,372	6,708	4,619	30,191
Fund balance, end of year	<u>\$ 21,654</u>	<u>\$ 1,372</u>	<u>\$ 9,643</u>	<u>\$ 18,764</u>	<u>\$ 51,433</u>

PINCKNEY COMMUNITY SCHOOLS
Combining Balance Sheet
Nonmajor Debt Service funds
June 30, 2010

	2003	2003 School Bond Loan	2010 School Bond Loan	Total
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 102,050	\$ 259,095	\$ 5,834	\$ 366,979
Due from other funds	-	15,675	-	15,675
Prepaid expense	-	-	15,675	15,675
	<hr/>			
<u>TOTAL ASSETS</u>	\$ 102,050	\$ 274,770	\$ 21,509	\$ 398,329
	<hr/>			
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Due to other funds	\$ -	\$ -	\$ 15,675	\$ 15,675
Fund balances				
Unreserved and undesignated	102,050	274,770	5,834	382,654
	<hr/>			
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 102,050	\$ 274,770	\$ 21,509	\$ 398,329
	<hr/>			

PINCKNEY COMMUNITY SCHOOLS
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Debt Service Funds
For the Year Ended June 30, 2010

	2003	2003 School Bond Loan	2010 School Bond Loan	Total
Revenue				
Local sources				
Property tax revenue	\$ 1,306,492	\$ 2,729,664	\$ -	\$ 4,036,156
Interest on investments	24	5,337	-	5,361
State sources	-	19,532	-	19,532
Other sources	-	-	6,284	6,284
Total revenue	<u>1,306,516</u>	<u>2,754,533</u>	<u>6,284</u>	<u>4,067,333</u>
Expenditures				
Bond principal payments	1,075,000	2,280,000	-	3,355,000
Bond interest payments	216,725	403,734	-	620,459
Other fiscal charges	37,146	271	108,660	146,077
Total expenditures	<u>1,328,871</u>	<u>2,684,005</u>	<u>108,660</u>	<u>4,121,536</u>
Revenues over expenditures	<u>(22,355)</u>	<u>70,528</u>	<u>(102,376)</u>	<u>(54,203)</u>
Other financing sources (uses)				
Discount on bond issuance	-	-	(49,157)	(49,157)
Proceeds from bond refunding	-	-	7,980,000	7,980,000
School Bond Loan Fund repayment	-	-	(7,822,633)	(7,822,633)
Total other financing sources	<u>-</u>	<u>-</u>	<u>108,210</u>	<u>108,210</u>
Net change in fund balances	(22,355)	70,528	5,834	54,007
Fund balance, beginning of year	<u>124,405</u>	<u>204,242</u>	<u>-</u>	<u>328,647</u>
Fund balance, end of year	<u>\$ 102,050</u>	<u>\$ 274,770</u>	<u>\$ 5,834</u>	<u>\$ 382,654</u>

**ANNUAL DISCLOSURE
DOCUMENT INFORMATION**

PINCKNEY COMMUNITY SCHOOLS
 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
 AND
 2004 Refunding Bonds, Dated 11/2/2004 Orig. Amt: \$58,705,000
 CUSIP #: 722205 KJ9 TO LF6
 AND
 2010 SBL Refunding Bonds, Dated 5/7/2010 Orig. Amt: \$7,980,000
 CUSIP #: 722205 MF5, LK5, LL3, LM1, LN9
 AND
 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
 AND
 2010 SERIES B - Bonds, Dated 5/27/2010 Orig. Amt: \$15,000,000
 CUSIP #: 722205 MG3, ME8
 AND
 2010 SERIES B - Bonds, Dated 5/27/2010 Orig. Amt: \$32,275,000
 CUSIP #: 722205 MK4, MN8, MR9

History of S.E.V./Taxable Value

School Year	SEV	Change	Total Taxable Value	Change
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%

Major Taxpayers

Taxpayer	Product/Service	2010 Taxable Value
Detroit Edison	Utility	\$13,504,412
Consumers Energy	Utility	\$4,267,969
Chilson Commons, LLC	Strip Mall Development	\$3,686,152
Metaldyne	Tube & pipe bending	\$2,226,050
TopValco, Inc.	Food Store (Kroger Co.)	\$2,173,270
Tri-Bro LLC	Food Store (Busch's Valu Land)	\$2,138,220
Hamburg Hills - Coventry Woods	Mobile Home Park Development	\$1,965,389
Hamburg Professional Office	Office Development - Mich Rehab	\$1,964,300
Lakelands Golf & Country Club	Golf club	\$1,918,974
Timber Trace Golf Club	Golf club	\$1,354,530
TOTAL		\$35,199,266
2010 Taxable Value		\$1,065,645,035
Top 10 taxpayers as a % of total taxable value		3.30%

School District Tax Rates

School Year	Allocated Operating	Voted Operating*	Debt	Total
2010/11	0	18.0000	7.5550	25.5500
2009/10	0	18.0000	7.5550	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
1993/94	6.7691	28.3437	7.1400	42.2528

* Beginning in 1994/95, levied on non-homestead property only.

**PINCKNEY COMMUNITY SCHOOLS
GENERAL FINANCIAL INFORMATION**

(Continued)

State Aid Payments

<u>School Year</u>	<u>Total Received</u>	<u>Foundation Allowance per Pupil</u>	
2009/10	\$30,476,528	\$7,162	includes \$1,293,969 of 2010 ARRA stabilization funds
2008/09	\$30,476,528	\$7,316	includes \$1,715,953 of 2009 ARRA stabilization funds
2007/08	\$30,688,226	\$7,204	
2006/07	\$30,749,662	\$7,085	
2005/06	\$30,584,063	\$6,875	
2004/05	\$30,563,891	\$6,700	
2003/04	\$29,856,688	\$6,626	
2002/03	\$29,858,835	\$6,628	
2001/02	\$29,659,472	\$6,500	
2000/01	\$26,728,245	\$6,000	
1999/00	\$25,082,702	\$5,700	
1998/99	\$23,290,718	\$5,413	
1997/98	\$22,390,570	\$5,413	
1996/97	\$20,363,994	\$5,161	
1995/96	\$18,512,010	\$4,903	
1994/95	\$16,639,461	\$4,645	
1993/94	\$1,490,269	\$0	

Tax Levies and Collections

<u>School Year</u>	<u>Operating Tax Levy</u>	<u>Collections to March 1st</u>		<u>Collections to June 30th</u>	
		<u>Dollar Amount</u>	<u>Percentage</u>	<u>Dollar Amount</u>	<u>Percentage</u>
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

<u>Class</u>	<u># of Employees</u>	<u>Affiliation</u>	<u>Contract Exp. Date</u>
Administrators - Central	4	Non-affiliated	06/10
Administrators - Building	12	PCSA	06/10
Teachers	250	PEA/MEA	08/10
Professionals/Aides/Monitors	30	PSSA	06/10
Maintenance/Custodial	27	MEA	06/10
Office Personnel			
Building Level	19	PESPA	06/10
Central Office	8	Local contract	06/10
Technology	4	Local contract	06/10
Other Teachers/Latchkey	14	Non-affiliated	N/A
Lunch/Playground	30	Non-affiliated	N/A
TOTALS	398		

**PINCKNEY COMMUNITY SCHOOLS
GENERAL FINANCIAL INFORMATION**

(Concluded)

Enrollment History

<u>School Year</u>	<u>Enrollment</u>
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

Retirement Plan

<u>School Year</u>	<u>Contribution</u>
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

<u>Bonds Dated</u>	<u>Description</u>	<u>Amount Outstanding 7/1/2010</u>
5/1/2003	Bldg & Site UTQ	\$4,345,000
9/30/2003	School Bond Loan Fund	9,888,000
11/2/2004	Bldg & Site UTQ	50,810,000
5/7/2010	School Bond Loan Fund	7,980,000
5/27/2010	QSCB	15,000,000
5/27/2010	Bldg & Site UTQ	12,190,000
5/27/2010	BAB	32,275,000
	Total	<u>\$132,488,000</u>

General Fund Budget Summary - 2010/11

Revenues	\$34,509,102
Expenditures	<u>34,509,102</u>
Excess Revenues over Expenditures:	\$0
July 1, 2010 Fund Balance	<u>1,348,526</u>
Projected June 30, 2011 Fund Balance	<u><u>\$1,348,526</u></u>

APPENDIX

PINCKNEY COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Approved Award/ Grant Amount	Accrued (Deferred) Revenue - July 1, 2009	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year In-Kind Receipts	Accrued (Deferred) Revenue - June 30, 2010
U.S. DEPARTMENT OF EDUCATION								
Passed-through Michigan Department of Education (MDE):								
Title 1 - Project - Regular	84.010	101530-0910	\$ 143,851	\$ -	\$ -	\$ 141,618	\$ 119,991	\$ 21,627
Title 1 - Project - Regular	84.010	091530-0809	210,834	10,005	194,207	14,796	24,801	-
Title 1 - Project - Regular	84.010	081530-0708	213,098	-	14,209	-	-	-
			567,783	10,005	208,416	156,414	144,792	21,627
Title 2 - Part A - Regular	84.367	100520-0910	107,815	-	-	81,817	81,085	732
Title 2 - Part A - Regular	84.367	090520-0809	106,787	4,098	106,639	148	4,246	-
			214,602	4,098	106,639	81,965	85,331	732
Title 2 - Part D - Regular	84.318	094290-0809	1,431	244	1,320	-	244	-
Title 2 - Part D - Regular	84.318	084290-0708	1,832	-	1,076	-	-	-
			3,263	244	2,396	-	244	-
Title 2 - Part D - ARRA	84.386	104295-0910	1,859	-	-	1,321	1,097	224
ARRA - Education Stabilization	84.394	102525-0910	1,293,969	-	-	1,293,969	1,293,969	-
ARRA - Education Stabilization	84.394	092525-0809	1,715,953	1,715,953	1,715,953	-	1,715,953	-
			3,009,922	1,715,953	1,715,953	1,293,969	3,009,922	-
Total passed-through the Michigan Department of Education			3,797,429	1,730,300	2,033,404	1,533,669	3,241,386	22,583
Passed-through Livingston Educational Service Agency:								
ARRA Special Education Flowthrough	84.391A	100455	375,284	-	-	374,312	246,770	127,542
			375,284	-	-	374,312	246,770	127,542
Perkins - Technical	84.048A	103520	7,775	-	-	7,232	7,232	-
Perkins - Technical	84.048A	093520	5,928	5,409	5,828	-	-	-
			13,703	5,409	5,828	7,232	7,232	-
Data 4 Student Success	84.318	084260	330	-	-	330	330	-
Tech Prep	84.243A	103540	18,000	-	-	15,222	9,366	5,856
Tech Prep	84.243A	093540	16,000	5,409	16,000	-	5,409	-
			34,000	5,409	16,000	15,222	14,775	5,856
IDEA Flowthrough	84.027	100450	50,000	-	46,612	-	-	-
Drug Free - Title IV	84.186A	102860	9,442	-	-	9,220	-	9,220
Drug Free - Title IV	84.186A	092860	11,518	2,288	11,216	-	2,288	-
			20,960	2,288	11,216	9,220	2,288	9,220
Total passed-through Livingston Educational Service Agency			494,277	7,697	79,656	406,316	271,395	142,618

continued...

**PINKNEY COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Approved Award/ Grant Amount	Accrued (Deferred) Revenue - July 1, 2009	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year In-Kind Receipts	Accrued (Deferred) Revenue - June 30, 2010
U.S. DEPARTMENT OF EDUCATION (concluded) Passed-through Washenaw ISD - Title 2 - Part D - Regular	84.318	104240-0910	\$ 50,000	\$ -	\$ -	\$ 25,066	\$ -	\$ 25,066
TOTAL DEPARTMENT OF EDUCATION			4,341,706	1,737,997	2,113,060	1,965,051	3,512,781	190,267
U.S. DEPARTMENT OF AGRICULTURE Direct program: Non-Cash Assistance (Commodities): Entitlement commodities Bonus commodities Non-Cash Assistance Subtotal	10.555 10.555	47080 47080	49,435 1,488 50,923	- - -	49,927 2,693 52,620	49,435 1,488 50,923	49,435 1,488 50,923	- - -
Passed-through the Michigan Department of Education: Cash Assistance: National School Breakfast Program, Section 4 - All breakfasts Section 4 - All breakfasts Section 4 - All breakfasts	10.553 10.553 10.553	101970 91970 81970	17,126 1,696 -	- - -	- 1,301 13,895	17,126 1,696 -	17,126 1,696 -	- - -
National School Lunch Program, Section 4 - All lunches Section 11 - Free and reduced Section 4 - All lunches Section 11 - Free and reduced Section 4 - All lunches Section 11 - Free and reduced	10.555 10.555 10.555 10.555 10.555 10.555	101950 101960 91950 91960 81950 81960	58,549 221,288 5,972 21,169 - -	- - - - - -	- - 56,009 167,027 6,784 18,832	58,549 221,288 5,972 21,169 - -	58,549 221,288 5,972 21,169 - -	- - - - - -
Special Milk Program Special Milk Program Special Milk Program	10.556 10.556 10.556	101940 91940 81940	1,693 164 -	- - -	- 2,547 193	1,693 164 -	1,693 164 -	- - -
Cash Assistance Subtotal			327,657	-	266,588	327,657	327,657	-
TOTAL DEPARTMENT OF AGRICULTURE			378,580	-	319,208	378,580	378,580	-
MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed Through Livingston Educational Service Agency: Medicaid Outreach Medicaid School Based		n/a n/a	26,750 40,330	- -	- 40,330	26,750 -	26,750 -	- -
TOTAL DEPARTMENT OF HEALTH AND HUMAN RESOURCES			67,080	-	40,330	26,750	26,750	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,787,366	\$ 1,737,997	\$ 2,472,598	\$ 2,370,381	\$ 3,918,111	\$ 190,267

continued...

PINCKNEY COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Concluded)
FOR THE YEAR ENDED JUNE 30, 2010

- 1 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 incurred and all grant requirements have been met. in preparing this schedule.
- 2 Expenditures in this schedule are in agreement with amounts reported in the financial statements and the financial reports submitted to MDE.
- 3 The amounts reported on the R7120 (Grant Section Auditor's Report) and the Grant Auditor Report reconcile with this schedule.
- 4 The amounts reported on the Recipient Entitlement Balance Report (PAL) agree with this schedule for USDA donated food commodities and are reported in the cash receipts column.

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 9, 2010

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*** as of and for the year ended June 30, 2010, and have issued our report thereon dated September 9, 2010. 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

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 "Lehmann Johnson". The signature is written in a cursive style with a large, prominent initial 'L'.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

September 9, 2010

Board of Education
Pinckney Community Schools
Pinckney, Michigan

Compliance

We have audited the compliance of **PINCKNEY COMMUNITY SCHOOLS** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Pinckney Community Schools' major federal programs are identified in the summary of auditor's 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 Pinckney Community Schools' management. Our responsibility is to express an opinion on Pinckney Community Schools' 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 are applicable to each of its major federal programs for the year ended June 30, 2010.

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 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 "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, 2010

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

Reportable condition(s) identified
not considered to be material weaknesses? _____ 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

Reportable condition(s) identified
not considered to be material weaknesses? _____ 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

PINCKNEY COMMUNITY SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)

FOR THE YEAR ENDED JUNE 30, 2010

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.391	ARRA – Special Education
84.394	ARRA – Education Stabilization

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

Auditee qualified as low-risk auditee? X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

* * * * *