

PINCKNEY  
COMMUNITY  
SCHOOLS



Year Ended  
June 30, 2014

Financial  
Statements and  
Single Audit Act  
Compliance

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# PINCKNEY COMMUNITY SCHOOLS

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## INDEPENDENT AUDITORS' REPORT

October 17, 2014

Board of Education  
Pinckney Community Schools  
Pinckney, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Pinckney Community Schools* (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Independent Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pinckney Community Schools as of June 30, 2014, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pinckney Community Schools' internal control over financial reporting and compliance.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

# PINCKNEY COMMUNITY SCHOOLS

## Management's Discussion and Analysis

As management of Pinckney Community Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014.

### Financial Highlights

- The liabilities of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$29,166,452 (net position). Of this amount, (\$19,593,631) is unrestricted net position and \$122,992 is restricted for other purposes.
- The government's total net position decreased by \$7,052,198.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,357,264, a decrease of \$5,673,222 in comparison with the prior year.
- At the end of the current fiscal year, total fund balance for the general fund had a deficit balance of \$1,915,771.

### Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the district include instruction, support services, food services, athletics, and community service. The District has no business-type activities as of and for the year ending June 30, 2014.

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

# PINCKNEY COMMUNITY SCHOOLS

## Management's Discussion and Analysis

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

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

The District maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the 2004 debt service fund and one of the 2010 capital projects funds which are major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the 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 can be found after the notes of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets and deferred outflows of resources by \$29,166,452 at the close of the most recent fiscal year.

# PINCKNEY COMMUNITY SCHOOLS

## Management's Discussion and Analysis

Normally the largest portion of the District's total assets reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment). Net position invested in capital assets, net of related debt used to acquire those assets that are still outstanding, resulted in a deficit of \$9,695,813 at June 30, 2014. The District uses these capital assets to, provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Position	
	Governmental Activities	
	2013	2014
Current and other assets	\$ 20,799,848	\$ 15,457,054
Capital assets, net	95,426,018	92,856,891
<b>Total assets</b>	<b>116,225,866</b>	<b>108,313,945</b>
Deferred charge on refunding	-	641,369
Long-term liabilities	116,962,247	119,638,074
Other liabilities	21,377,873	18,483,692
<b>Total liabilities</b>	<b>138,340,120</b>	<b>138,121,766</b>
Net position:		
Net investment in capital assets	(7,751,459)	(9,695,813)
Restricted for other purposes	102,342	122,992
Unrestricted	(14,465,137)	(19,593,631)
<b>Total net position</b>	<b>\$ (22,114,254)</b>	<b>\$ (29,166,452)</b>

An amount of \$122,992 included in net position of the District represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position, which has a negative balance.

The government's net position decreased by \$7,052,198 during the current fiscal year. Principal payments on debt are expenditures in the debt funds and not an expense in the government-wide financial statements, whereas depreciation is an expense in the government-wide financial statements and not an expenditure in the funds. The dynamics of these two elements, coupled with other ongoing expenses exceeding ongoing revenues represent the primary reasons for the net position decrease for the fiscal year. Since the "Schools of Choice" legislation was enacted, the District's enrollment has decreased and now hovers around the 3,750 student level.

# PINCKNEY COMMUNITY SCHOOLS

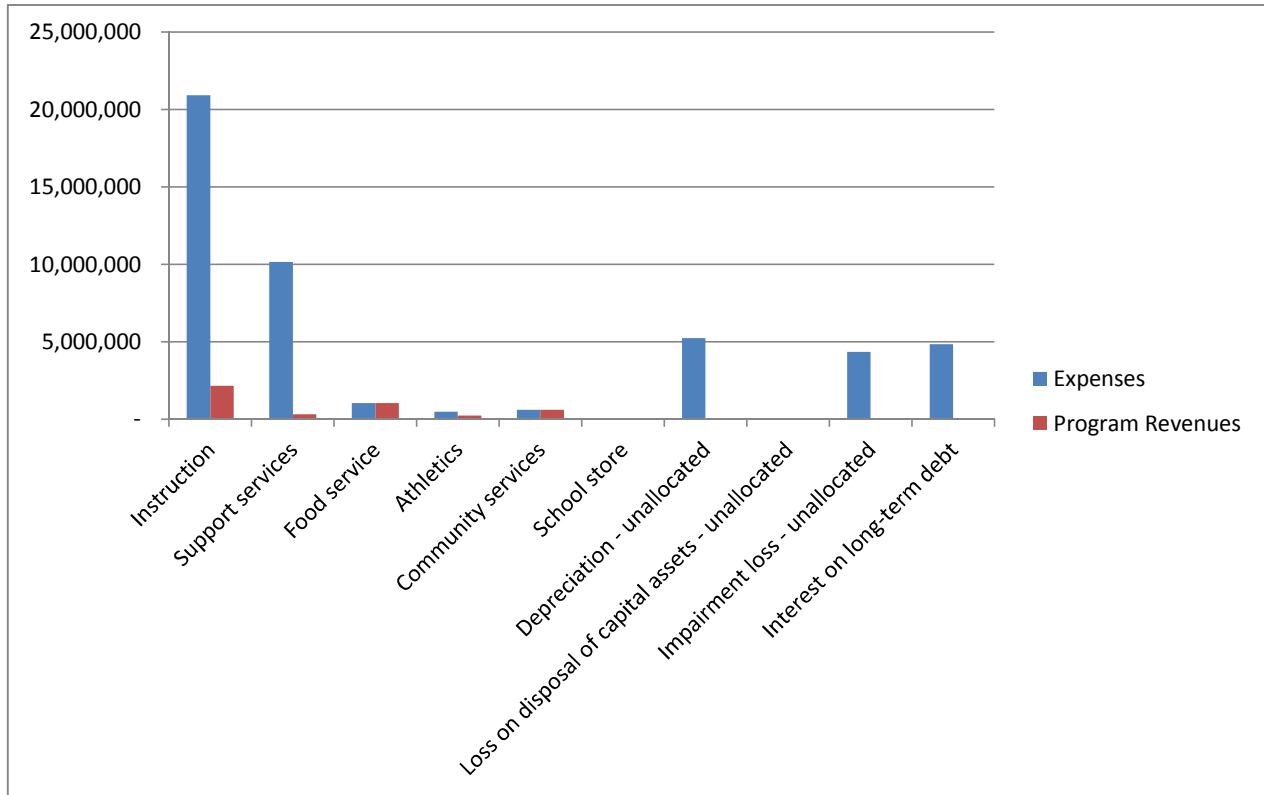
## Management's Discussion and Analysis

	Changes in Net Position	
	Governmental Activities	
	2013	2014
Program revenues:		
Charges for services	\$ 1,499,480	\$ 1,460,055
Operating grants	3,304,212	2,872,821
General revenues:		
Property taxes	11,612,761	11,512,179
State school aid	24,984,693	24,460,789
Other	212,133	234,451
<b>Total revenues</b>	<u>41,613,279</u>	<u>40,540,295</u>
Expenses:		
Instruction	24,521,025	20,918,363
Support services	10,701,132	10,151,376
Food services	1,124,680	1,029,377
Athletics	500,791	467,145
Community service	606,862	597,378
School store	7,798	5,836
Depreciation - unallocated	4,440,041	5,222,850
Loss on disposal of capital assets - unallocated	-	18,121
Impairment loss - unallocated	-	4,344,964
Interest on long-term debt	4,921,987	4,837,083
<b>Total expenses</b>	<u>46,824,316</u>	<u>47,592,493</u>
Change in net position	(5,211,037)	(7,052,198)
Net position (deficit):		
Beginning of year	<u>(16,903,217)</u>	<u>(22,114,254)</u>
End of year	<u>\$ (22,114,254)</u>	<u>\$ (29,166,452)</u>

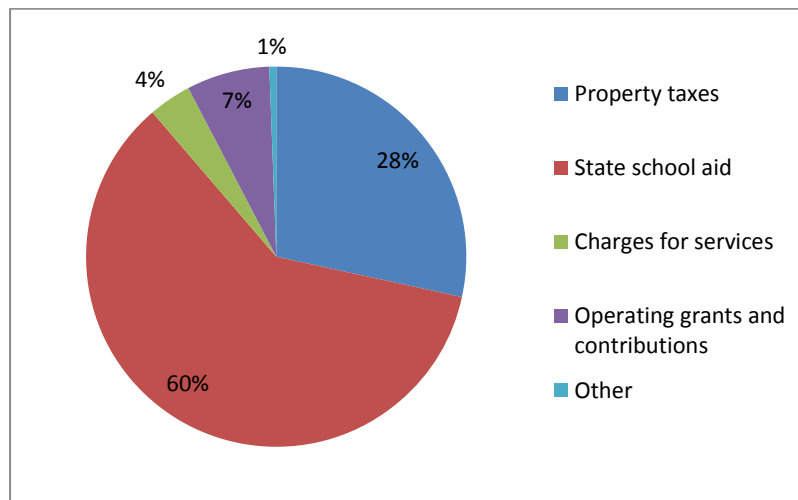
# PINCKNEY COMMUNITY SCHOOLS

## Management's Discussion and Analysis

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



# PINCKNEY COMMUNITY SCHOOLS

## Management's Discussion and Analysis

### Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,357,264, a decrease of \$5,673,222 in comparison with the prior year. The District had an unassigned fund deficit of \$2,663,155. A portion of the fund balance is nonspendable, restricted, or committed to indicate that it is not available for new spending because the underlying assets are included in inventory and prepaid expenses, are restricted for externally imposed constraints, or committed by board action, and are not available for current expenditure.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned portion of fund balance was (\$2,663,155), while total fund balance was (\$1,915,771).

### 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, 2014 amounted to \$92,856,891 (net of accumulated depreciation). This investment in capital assets includes land, buildings, site improvements, vehicles and equipment.

Depreciation expense was \$5,269,631 for the year ended June 30, 2014.

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

- . Parking Lot High School - \$334,312
- . Replacement of High School Gym Floor - \$152,767
- . High School Lighting and Flooring Replacement - \$983,798
- . Farley Hill and Country Elementary Site Irrigation & Landscaping- \$139,215
- . Country Elementary Carpet Replacement - \$102,376
- . Applied Technology Equipment - \$49,200
- . Navigator, Pathfinder & High School Furniture - \$145,572
- . Navigator/ Pathfinder partial re-roof - \$316,024
- . Navigator Playground Equipment - \$51,336
- . Servers and Computer Equipment- \$215,977
- . Construction in Progress -Country, Navigator, Pathfinder and High School - \$1,034,731

# PINCKNEY COMMUNITY SCHOOLS

## Management's Discussion and Analysis

A summary of the District's capital assets (net of accumulated depreciation) as of June 30, 2014 follows:

Capital assets not being depreciated:	
Land	\$ 1,391,855
Construction in progress	905,479
Capital assets being depreciated:	
Buildings and improvements	78,246,644
Site improvements	8,146,302
Vehicles	2,435,440
Equipment	1,731,171
<b>Total capital assets, net</b>	<b><u>\$ 92,856,891</u></b>

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

**Long-Term Debt.** At the end of the current fiscal year, the District had total bonded debt outstanding of \$99,795,000.

The District's total debt principal payments were \$8,002,000 during the current fiscal year. In addition, the District refunded bonds in the amount of \$39,595,000.

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

### Factors Bearing on the District's Future

The following factors were also considered in preparing the District's budget for the 2014-15 fiscal year:

- The economic downswing has affected all Michigan School Districts over the past eight years primarily due to declining enrollment and stagnant funding. The foundation grant allowance has increased from \$7,026 in 2014-15 to \$7,251 in 2014-15. The increase in the foundation allowance is not enough money to keep up with our increased expenses including salaries, insurance and retirement benefits, utility costs and diesel fuel increases. We have made additional program and staff reductions balance our 2014-15 budget. We understand that the State of Michigan may not be able to fully fund the \$7,251 foundation grant in 14-15. Any reduction in the foundation grant will adversely affect programs and operations.

### Requests for Information

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



## BASIC FINANCIAL STATEMENTS

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# PINCKNEY COMMUNITY SCHOOLS

## Statement of Net Position

June 30, 2014

	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 4,318,529
Investments	5,456,693
Accounts receivable	3,951
Due from other governments	4,884,012
Inventory and prepaid items	793,869
Total current assets	<u>15,457,054</u>
Noncurrent assets:	
Capital assets not being depreciated	2,297,334
Capital assets being depreciated	90,559,557
Total noncurrent assets	<u>92,856,891</u>
<b>Total assets</b>	<u>108,313,945</u>
<b>Deferred outflows of resources</b>	
Deferred charge on refunding	<u>641,369</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	2,401,297
Due to other governmental units	374,336
Salaries payable	2,308,516
Payroll taxes and benefits payable	427,930
State aid note payable	7,579,700
Accrued expense	247,904
Unearned revenue	258,734
Accrued sick leave payable	408,196
Current portion of long-term obligations	4,477,079
Total current liabilities	<u>18,483,692</u>
Noncurrent liabilities:	
Accrued sick leave payable	612,293
Noncurrent portion of long-term obligations	119,025,781
Total noncurrent liabilities	<u>119,638,074</u>
<b>Total liabilities</b>	<u>138,121,766</u>
<b>Net position (deficit)</b>	
Net investment in capital assets	(9,695,813)
Restricted for other purposes	122,992
Unrestricted (deficit)	(19,593,631)
<b>Total net position (deficit)</b>	<u>\$ (29,166,452)</u>

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

# PINCKNEY COMMUNITY SCHOOLS

## Statement of Activities

For the Year Ended June 30, 2014

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Basic programs	\$ 16,238,436	\$ -	\$ -	\$ (16,238,436)
Added needs:				
Special education	3,461,308	-	2,047,125	(1,414,183)
Other added needs	1,218,619	16,362	92,236	(1,110,021)
<b>Total instruction</b>	<b>20,918,363</b>	<b>16,362</b>	<b>2,139,361</b>	<b>(18,762,640)</b>
Support services:				
Pupil	1,077,428	-	277,631	(799,797)
Instructional services	876,903	-	-	(876,903)
General administration	293,512	-	-	(293,512)
School administration	1,925,676	-	-	(1,925,676)
Business	734,456	-	29,522	(704,934)
Operation & maintenance	3,171,933	-	-	(3,171,933)
Pupil transportation services	1,168,268	-	-	(1,168,268)
Technology	641,585	-	-	(641,585)
Central	259,608	-	-	(259,608)
Services to other schools	2,007	-	-	(2,007)
<b>Total supporting services</b>	<b>10,151,376</b>	<b>-</b>	<b>307,153</b>	<b>(9,844,223)</b>
Food service	1,029,377	612,714	426,307	9,644
Athletics	467,145	221,520	-	(245,625)
Community service	597,378	604,498	-	7,120
School store	5,836	4,961	-	(875)
Depreciation - unallocated	5,222,850	-	-	(5,222,850)
Loss on disposal of capital assets - unallocated	18,121	-	-	(18,121)
Impairment loss - unallocated	4,344,964	-	-	(4,344,964)
Interest on long-term debt	4,837,083	-	-	(4,837,083)
<b>Total governmental activities</b>	<b>\$ 47,592,493</b>	<b>\$ 1,460,055</b>	<b>\$ 2,872,821</b>	<b>\$ (43,259,617)</b>

continued...

# PINCKNEY COMMUNITY SCHOOLS

## Statement of Activities

For the Year Ended June 30, 2014

	Governmental Activities
Changes in net position	
Net expense	<u>\$ (43,259,617)</u>
General revenues:	
Property taxes	11,512,179
State school aid	24,460,789
Other	231,632
Unrestricted investment earnings	<u>2,819</u>
Total general revenues	<u>36,207,419</u>
Change in net position	(7,052,198)
Net position (deficit), beginning of year	<u>(22,114,254)</u>
Net position (deficit), end of year	<u><u>\$ (29,166,452)</u></u>
	concluded.

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

# PINCKNEY COMMUNITY SCHOOLS

## Balance Sheet

Governmental Funds  
June 30, 2014

	General Fund	2004 Debt Service	2010 Series A Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 3,627,228	\$ -	\$ 107,255	\$ 584,046	\$ 4,318,529
Investments	-	-	5,456,693	-	5,456,693
Accounts receivable	-	-	737	3,214	3,951
Due from other funds	362	-	-	-	362
Due from other governments	4,877,367	-	-	6,645	4,884,012
Inventory	47,060	-	-	18,884	65,944
Prepaid items	700,324	-	4,653	22,948	727,925
<b>Total assets</b>	<b>\$ 9,252,341</b>	<b>\$ -</b>	<b>\$ 5,569,338</b>	<b>\$ 635,737</b>	<b>\$ 15,457,416</b>
<b>Liabilities</b>					
Accounts payable	\$ 99,190	\$ -	\$ 803,480	\$ -	\$ 902,670
Due to other governments	374,336	-	-	-	374,336
Due to other funds	-	-	-	362	362
State aid note payable	7,579,700	-	-	-	7,579,700
Accrued payroll	2,300,961	-	-	7,555	2,308,516
Payroll taxes and benefits payable	427,930	-	-	-	427,930
Accrued expenses	217,072	-	-	30,832	247,904
Unearned revenue	168,923	-	6,100	83,711	258,734
<b>Total liabilities</b>	<b>11,168,112</b>	<b>-</b>	<b>809,580</b>	<b>122,460</b>	<b>12,100,152</b>
<b>Fund balances (deficit)</b>					
Nonspendable - inventory and prepaids	747,384	-	4,653	41,832	793,869
Restricted - food service	-	-	-	88,942	88,942
Restricted - athletics	-	-	-	1,101	1,101
Restricted - community service	-	-	-	4,702	4,702
Restricted - debt service	-	-	-	376,700	376,700
Restricted - capital projects	-	-	4,755,105	-	4,755,105
Unassigned (deficit)	(2,663,155)	-	-	-	(2,663,155)
<b>Total fund balances (deficit)</b>	<b>(1,915,771)</b>	<b>-</b>	<b>4,759,758</b>	<b>513,277</b>	<b>3,357,264</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,252,341</b>	<b>\$ -</b>	<b>\$ 5,569,338</b>	<b>\$ 635,737</b>	<b>\$ 15,457,416</b>

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

# PINCKNEY COMMUNITY SCHOOLS

## Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2014

Fund balances - total governmental funds \$ 3,357,264

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

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

Capital assets	154,533,938
Accumulated depreciation on capital assets	(61,677,047)

Losses on debt refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net position. 641,369

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

Bonds and capital leases payable	(117,233,821)
Accrued interest on bonds payable	(1,498,627)
Unamortized premium related to bond issuance	(6,269,039)
Compensated absences	(1,020,489)

Net position (deficit) of governmental activities \$ (29,166,452)

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

# PINCKNEY COMMUNITY SCHOOLS

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

Governmental Funds

For the Year Ended June 30, 2014

	General Fund	2004 Debt Service	2010 Series A Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local sources:					
Property taxes	\$ 3,627,908	\$ 3,000,665	\$ -	\$ 4,883,907	\$ 11,512,480
Other local sources	60,778	4,796	24,564	1,394,280	1,484,418
State sources	25,723,899	-	-	32,105	25,756,004
Federal sources	298,140	-	-	385,303	683,443
Interdistrict sources	855,742	-	-	-	855,742
Other sources	189,734	-	-	58,474	248,208
<b>Total revenues</b>	<b>30,756,201</b>	<b>3,005,461</b>	<b>24,564</b>	<b>6,754,069</b>	<b>40,540,295</b>
<b>Expenditures</b>					
Instruction:					
Basic programs	15,975,913	-	-	-	15,975,913
Added needs:					
Special education	3,461,308	-	-	-	3,461,308
Other added needs	1,215,991	-	-	-	1,215,991
<b>Total instruction</b>	<b>20,653,212</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,653,212</b>
Support services:					
Pupil	1,077,428	-	-	-	1,077,428
Instructional services	876,903	-	-	-	876,903
General administration	293,512	-	-	-	293,512
School administration	1,905,499	-	-	-	1,905,499
Business	544,102	-	-	-	544,102
Operation & maintenance	3,158,893	-	-	-	3,158,893
Pupil transportation services	1,168,268	-	-	-	1,168,268
Technology	639,538	-	-	-	639,538
Central	259,608	-	-	-	259,608
Services to other schools	2,007	-	-	-	2,007
<b>Total support services</b>	<b>9,925,758</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,925,758</b>
Food service	-	-	-	1,024,568	1,024,568
Athletics	-	-	-	467,145	467,145
School store	-	-	-	5,836	5,836
Community service	-	-	-	597,378	597,378
Debt service:					
Principal	-	3,035,000	-	4,967,000	8,002,000
Interest	-	2,054,185	-	2,574,543	4,628,728
Bond issuance costs	-	-	-	159,435	159,435
Other fiscal charges	-	1,028	-	29,889	30,917
Capital outlay	-	-	4,616,180	2,726,587	7,342,767
<b>Total expenditures</b>	<b>30,578,970</b>	<b>5,090,213</b>	<b>4,616,180</b>	<b>12,552,381</b>	<b>52,837,744</b>
Revenues under expenditures	177,231	(2,084,752)	(4,591,616)	(5,798,312)	(12,297,449)

continued...



PINCKNEY COMMUNITY SCHOOLS

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

Governmental Funds

For the Year Ended June 30, 2014

	General Fund	2004 Debt Service	2010 Series A Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Other financing sources (uses)</b>					
Transfers in	\$ -	\$ -	\$ -	\$ 245,577	\$ 245,577
Transfers out	(245,577)	-	-	-	(245,577)
Issuance of long-term debt	-	2,064,740	-	39,830,052	41,894,792
Bond premium	-	-	-	4,965,804	4,965,804
Payment to escrow agent	-	-	-	(40,236,369)	(40,236,369)
<b>Total other financing sources (uses)</b>	<u>(245,577)</u>	<u>2,064,740</u>	<u>-</u>	<u>4,805,064</u>	<u>6,624,227</u>
<b>Net change in fund balances</b>	(68,346)	(20,012)	(4,591,616)	(993,248)	(5,673,222)
Fund balances (deficit), beginning of year	(1,847,425)	20,012	9,351,374	1,506,525	9,030,486
<b>Fund balances (deficit), end of year</b>	<u>\$ (1,915,771)</u>	<u>\$ -</u>	<u>\$ 4,759,758</u>	<u>\$ 513,277</u>	<u>\$ 3,357,264</u>

concluded.

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

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# PINCKNEY COMMUNITY SCHOOLS

## Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ (5,673,222)

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 depreciation expense.

Capital outlay	7,063,589
Depreciation expense	(5,269,631)
Loss on disposal of capital assets	(18,121)
Impairment loss	(4,344,964)

Bond proceeds provide current financial resources to governmental funds in the period issued, issuing bonds increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the statement of net position.

Principal payments on long-term liabilities	8,002,000
Bond proceeds	(40,005,000)
Capital lease proceeds	(1,889,792)
Premium on bonds	(4,965,804)
Payment to escrow agent	40,236,369

Some expenses reported in the statement of activities do not require the use of current resources and therefore are not reported as expenditures in the funds.

Amortization of bond premium	100,249
Change in the accrual for compensated absences	20,735
Change in accrued interest payable on bonds	(308,606)

Change in net position of governmental activities \$ (7,052,198)

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

# PINCKNEY COMMUNITY SCHOOLS

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

Budget and Actual - General Fund  
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Over (under) Final Budget
<b>Revenues</b>				
Local sources:				
Property taxes	\$ 3,635,300	\$ 3,637,200	\$ 3,627,908	\$ (9,292)
Other local sources	63,800	60,400	60,778	378
State sources	26,440,178	25,671,609	25,723,899	52,290
Federal sources	340,529	451,179	298,140	(153,039)
Interdistrict sources	692,900	809,750	855,742	45,992
Other sources	135,000	189,800	189,734	(66)
<b>Total revenues</b>	<b>31,307,707</b>	<b>30,819,938</b>	<b>30,756,201</b>	<b>(63,737)</b>
<b>Expenditures</b>				
Instruction:				
Basic programs	17,218,128	16,015,085	15,975,913	(39,172)
Added needs:				
Special education	3,648,337	3,461,085	3,461,308	223
Other added needs	931,495	1,262,222	1,215,991	(46,231)
<b>Total instruction</b>	<b>21,797,960</b>	<b>20,738,392</b>	<b>20,653,212</b>	<b>(85,180)</b>
Support services:				
Pupil	1,205,442	1,091,846	1,077,428	(14,418)
Instructional services	900,726	953,861	876,903	(76,958)
General administration	309,981	295,900	293,512	(2,388)
School administration	1,834,778	1,907,320	1,905,499	(1,821)
Business	528,809	543,489	544,102	613
Operation & maintenance	3,234,429	3,171,678	3,158,893	(12,785)
Pupil transportation services	1,305,200	1,200,474	1,168,268	(32,206)
Technology	601,379	641,171	639,538	(1,633)
Central	264,865	267,593	259,608	(7,985)
Services to other schools	2,516	2,653	2,007	(646)
<b>Total support services</b>	<b>10,188,125</b>	<b>10,075,985</b>	<b>9,925,758</b>	<b>(150,227)</b>
<b>Total expenditures</b>	<b>31,986,085</b>	<b>30,814,377</b>	<b>30,578,970</b>	<b>(235,407)</b>
Revenues over (under) expenditures	(678,378)	5,561	177,231	171,670
<b>Other financing uses</b>				
Transfers out	(260,000)	(260,000)	(245,577)	(14,423)
<b>Net change in fund balance</b>	<b>(938,378)</b>	<b>(254,439)</b>	<b>(68,346)</b>	<b>186,093</b>
Fund balance, beginning of year	(1,847,425)	(1,847,425)	(1,847,425)	-
<b>Fund balance (deficit), end of year</b>	<b>\$ (2,785,803)</b>	<b>\$ (2,101,864)</b>	<b>\$ (1,915,771)</b>	<b>\$ 186,093</b>

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

# PINCKNEY COMMUNITY SCHOOLS

## Statement of Fiduciary Assets and Liabilities

June 30, 2014

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 401,077
<b>Liabilities</b>	
Due to student groups	\$ 401,066
Due to other governments	11
<b>Total liabilities</b>	\$ 401,077

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

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## NOTES TO FINANCIAL STATEMENTS

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

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

#### *Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the year ended 2014.

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

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

#### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

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

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



# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

The District reports the following major governmental funds:

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

The 2004 debt service fund accounts for all financial resources restricted, committed or assigned to expenditures for principal and interest related to the 2004 refunding bonds.

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

Additionally, the District reports the following fund types:

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

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

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

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

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

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

### Assets, Liabilities, Deferred Outflows of Resources and Equity

#### *Deposits and Investments*

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

Investments are reported at fair value.

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### *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, 2014.

### *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 position.

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

### *Capital Assets*

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

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

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

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

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Deferred Outflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

### *Compensated Absences*

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

### *Long-term Obligations*

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

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

### *Fund Equity*

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

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

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### 2. BUDGETARY INFORMATION

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

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

### 3. EXCESS OF EXPENDITURES OVER BUDGET

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

	Final Budget	Actual Expenditures	Over Budget
Instruction - added needs - special education	\$ 3,461,085	\$ 3,461,308	\$ 223
Support services - business	543,489	544,102	613

### 4. DEPOSITS AND INVESTMENTS

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

**Statement of Net Position:**

Cash and cash equivalents	\$ 4,318,529
Investments	5,456,693
	<u>9,775,222</u>

**Statement of Fiduciary Assets and Liabilities -**

Cash and cash equivalents	<u>401,077</u>
<b>Total</b>	<b><u>\$ 10,176,299</u></b>

Bank deposits (checking accounts, savings accounts and CDs)	\$ 765,728
Investments	9,406,271
Cash on hand	<u>4,300</u>
<b>Total</b>	<b><u>\$ 10,176,299</u></b>

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### Statutory Authority

State statutes authorize the District to invest in:

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

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

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

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

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

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

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

### Deposit and Investment Risk

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$836,330 of the District's bank balance of \$1,336,330 was exposed to custodial credit risk because it was uninsured and uncollateralized. The book value of these deposits was \$765,728 at June 30, 2014.

*Custodial Credit Risk - Investments.* Following is a summary of the District's investments as of June 30, 2014:

Michigan Liquid Asset Fund (MILAF)	\$ 757,182
MBIA	3,949,578
Commercial paper	<u>4,699,511</u>
	<u>\$ 9,406,271</u>

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

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

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

As of June 30, 2014, the District’s investments were rated by Standard and Poor’s as follows:

	MILAF	MBIA	Commercial Paper
Rating			
AAAm	\$ 757,182	\$ 3,949,578	\$ -
A-1	-	-	4,699,511
	<u>\$ 757,182</u>	<u>\$ 3,949,578</u>	<u>\$ 4,699,511</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, 2014, the District’s investment portfolio was not concentrated.

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

As of June 30, 2014, maturities of the District’s investments in commercial paper were as follows:

Investment type	Fair Value	Investment Maturities (fair value by years)	
		Less than 1	1-5 years
Commercial paper	<u>\$ 4,699,511</u>	<u>\$ 4,699,511</u>	<u>\$ -</u>

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### 5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Disposals	Impairments	Ending Balance
Capital assets not being depreciated:					
Land	\$ 1,391,855	\$ -	\$ -	\$ -	\$ 1,391,855
Construction in progress	16,289,709	4,654,412	20,038,642	-	905,479
	<u>17,681,564</u>	<u>4,654,412</u>	<u>20,038,642</u>	<u>-</u>	<u>2,297,334</u>
Capital assets being depreciated:					
Buildings and improvements	116,571,819	19,947,416	-	8,291,977	128,227,258
Site improvements	13,552,394	254,124	-	173,377	13,633,141
Equipment	7,938,570	356,487	91,750	-	8,203,307
Vehicles	307,294	1,889,792	24,188	-	2,172,898
	<u>138,370,077</u>	<u>22,447,819</u>	<u>115,938</u>	<u>8,465,354</u>	<u>152,236,604</u>
Less accumulated depreciation for:					
Buildings and improvements	50,492,219	3,469,622	-	3,981,227	49,980,614
Site improvements	5,019,693	606,309	-	139,163	5,486,839
Equipment	4,883,330	958,167	73,630	-	5,767,867
Vehicles	230,381	235,533	24,187	-	441,727
	<u>60,625,623</u>	<u>5,269,631</u>	<u>97,817</u>	<u>4,120,390</u>	<u>61,677,047</u>
Total capital assets being depreciated, net	<u>77,744,454</u>	<u>17,178,188</u>	<u>18,121</u>	<u>4,344,964</u>	<u>90,559,557</u>
Governmental activities capital assets, net	<u>\$ 95,426,018</u>	<u>\$ 21,832,600</u>	<u>\$ 20,056,763</u>	<u>\$ 4,344,964</u>	<u>\$ 92,856,891</u>

During the year ended June 30, 2014, the District recognized an impairment loss on capital assets of \$4,344,964 (net of accumulated depreciation) due to the closing and change of use of two elementary school buildings.

Depreciation expense was charged to functions/programs as follows:

#### Governmental activities:

##### Instruction:

Basic programs	\$ 4,080
Added needs- other	2,628

##### Support services:

School administration	20,177
Operation and maintenance	13,040
Technology	2,047
Food service	4,809
Depreciation- unallocated	<u>5,222,850</u>

#### Total depreciation expense- governmental activities

\$ 5,269,631

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### 6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

At June 30, 2014, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General fund	\$ 362	\$ -
Nonmajor governmental funds	-	362
	<u>\$ 362</u>	<u>\$ 362</u>

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

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

	Transfers in	Transfers out
General fund	\$ (245,577)	\$ -
Nonmajor governmental funds	-	(245,577)
	<u>\$ (245,577)</u>	<u>\$ (245,577)</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. For the year ended June 30, 2014, the District transferred funds from the general fund to subsidize the athletic program.

### 7. LONG-TERM DEBT

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 111,962,000	\$ 35,430,000	\$ (47,597,000)	\$ 99,795,000	\$ 4,300,000
Premium on bonds	1,403,484	4,965,804	(100,249)	6,269,039	-
Capital leases	-	1,889,792	-	1,889,792	177,079
School bond loan principal	10,974,029	4,575,000	-	15,549,029	-
Compensated absences	1,041,224	-	(20,735)	1,020,489	408,196
	<u>\$ 125,380,737</u>	<u>\$ 46,860,596</u>	<u>\$ (47,717,984)</u>	<u>\$ 124,523,349</u>	<u>\$ 4,885,275</u>
<b>Totals</b>	<u>\$ 125,380,737</u>	<u>\$ 46,860,596</u>	<u>\$ (47,717,984)</u>	<u>\$ 124,523,349</u>	<u>\$ 4,885,275</u>



# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

Bonds payable at June 30, 2014 are as follows:

\$7,980,000 2010 School Bond Loan Fund Refunding Bonds due in annual installments ranging from \$925,000 to \$3,125,000 through May 2016; interest from 3.300% to 4.125%.	\$ 6,225,000
\$12,190,000 2010 School Building and Site Bonds, Series A due in annual installments ranging from \$360,000 to \$2,475,000 through May 2020; interest from 3.30% to 5.40%.	10,865,000
\$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
\$35,430,000 2014 Refunding Bonds due in annual installments ranging from \$2,155,000 to \$3,120,000 through May 2027; interest from 4.00% to 5.00%.	<u>35,430,000</u>
<b>Total bonded debt</b>	<b><u><u>\$ 99,795,000</u></u></b>

### *Advance Refunding*

During the year, the District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the trust fund assets and related liabilities have been removed from the statement of net assets.

The District issued \$35,430,000 in refunding bonds during the year to advance refund \$39,595,000 of 2004 refunding bonds. The refunding resulted in a savings of \$4,767,507 over the next thirteen years and an economic gain of \$4,624,330.

The balance of defeased bonds outstanding as of June 30, 2014 was \$39,595,000, which represents amounts placed in escrow as part of the 2014 debt refunding.

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Bond Debt Service Requirements*

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

Year Ended June 30,	Principal	Interest	Total
2015	\$ 4,300,000	\$ 3,756,234	\$ 8,056,234
2016	6,700,000	3,826,651	10,526,651
2017	4,785,000	3,549,774	8,334,774
2018	5,000,000	3,343,389	8,343,389
2019	5,275,000	3,093,389	8,368,389
2020-2024	17,610,000	12,069,397	29,679,397
2025-2029	31,325,000	7,897,673	39,222,673
2030-2034	20,500,000	3,568,435	24,068,435
2035	4,300,000	183,073	4,483,073
<b>Totals</b>	<b>\$ 99,795,000</b>	<b>\$ 41,288,015</b>	<b>\$ 141,083,015</b>

### *Capital Leases*

The District has entered into a lease agreement with Livingston Educational Services Agency (LESA) for financing the purchase of two buses for \$1,889,792. This lease agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. Total accumulated depreciation on these leased assets at year end was \$216,870.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, are as follows:

Year Ended June 30,	Amount
2015	\$ 204,245
2016	204,240
2017	204,240
2018	204,240
2019	204,240
2020-2024	1,021,195
	2,042,400
Less amount representing interest	(152,608)
<b>Total</b>	<b>\$ 1,889,792</b>

Loans represent \$15,549,029 in amounts borrowed from the State of Michigan School Bond Loan program to supplement property tax revenue to make payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the debt service requirements on the general obligation bonds.

The other long-term obligations are comprised of employee compensated absences of \$1,020,489 which are generally liquidated by the general fund.

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### 8. SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
State aid note	\$ 7,560,413	\$ 7,579,700	\$ 7,560,413	\$ 7,579,700

The District has two short-term state aid notes totaling \$7,490,000, plus interest of \$89,700 that are included as a liability in the general fund at June 30, 2014. These notes carry interest rates of 1.050% and 1.378% and are due August 2014.

### 9. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2014, was as follows:

Capital assets, net	\$ 92,856,891
Bonds payable	(99,795,000)
Premium on bonds payable	(6,269,039)
Loss on refunding	641,369
Capital leases payable	(1,889,792)
Unexpended bond proceeds	<u>4,759,758</u>
<b>Net investment in capital assets</b>	<b><u>\$ (9,695,813)</u></b>

### 10. RISK MANAGEMENT

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

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

### 11. PROPERTY TAXES

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

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### 12. DEFINED BENEFIT PENSION PLAN

#### Plan Description

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

#### Funding Policy

##### *Defined Benefit Plans*

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

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree healthcare benefits on a cash disbursement basis. The rates for the year ended June 30, 2014 as a percentage of payroll ranged from 24.32 to 24.79 percent. In addition, the District is invoiced monthly an amount that approximates 4.56 percent of covered payroll for "MPSERS UAAL Stabilization." This additional contribution is offset by monthly State aid payments equal to the amounts actually billed by the Office of Retirement Services.

##### *Hybrid Plans*

Members hired between July 1, 2010 and September 3, 2012 are enrolled in the Pension Plus plan. Members hired on or after September 4, 2012 are automatically enrolled in this plan unless an election is made to participate in the defined contribution plan (described below). Participant contributions contain a pension component as well as a savings component. The pension component is based on the following pretax contribution rates: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 6.4 percent of all wages over \$15,000. For the savings component, participants contribute 2 percent of gross pay to a 457 plan. Member contributions for the savings component are matched at a rate of 50 percent by the employer, up to a maximum of one percent and invested in a 401(k) plan.

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

Effective February 1, 2013, members that initially enrolled in the defined benefit plan were provided the option to convert to a defined contribution plan. In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4 percent employer contributions to a personal 401(k) account.

Voluntary employee contributions are permitted in accordance with IRS guidelines. Employer contributions for the pension component of the plan vest at 10 years of service. Employer contributions for the savings component and earnings thereon vest based on the following schedule: 50 percent at 2 years of service, 75 percent at 3 years of service, and 100 percent at 4 years of service. Any voluntary contributions vest with the employee immediately. If a member participating in the hybrid plan retires with certain age and service requirements, he or she will receive a monthly pension based on compensation received before February 1, 2013.

### *Defined Contribution Plan*

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

### **Required Contributions**

The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPSERS under all plans for the years ended June 30, 2014, 2013, and 2012 were \$5,129,265, \$4,612,513, and \$4,473,052, respectively, equal to the required contributions for each year.

### **Other Postemployment Benefits**

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

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

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

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Financial Statements

### 13. BONDED CONSTRUCTION COST

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

### 14. COMMITMENTS

At year end, the District was committed for the estimated cost of a roof replacement at Pathfinder and Navigator schools in the amount of \$333,669, gym floor replacement at the high school in the amount of \$147,500, parking lot replacement at the high school in the amount of \$497,146 and carpet replacement at Country Elementary in the amount of \$56,416.

### 15. EFFECT OF UPCOMING CHANGES IN ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which will be effective for the District's fiscal year ending June 30, 2015. This statement will require the recognition of a "net pension liability" on the statement of net position, equal to the unfunded portion of the District's defined benefit pension plan, as defined and calculated in accordance with the new standard. While the exact amount of this liability is not readily determinable at this time, management estimates that it may approximate \$51,728,000. GASB 68 will require the net pension liability to be recorded for the year ending June 30, 2015, by restating beginning net position as of July 1, 2014.

### 16. SUBSEQUENT EVENTS

The District borrowed \$7,500,000 in State Aid Notes on August 20, 2014, with interest rates of 1.050% and 1.235%, for cash flow purposes and are due on August 20, 2015.

The District sold the playground that was part of the Village Education Center on August 11, 2014 for \$60,000.

On July 29, 2014, the District entered into a sales agreement to sell Pinckney Elementary for \$325,000.

The District closed Lakeland Elementary School as a K-3 educational facility on June 30, 2014. Subsequent to that date, the District leased one half of the building to Kensington Woods High School, a charter school, for the period August 1, 2014 thru July 31, 2015 for a lease amount of \$140,000 plus a pro-rata share of utility costs. The District is also leasing four classrooms for the period August 1, 2014 thru June 30, 2015 to LESA for Head Start, Great Start and Special Education programs serving Pinckney Community Schools' students for a yearly lease amount of \$55,500.00.

### 17. FUND DEFICIT

The District has an unassigned fund balance deficit in the general fund in the amount of \$2,663,155, and the total fund balance deficit was \$1,915,771. State law requires the District to establish a deficit elimination plan with the Michigan Department of Education. The plan for the 2014-2015 fiscal year was approved by the State on September 8, 2014.



**COMBINING FUND  
FINANCIAL STATEMENTS**

# PINCKNEY COMMUNITY SCHOOLS

## Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2014

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 198,853	\$ 385,193	\$ -	\$ 584,046
Accounts receivable	3,214	-	-	3,214
Due from other governments	6,645	-	-	6,645
Inventory	18,884	-	-	18,884
Prepaid items	9,363	13,585	-	22,948
<b>Total assets</b>	<b>\$ 236,959</b>	<b>\$ 398,778</b>	<b>\$ -</b>	<b>\$ 635,737</b>
<b>Liabilities</b>				
Due to other funds	\$ 362	\$ -	\$ -	\$ 362
Accrued payroll	7,555	-	-	7,555
Accrued expenses	30,832	-	-	30,832
Unearned revenue	75,218	8,493	-	83,711
<b>Total liabilities</b>	<b>113,967</b>	<b>8,493</b>	<b>-</b>	<b>122,460</b>
<b>Fund balances</b>				
Nonspendable	28,247	13,585	-	41,832
Restricted	94,745	376,700	-	471,445
<b>Total fund balances</b>	<b>122,992</b>	<b>390,285</b>	<b>-</b>	<b>513,277</b>
<b>Total liabilities and fund balances</b>	<b>\$ 236,959</b>	<b>\$ 398,778</b>	<b>\$ -</b>	<b>\$ 635,737</b>



# PINCKNEY COMMUNITY SCHOOLS

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended June 30, 2014

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Local sources:				
Property taxes	\$ -	\$ 4,883,907	\$ -	\$ 4,883,907
Admissions	76,295	-	-	76,295
Sales to students and adults	626,340	-	-	626,340
Pay-to-participate fees	136,559	-	-	136,559
Program fees	554,843	-	-	554,843
Interest	81	-	-	81
Other local	-	-	162	162
State sources	32,105	-	-	32,105
Federal sources	385,303	-	-	385,303
Other sources	58,474	-	-	58,474
<b>Total revenues</b>	<b>1,870,000</b>	<b>4,883,907</b>	<b>162</b>	<b>6,754,069</b>
<b>Expenditures</b>				
Food service	1,024,568	-	-	1,024,568
Athletics	467,145	-	-	467,145
School store	5,836	-	-	5,836
Community service	597,378	-	-	597,378
Debt service:				
Principal	-	4,967,000	-	4,967,000
Interest	-	2,574,543	-	2,574,543
Bond issuance costs	-	159,435	-	159,435
Other fiscal charges	-	29,889	-	29,889
Capital outlay	-	-	2,726,587	2,726,587
<b>Total expenditures</b>	<b>2,094,927</b>	<b>7,730,867</b>	<b>2,726,587</b>	<b>12,552,381</b>
Revenue under expenditures	(224,927)	(2,846,960)	(2,726,425)	(5,798,312)
<b>Other financing sources (uses)</b>				
Transfers in	245,577	-	-	245,577
Issuance of long-term debt	-	37,940,260	1,889,792	39,830,052
Bond premium	-	4,965,804	-	4,965,804
Payment to escrow agent	-	(40,236,369)	-	(40,236,369)
<b>Total other financing sources</b>	<b>245,577</b>	<b>2,669,695</b>	<b>1,889,792</b>	<b>4,805,064</b>
<b>Net change in fund balances</b>	<b>20,650</b>	<b>(177,265)</b>	<b>(836,633)</b>	<b>(993,248)</b>
Fund balances, beginning of year	102,342	567,550	836,633	1,506,525
<b>Fund balances, end of year</b>	<b>\$ 122,992</b>	<b>\$ 390,285</b>	<b>\$ -</b>	<b>\$ 513,277</b>

# PINCKNEY COMMUNITY SCHOOLS

## Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2014

	Food Service	Athletics	School Store	Community Service	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 109,328	\$ 13,223	\$ 72	\$ 76,230	\$ 198,853
Accounts receivable	-	-	290	2,924	3,214
Due from other governments	6,645	-	-	-	6,645
Inventory	15,398	-	3,486	-	18,884
Prepaid items	-	-	-	9,363	9,363
<b>Total assets</b>	<b>\$ 131,371</b>	<b>\$ 13,223</b>	<b>\$ 3,848</b>	<b>\$ 88,517</b>	<b>\$ 236,959</b>
<b>Liabilities</b>					
Due to other funds	\$ -	\$ -	\$ 362	\$ -	\$ 362
Accrued payroll	-	2,622	-	4,933	7,555
Accrued expenses	-	-	-	30,832	30,832
Unearned revenue	27,031	9,500	-	38,687	75,218
<b>Total liabilities</b>	<b>27,031</b>	<b>12,122</b>	<b>362</b>	<b>74,452</b>	<b>113,967</b>
<b>Fund balances</b>					
Nonspendable	15,398	-	3,486	9,363	28,247
Restricted	88,942	1,101	-	4,702	94,745
<b>Total fund balances</b>	<b>104,340</b>	<b>1,101</b>	<b>3,486</b>	<b>14,065</b>	<b>122,992</b>
<b>Total liabilities and fund balances</b>	<b>\$ 131,371</b>	<b>\$ 13,223</b>	<b>\$ 3,848</b>	<b>\$ 88,517</b>	<b>\$ 236,959</b>

# PINCKNEY COMMUNITY SCHOOLS

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

Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2014

	Food Service	Athletics	School Store	Community Service	Total
<b>Revenues</b>					
Local sources:					
Admissions	\$ -	\$ 76,295	\$ -	\$ -	\$ 76,295
Sales to students and adults	612,714	8,665	4,961	-	626,340
Pay-to-participate fees	-	136,559	-	-	136,559
Program fees	-	-	-	554,843	554,843
Interest	57	1	-	23	81
State sources	32,105	-	-	-	32,105
Federal sources	385,303	-	-	-	385,303
Other sources	8,842	-	-	49,632	58,474
<b>Total revenues</b>	<b>1,039,021</b>	<b>221,520</b>	<b>4,961</b>	<b>604,498</b>	<b>1,870,000</b>
<b>Expenditures</b>					
Food service	1,024,568	-	-	-	1,024,568
Athletics	-	467,145	-	-	467,145
School store	-	-	5,836	-	5,836
Community service	-	-	-	597,378	597,378
<b>Total expenditures</b>	<b>1,024,568</b>	<b>467,145</b>	<b>5,836</b>	<b>597,378</b>	<b>2,094,927</b>
Revenues over (under) expenditures	14,453	(245,625)	(875)	7,120	(224,927)
<b>Other financing sources</b>					
Transfers in	-	245,577	-	-	245,577
<b>Net change in fund balances</b>	<b>14,453</b>	<b>(48)</b>	<b>(875)</b>	<b>7,120</b>	<b>20,650</b>
Fund balances, beginning of year	89,887	1,149	4,361	6,945	102,342
<b>Fund balances, end of year</b>	<b>\$ 104,340</b>	<b>\$ 1,101</b>	<b>\$ 3,486</b>	<b>\$ 14,065</b>	<b>\$ 122,992</b>

# PINCKNEY COMMUNITY SCHOOLS

## Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2014

	2003	2003 School Bond Loan	2010 School Bond Loan	2010 Series A
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 100,244	\$ 50,268
Prepaid items	-	-	-	13,585
<b>Total assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 100,244</b>	<b>\$ 63,853</b>
<b>Liabilities</b>				
Unearned revenue	\$ -	\$ -	\$ -	\$ 8,493
<b>Fund balances</b>				
Nonspendable	-	-	-	13,585
Restricted	-	-	100,244	41,775
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>100,244</b>	<b>55,360</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 100,244</b>	<b>\$ 63,853</b>



2010 Series B	2010 Series C	2014	Total
\$ 100,823	\$ 133,858	\$ -	\$ 385,193
-	-	-	13,585
<u>\$ 100,823</u>	<u>\$ 133,858</u>	<u>\$ -</u>	<u>\$ 398,778</u>
\$ -	\$ -	\$ -	\$ 8,493
-	-	-	13,585
<u>100,823</u>	<u>133,858</u>	<u>-</u>	<u>376,700</u>
<u>100,823</u>	<u>133,858</u>	<u>-</u>	<u>390,285</u>
<u>\$ 100,823</u>	<u>\$ 133,858</u>	<u>\$ -</u>	<u>\$ 398,778</u>

# PINCKNEY COMMUNITY SCHOOLS

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

Nonmajor Debt Service Funds

For the Year Ended June 30, 2014

	2003	2003 School Bond Loan	2010 School Bond Loan	2010 Series A
<b>Revenues</b>				
Local sources -				
Property taxes	\$ 739,403	\$ 1,752,833	\$ 938,758	\$ 540,479
<b>Expenditures</b>				
Debt service:				
Principal	1,090,000	2,592,000	925,000	360,000
Interest	40,877	86,003	272,581	544,125
Bond issuance costs	-	-	-	-
Other fiscal charges	17,812	11,554	-	523
<b>Total expenditures</b>	<b>1,148,689</b>	<b>2,689,557</b>	<b>1,197,581</b>	<b>904,648</b>
Revenues over (under) expenditures	(409,286)	(936,724)	(258,823)	(364,169)
<b>Other financing sources (uses)</b>				
Issuance of long-term debt	216,890	777,601	295,260	363,004
Bond premium	-	-	-	-
Payment to escrow agent	-	-	-	-
<b>Total other financing sources</b>	<b>216,890</b>	<b>777,601</b>	<b>295,260</b>	<b>363,004</b>
<b>Net change in fund balances</b>	<b>(192,396)</b>	<b>(159,123)</b>	<b>36,437</b>	<b>(1,165)</b>
Fund balances, beginning of year	192,396	159,123	63,807	56,525
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 100,244</b>	<b>\$ 55,360</b>



2010 Series B	2010 Series C	2014	Total
\$ 238,969	\$ 673,465	\$ -	\$ 4,883,907
-	-	-	4,967,000
201,646	1,429,311	-	2,574,543
-	-	159,435	159,435
-	-	-	29,889
201,646	1,429,311	159,435	7,730,867
37,323	(755,846)	(159,435)	(2,846,960)
-	857,505	35,430,000	37,940,260
-	-	4,965,804	4,965,804
-	-	(40,236,369)	(40,236,369)
-	857,505	159,435	2,669,695
37,323	101,659	-	(177,265)
63,500	32,199	-	567,550
\$ 100,823	\$ 133,858	\$ -	\$ 390,285

# PINCKNEY COMMUNITY SCHOOLS

## Combining Balance Sheet - Nonmajor Capital Projects Funds

June 30, 2014

	2010 Series C	General	Total
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
<b>Fund balances</b>			
Restricted	\$ -	\$ -	\$ -



# PINCKNEY COMMUNITY SCHOOLS

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

Nonmajor Capital Projects Funds  
For the Year Ended June 30, 2014

	2010 Series C	General	Total
<b>Revenues</b>			
Local sources - other	\$ 162	\$ -	\$ 162
<b>Expenditures</b>			
Capital outlay	<u>836,795</u>	<u>1,889,792</u>	<u>2,726,587</u>
Revenues under expenditures	(836,633)	(1,889,792)	(2,726,425)
<b>Other financing sources</b>			
Capital lease proceeds	<u>-</u>	<u>1,889,792</u>	<u>1,889,792</u>
<b>Net change in fund balances</b>	(836,633)	-	(836,633)
Fund balances, beginning of year	<u>836,633</u>	<u>-</u>	<u>836,633</u>
<b>Fund balances, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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## ANNUAL DISCLOSURE DOCUMENT INFORMATION

**Annual Disclosure Document Information**

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

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

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

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

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

ANNUAL DISCLOSURE DOCUMENT

History of S.E.V./Taxable Value

School Year	SEV	Change	Total Taxable Value	Change
2014/15	\$1,177,275,183	4.64%	\$ 1,059,911,106	1.85%
2013/14	1,125,055,240	1.91%	1,040,620,267	1.61%
2012/13	1,103,967,087	(1.84%)	1,024,149,093	(0.99%)
2011/12	1,124,628,754	(4.58%)	1,034,410,916	(2.93%)
2010/11	1,178,653,326	(10.18%)	1,065,645,035	(7.77%)
2009/10	1,312,276,176	(8.09%)	1,155,366,507	(2.81%)
2008/09	1,427,837,654	(5.89%)	1,188,721,547	(0.19%)
2007/08	1,517,217,288	3.35%	1,190,956,906	5.35%
2006/07	1,468,081,688	7.82%	1,130,524,685	7.39%
2005/06	1,361,666,266	6.69%	1,052,735,895	7.51%
2004/05	1,276,302,170	5.99%	979,191,394	6.28%
2003/04	1,204,185,923	11.77%	921,361,114	6.74%
2002/03	1,077,369,118	11.18%	863,149,465	9.11%
2001/02	969,045,601	11.51%	791,061,116	10.39%
2000/01	868,988,216	11.50%	716,588,787	8.37%
1999/00	779,342,423	14.55%	661,259,170	8.74%
1998/99	680,370,198	11.66%	608,113,697	9.10%
1997/98	615,510,437	11.66%	557,416,176	8.27%
1996/97	551,215,853	12.33%	514,820,575	8.16%
1995/96	490,709,331	10.05%	475,986,197	6.75%
1994/95	445,884,072	6.06%	445,884,072	6.06%
1993/94	420,388,394	0.00%	420,388,394	0.00%

PINCKNEY COMMUNITY SCHOOLS

UNAUDITED

Annual Disclosure Document Information

Major Taxpayers

Taxpayer	Product/Service	2014 Taxable Value
Detroit Edison	Utility	\$ 13,730,444
Consumers Energy	Utility	4,325,710
Chilson Commons, LLC	Strip Mall Development	2,849,682
TopValco, Inc.	Food Store (Kroger Co.)	1,971,906
Hamburg Hills - Coventry Woods	Mobile Home Park Development	1,884,180
Hamburg Professional Office	Office Development	1,714,700
Tri-Bro LLC	Food Store (Busch's Valu Land)	1,481,540
Avenida Agua	Manufacturing	1,403,834
Charter Communications	Cable TV Services	1,381,460
Lakelands Golf & Country Club	Golf club	1,346,726
Total		\$ 32,090,182
2014 Taxable Value		\$ 1,059,911,106
Top 10 taxpayers as a % of total taxable value		3.03%

School District Tax Rates

School Year	Allocated Operating	Voted Operating*	Debt	Total
2014/15	0	18.0000	7.5500	25.5500
2013/14	0	18.0000	7.5500	25.5500
2012/13	0	18.0000	7.5500	25.5500
2011/12	0	18.0000	7.5500	25.5500
2010/11	0	18.0000	7.5500	25.5500
2009/10	0	18.0000	7.5500	25.5500
2008/09	0	18.0000	7.5500	25.5500
2007/08	0	18.0000	7.5500	25.5500
2006/07	0	18.0000	7.5500	25.5500
2005/06	0	18.0000	7.5500	25.5500
2004/05	0	18.0000	7.5500	25.5500
2003/04	0	18.0000	7.5500	25.5500
2002/03	0	18.0000	7.5500	25.5500
2001/02	0	18.0000	7.5500	25.5500
2000/01	0	18.0000	7.5500	25.5500
1999/00	0	17.1552	7.5500	24.7052
1998/99	0	17.6410	7.5500	25.1910
1997/98	0	17.5187	7.5500	25.0687
1996/97	0	17.9000	5.5500	23.4500
1995/96	0	18.0000	6.2500	24.2500
1994/95	0	18.0000	7.1400	25.1400

\* levied on non-homestead property only

School Year	Total Received	Foundation Allowance per Pupil
2013/14	\$ 25,687,088	\$ 7,026
2012/13	26,357,254	6,966
2011/12	26,990,887	6,846
2010/11	28,728,784	7,146
2009/10	28,647,079	7,162
2008/09	29,257,459	6,944
2007/08	30,864,081	7,204
2006/07	30,706,650	7,085
2005/06	30,904,289	6,875
2004/05	30,738,589	6,700
2003/04	31,235,773	6,626
2002/03	31,178,214	6,628
2001/02	30,081,884	6,500
2000/01	27,441,797	6,000
1999/00	25,082,634	5,700
1998/99	23,323,995	5,413
1997/98	22,390,570	5,413
1996/97	20,303,257	5,161
1995/96	18,042,203	4,903
1994/95	16,160,485	4,645

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

PINCKNEY COMMUNITY SCHOOLS

UNAUDITED

**Annual Disclosure Document Information**

Tax Levies and Collections

School Year	Operating Tax Levy	Collections to March 1st		Collections to June 30th	
		Dollar Amount	Percentage	Dollar Amount	Percentage
2013/14	\$ 3,580,098	\$ 3,253,038	90.86%	\$ 3,571,177	99.75%
2012/13	3,595,830	3,202,728	89.07%	3,592,937	99.92%
2011/12	3,738,158	3,303,723	88.38%	3,729,928	99.78%
2010/11	3,765,528	3,245,062	86.18%	3,756,334	99.76%
2009/10	3,859,963	3,360,855	87.07%	3,858,938	99.97%
2008/09	3,813,749	3,168,993	83.09%	3,797,894	99.58%
2007/08	3,904,263	3,298,415	84.48%	3,890,746	99.65%
2006/07	3,716,164	3,273,296	88.08%	3,693,535	99.39%
2005/06	3,360,715	2,926,933	87.09%	3,331,650	99.14%
2004/05	3,065,268	2,689,328	87.74%	3,050,058	99.50%
2003/04	2,935,534	2,594,251	88.37%	2,859,494	97.41%
2002/03	2,785,136	2,435,491	87.45%	2,722,002	97.73%
2001/02	2,708,146	2,360,805	87.17%	2,661,269	98.27%
2000/01	2,539,889	2,289,295	90.13%	2,539,889	100.00%
1999/00	2,306,855	2,077,509	90.06%	2,306,855	100.00%
1998/99	2,263,969	2,004,788	88.55%	2,263,969	100.00%
1997/98	2,099,780	1,875,980	89.34%	2,099,780	100.00%
1996/97	2,101,618	1,770,651	84.25%	2,101,618	100.00%
1995/96	2,008,727	1,783,048	88.77%	2,008,727	100.00%
1994/95	1,837,925	1,605,619	87.36%	1,837,925	100.00%
1993/94	14,751,014	13,504,705	91.49%	14,745,614	99.90%

Labor Force

Class	# of Employees	Affiliation	Contract Exp. Date
Administrators - Central	3	Non-affiliated	06/15
Administrators - Building	12	PCSA	06/15
Teachers	186	PEA/MEA	06/15
Professionals/Aides/Monitors	37	PSSA	06/15
Maintenance/Custodial	23	MEA	06/15
Office Personnel			
Building level	19	PESPA	06/15
Central office	7	Local contract	06/15
Technology	4	Non-affiliated	06/15
Other Teachers/Latchkey	14	Non-affiliated	N/A
Lunch/Playground	38	Non-affiliated	N/A
<b>Total</b>	<b>343</b>		

Enrollment History

School Year	Enrollment
2013/14	3,758
2012/13	3,994
2011/12	4,167
2010/11	4,344
2009/10	4,520
2008/09	4,590
2007/08	4,738
2006/07	4,834
2005/06	4,917
2004/05	4,985
2003/04	5,087
2002/03	5,077
2001/02	4,986
2000/01	4,892
1999/00	4,776
1998/99	4,673
1997/98	4,520
1996/97	4,434
1995/96	4,169
1994/95	3,951
1993/94	3,854

**Annual Disclosure Document Information**

Retirement Plan

School Year	Amount
2013/14	\$ 4,021,506
2012/13	4,612,513
2011/12	4,473,054
2010/11	3,930,726
2009/10	3,485,403
2008/09	3,467,207
2007/08	3,639,873
2006/07	3,864,797
2005/06	3,501,029
2004/05	2,989,989
2003/04	2,870,123
2002/03	2,654,628
2001/02	2,515,063
2000/01	2,261,697
1999/00	1,996,433
1998/99	1,753,650
1997/98	1,719,807
1996/97	2,031,838
1995/96	1,718,037
1994/95	594,000
1993/94	556,600

Debt Statement - Direct Debt

Bonds Dated	Description	Amount Outstanding July 1, 2014
5/7/2010	School Bond Loan	\$ 6,225,000
5/27/2010	QSCB	15,000,000
5/27/2010	Bldg & Site UTQ	10,865,000
5/27/2010	BAB	32,275,000
6/19/2014	Refunding bonds	35,430,000
Total		<u>\$ 99,795,000</u>

General Fund Budget Summary - 2014/15

Revenues	\$ 31,890,829
Expenditures	<u>31,603,719</u>
Excess Revenues over Expenditures	287,110
July 1, 2014 Fund Balance	<u>(1,915,771)</u>
Projected June 30, 2015 Fund Balance	<u>\$ (1,628,661)</u>

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## SINGLE AUDIT ACT COMPLIANCE

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

October 17, 2014

Board of Education  
Pinckney Community Schools  
Pinckney, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of *Pinckney Community Schools* (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 17, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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# PINCKNEY COMMUNITY SCHOOLS

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Agency / Cluster / Program Title	Federal CFDA Number	Passed Through	Pass-Through Grantor's Number	Approved Award/Grant Amount
<b>U.S. Department of Agriculture</b>				
Non-Cash Assistance (Commodities) - Entitlement commodities	10.555	Direct	47080	\$ <u>43,415</u>
National School Breakfast Program:				
National School Lunch Breakfast	10.553	MDE	141970	63,253
National School Lunch Breakfast	10.553	MDE	131970	6,677
National School Lunch Breakfast	10.553	MDE	121970	6,685
				<u>76,615</u>
National School Lunch Program:				
National School Lunch Sec. 11 - Free & Reduced	10.555	MDE	141960	240,191
National School Lunch Sec. 11 - Free & Reduced	10.555	MDE	131960	31,025
National School Lunch Sec. 11 - Free & Reduced	10.555	MDE	121960	31,248
				<u>271,216</u>
Special Milk Program	10.556	MDE	141940	671
Special Milk Program	10.556	MDE	131940	71
Special Milk Program	10.556	MDE	121940	69
				<u>742</u>
Cash Assistance Subtotal				<u>348,573</u>
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>				<u>391,988</u>
<b>U.S. Department of Education</b>				
Title I - Project - Regular	84.010	MDE	141530-1314	252,746
Title I - Project - Regular	84.010	MDE	131530-1213	268,011
Title I - Project - Regular	84.010	MDE	121530-1112	280,709
				<u>801,466</u>
Tech Prep	84.243A	LESA	143540	18,000
Tech Prep	84.243A	LESA	133540	16,500
				<u>34,500</u>

Accrued (Unearned) Revenue - July 1, 2013	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year In-Kind Receipts	Accrued (Unearned) Revenue - June 30, 2014
\$ -	\$ 48,377	\$ 43,415	\$ 43,415	\$ -
-	-	63,253	63,253	-
-	66,808	6,677	6,677	-
-	6,685	-	-	-
-	73,493	69,930	69,930	-
-	-	240,191	240,191	-
-	262,140	31,025	31,025	-
-	31,248	-	-	-
-	293,388	271,216	271,216	-
-	-	671	671	-
-	578	71	71	-
-	69	-	-	-
-	647	742	742	-
-	367,528	341,888	341,888	-
-	415,905	385,303	385,303	-
-	-	176,572	165,854	10,718
55,384	217,121	13,473	68,857	-
-	60,243	-	-	-
55,384	277,364	190,045	234,711	10,718
-	-	18,000	18,000	-
9,435	18,484	-	9,435	-
9,435	18,484	18,000	27,435	-

continued...

# PINCKNEY COMMUNITY SCHOOLS

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Agency / Cluster / Program Title	Federal CFDA Number	Passed Through	Pass-Through Grantor's Number	Approved Award/Grant Amount
<b>U.S. Department of Education (concluded)</b>				
Title II - Part A - Regular	84.367	MDE	140520-1314	\$ 106,473
Title II - Part A - Regular	84.367	MDE	130520-1213	133,750
Title II - Part A - Regular	84.367	MDE	120520-1112	93,164
				<u>333,387</u>
<b>Total Department of Education</b>				<u>1,169,353</u>
<b>Michigan Department of Health and Human Services</b>				
Medicaid Outreach	93.778	LESA	n/a	<u>2,509</u>
<b>Total Expenditures of Federal Awards</b>				<u><u>\$ 1,563,850</u></u>

See notes to schedule of expenditures of federal awards.



Accrued (Unearned) Revenue - July 1, 2013	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year In-Kind Receipts	Accrued (Unearned) Revenue - June 30, 2014
\$ -	\$ -	\$ 30,959	\$ 30,799	\$ 160
13,238	55,338	56,627	69,865	-
-	5,174	-	-	-
<u>13,238</u>	<u>60,512</u>	<u>87,586</u>	<u>100,664</u>	<u>160</u>
<u>78,057</u>	<u>356,360</u>	<u>295,631</u>	<u>362,810</u>	<u>10,878</u>
-	2,999	2,509	2,509	-
<u>\$ 78,057</u>	<u>\$ 775,264</u>	<u>\$ 683,443</u>	<u>\$ 750,622</u>	<u>\$ 10,878</u>

concluded.

# PINCKNEY COMMUNITY SCHOOLS

## Notes to Schedule of Expenditures of Federal Awards

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Pinckney Community Schools (the "District") under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

### 3. PASS-THROUGH AGENCIES

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

Pass-through Agency Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
LESA	Livingston Educational Service Agency



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

October 17, 2014

Board of Education  
Pinckney Community Schools  
Pinckney, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Pinckney Community Schools* (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 17, 2014.

#### Internal Control Over Financial Reporting

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

October 17, 2014

Board of Education  
Pinckney Community Schools  
Pinckney, Michigan

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

We have audited the compliance of *Pinckney Community Schools* (the "District") with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended June 30, 2014. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

### *Opinion on the Major Federal Program*

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

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

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

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

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

### *Purpose of this Report*

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

# PINCKNEY COMMUNITY SCHOOLS

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes  X  no

Significant deficiency(ies) identified? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes  X  no

Significant deficiency(ies) identified? \_\_\_\_\_ yes  X  none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? \_\_\_\_\_ yes  X  no

Identification of major programs:

#### CFDA Number

10.553, 10.555 & 10.556

#### Name of Federal Program or Cluster

Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$  300,000

Auditee qualified as low-risk auditee?

X  yes \_\_\_\_\_ no

### SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.



# PINCKNEY COMMUNITY SCHOOLS

## Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2014

None reported.

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