

**Schoolcraft Community Schools**

**Financial Statements**

**June 30, 2015**

## Table of Contents

Section		Page
1	<b>Members of the Board of Education and Administration</b>	1 – 1
2	<b>Independent Auditors' Report</b>	2 – 1
3	<b>Management's Discussion and Analysis</b>	3 – 1
4	<b>Basic Financial Statements</b>	
	District-wide Financial Statements	
	Statement of Net Position	4 – 1
	Statement of Activities	4 – 3
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	4 – 4
	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4 – 6
	Statement of Revenues, Expenditures and Changes in Fund Balances	4 – 7
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 – 9
	Fiduciary Funds	
	Statement of Assets and Liabilities	4 – 10
	Notes to the Financial Statements	4 – 11
5	<b>Required Supplementary Information</b>	
	Budgetary Comparison Schedule – General Fund	5 – 1
	Schedule of School District's Proportionate Share of Net Pension Liability	5 – 3
	Schedule of School District's Contributions	5 – 4

<b>6</b>	<b>Other Supplementary Information</b>	
	General Fund	
	Comparative Balance Sheet	6 – 1
	Schedule of Revenues Compared to Budget	6 – 2
	Schedule of Expenditures Compared to Budget	6 – 3
	Fiduciary Funds	
	Statement of Changes in Assets and Liabilities	6 – 10
	Schedule of Outstanding Bonded Indebtedness	6 – 11
<b>7</b>	<b>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 <i>Government Auditing Standards</i></b>	7 – 1

**Schoolcraft Community Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2015**

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**Members of the Board of Education**

Michael Rochholz – President

Matt DeVoe – Vice President

Kathy Mastenbrook – Treasurer

Darby Fetzer – Secretary

Skip Fox – Trustee

Ryan Ledlow – Trustee

Jason Walther – Trustee

**Administration**

Dr. Rusty Stitt – Superintendent

Rita Broekema – Finance Director



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## Independent Auditors' Report

Management and the Board of Education  
Schoolcraft Community Schools  
Schoolcraft, 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 Schoolcraft Community Schools, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School 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.

### 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 from 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 Schoolcraft Community Schools, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Adoption of New Accounting Standards**

As described in Note 1 to the financial statements, during the year ended June 30, 2015, the School District adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

## **Other Matters:**

### **Required Supplementary Information**

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

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Schoolcraft Community Schools' basic financial statements. The supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements

The other supplementary information, as identified in the table of contents, is the responsibility of management and, other than the prior year information, was derived from and relates 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 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, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Prior Year Supplementary Information**

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Schoolcraft Community Schools' basic financial statements as of and for the year ended June 30, 2014, which are not presented with the accompanying basic financial statements. In our report dated October 10, 2014, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Schoolcraft Community Schools' basic financial statements as a whole. The 2014 information in the comparative supplementary schedules is presented for purposes of additional analysis 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 2014 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2014 information in the comparative supplementary schedules is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015 on our consideration of Schoolcraft Community Schools' 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 Schoolcraft Community Schools' internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Kalamazoo, MI  
October 28, 2015

**Schoolcraft Community Schools**  
**Statement of Net Position**  
**June 30, 2015**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 1,967,497
Accounts receivable	67,406
Due from other governmental units	1,543,847
Inventory	5,210
Investments	490,633
Prepaid items	21,855
Capital assets not being depreciated	187,900
Capital assets - net of accumulated depreciation	<u>13,224,824</u>
Total assets	<u>17,509,172</u>
 <b>Deferred Outflow of Resources</b>	
Deferred amount of pension expense related to net pension liability	1,287,339
Deferred amount on debt refunding	<u>268,314</u>
Total deferred outflows of resources	<u>1,555,653</u>
 Total assets and deferred outflow of resources	<u>19,064,825</u>

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Statement of Net Position**  
**June 30, 2015**

	Governmental Activities
<b>Liabilities</b>	
Accounts payable	\$ 502,567
Due to other governmental units	179,558
Payroll deductions and withholdings	46,561
Accrued expenditures	52,080
Accrued salaries payable	627,281
Unearned revenue	8,456
Noncurrent liabilities	
Net pension liability	12,224,654
Debt due within one year	750,000
Debt due in more than one year	8,457,883
Total liabilities	22,849,040
 <b>Deferred Inflows of Resources</b>	
Deferred amount on net pension liability	1,351,440
 Total liabilities and deferred inflows of resources	\$ 24,200,480
 <b>Net Position</b>	
Net investment in capital assets	4,566,148
Restricted for:	
Food service	60,829
Debt service	13,486
Unrestricted	(9,776,118)
 Total net position	\$ (5,135,655)

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
<b>Functions/Programs</b>				
Governmental activities				
Instruction	\$ 6,646,082	\$ 58,765	\$ 2,190,086	\$ (4,397,231)
Supporting services	3,650,596	53,050	-	(3,597,546)
Food services	366,931	218,617	159,353	11,039
Community services	37,455	-	-	(37,455)
Interest and fiscal charges on long-term debt	432,168	-	-	(432,168)
Total governmental activities	<u>\$ 11,133,232</u>	<u>\$ 330,432</u>	<u>\$ 2,349,439</u>	<u>(8,453,361)</u>
General revenues				
Property taxes, levied for general purposes				810,885
Property taxes, levied for debt service				1,665,839
State aid - unrestricted				7,028,710
Interest and investment earnings				4,065
Other				128,976
Total general revenues				9,638,475
Change in net position				1,185,114
Net position - beginning, as restated				(6,320,769)
Net position - ending				\$ (5,135,655)

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2015**

	<u>General Fund</u>	<u>2009 Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor - Food Service Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash	\$ 27,561	\$ 66,119	\$ 1,858,616	\$ 15,201	\$ 1,967,497
Accounts receivable	67,406	-	-	-	67,406
Due from other funds	974,517	-	-	45,984	1,020,501
Due from other governmental units	1,543,847	-	-	-	1,543,847
Inventory	-	-	-	5,210	5,210
Investments	490,633	-	-	-	490,633
Prepaid items	21,855	-	-	-	21,855
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total assets	<u>\$ 3,125,819</u>	<u>\$ 66,119</u>	<u>\$ 1,858,616</u>	<u>\$ 66,395</u>	<u>\$ 5,116,949</u>

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2015**

	<u>General Fund</u>	<u>2009 Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor - Food Service Fund</u>	<u>Total Governmental Funds</u>
<b>Liabilities and Fund Balance</b>					
Liabilities					
Accounts payable	\$ 502,567	\$ -	\$ -	\$ -	\$ 502,567
Due to other funds	45,984	553	973,964	-	1,020,501
Due to other governmental units	179,558	-	-	-	179,558
Payroll deductions and withholdings	46,561	-	-	-	46,561
Accrued salaries payable	627,281	-	-	-	627,281
Unearned revenue	<u>2,890</u>	<u>-</u>	<u>-</u>	<u>5,566</u>	<u>8,456</u>
 Total liabilities	 <u>1,404,841</u>	 <u>553</u>	 <u>973,964</u>	 <u>5,566</u>	 <u>2,384,924</u>
Fund Balance					
Non-spendable					
Inventory	-	-	-	5,210	5,210
Prepaid items	21,855	-	-	-	21,855
Restricted for					
Food service	-	-	-	55,619	55,619
Debt service	-	13,486	-	-	13,486
Committed	-	-	884,652	-	884,652
Unassigned	<u>1,699,123</u>	<u>52,080</u>	<u>-</u>	<u>-</u>	<u>1,751,203</u>
 Total fund balance	 <u>1,720,978</u>	 <u>65,566</u>	 <u>884,652</u>	 <u>60,829</u>	 <u>2,732,025</u>
 Total liabilities and fund balance	 <u>\$ 3,125,819</u>	 <u>\$ 66,119</u>	 <u>\$ 1,858,616</u>	 <u>\$ 66,395</u>	 <u>\$ 5,116,949</u>

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2015**

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<b>Total fund balances for governmental funds</b>	<b>\$ 2,732,025</b>
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	187,900
Capital assets - net of accumulated depreciation	13,224,824
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	268,314
Deferred inflows of resources resulting from net pension liability	(1,351,440)
Deferred outflow of resources from subsequent pension expense from measurement date	1,287,339
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(52,080)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(12,224,654)
Compensated absences	(92,993)
Bonds payable	(7,910,000)
School bond loan payable	(1,129,882)
Accrued interest on school bond loan payable	<u>(75,008)</u>
<b>Net position of governmental activities</b>	<b><u>\$ (5,135,655)</u></b>

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2015**

	General Fund	2009 Debt Service Fund	Capital Projects Fund	Non-major Food Service Fund	Total Governmental Funds
<b>Revenues</b>					
Local sources	\$ 1,051,676	\$ 1,666,442	\$ 3,462	\$ 218,617	\$ 2,940,197
State sources	8,478,911	-	-	16,739	8,495,650
Federal sources	110,045	-	-	142,614	252,659
Intermediate sources	629,840	-	-	-	629,840
 Total revenues	 <u>10,270,472</u>	 <u>1,666,442</u>	 <u>3,462</u>	 <u>377,970</u>	 <u>12,318,346</u>
<b>Expenditures</b>					
Current					
Education					
Instruction	5,863,569	-	-	-	5,863,569
Supporting services	3,686,421	-	-	-	3,686,421
Food services	-	-	-	366,931	366,931
Community services	37,455	-	-	-	37,455
Capital outlay	236,426	-	427,750	-	664,176
Debt service					
Principal	-	1,525,000	-	-	1,525,000
Interest and other expenditures	-	364,083	-	-	364,083
 Total expenditures	 <u>9,823,871</u>	 <u>1,889,083</u>	 <u>427,750</u>	 <u>366,931</u>	 <u>12,507,635</u>
 Excess (deficiency) of revenues over expenditures	 <u>446,601</u>	 <u>(222,641)</u>	 <u>(424,288)</u>	 <u>11,039</u>	 <u>(189,289)</u>

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2015**

	<u>General Fund</u>	<u>2009 Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Non-major Food Service Fund</u>	<u>Total Governmental Funds</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from school bond loan fund	\$ -	\$ 200,883	\$ -	\$ -	\$ 200,883
Transfers in	-	-	438,638	-	438,638
Transfers out	<u>(438,638)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(438,638)</u>
 Total other financing sources (uses)	 <u>(438,638)</u>	 <u>200,883</u>	 <u>438,638</u>	 <u>-</u>	 <u>200,883</u>
 Net change in fund balance	 7,963	 (21,758)	 14,350	 11,039	 11,594
 Fund balance - beginning	 <u>1,713,015</u>	 <u>87,324</u>	 <u>870,302</u>	 <u>49,790</u>	 <u>2,720,431</u>
 Fund balance - ending	 <u>\$ 1,720,978</u>	 <u>\$ 65,566</u>	 <u>\$ 884,652</u>	 <u>\$ 60,829</u>	 <u>\$ 2,732,025</u>

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2015**

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<b>Net change in fund balances - total governmental funds</b>	<b>\$ 11,594</b>
Total change in net position reported for governmental activities in the statement of activities is different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(709,306)
Capital outlay	537,783
Expenses are recorded when incurred in the statement of activities.	
Interest	(22,329)
Compensated absences	39,418
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	780,003
Net change in the deferred inflow of resources related to the net pension liability	(1,351,440)
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	620,663
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Proceeds on long-term debt	(200,883)
Repayments of long-term debt	1,525,367
Amortization of deferred amount on debt defeasance	<u>(45,756)</u>
<b>Change in net position of governmental activities</b>	<b><u>\$1,185,114</u></b>

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Fiduciary Funds**  
**Statement of Assets and Liabilities**  
**June 30, 2015**

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	<u>Agency Funds</u>
<b>Assets</b>	
Cash	\$ <u>100,028</u>
<b>Liabilities</b>	
Due to agency fund activities	\$ <u>100,028</u>

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Schoolcraft Community Schools (the "School District") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

**District-wide Financial Statements**

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all non-fiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

**Fund Financial Statements**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District 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.

**Schoolcraft Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2015**

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Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

2009 Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt. The School District is not required to establish budgets for debt service funds and so no budget is provided for in this major fund.

Capital Projects Fund – The Capital Projects Fund is used to record authorized revenues and expenditures for invoices specifically designated for acquiring and maintaining school buildings, equipment, and transportation equipment. The School District is not required to establish budgets for capital projects funds and so no budget is provided for in this major fund.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District’s Special Revenue Funds include the Food Service Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

**Assets, Liabilities and Equity**

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2015, the rates are as follows per \$1,000 of assessed value:

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	7.50000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries.

The property tax levy collection period runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are

**Schoolcraft Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2015**

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purchased by Kalamazoo County and should be remitted to the School District by May 15.

Investments – Investments are stated at fair value based on a quoted market price. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20–50 years
Equipment and furniture	5–10 years
Buses and other vehicles	5–10 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

Compensated Absences – Employees are provided with sick days each year. If not used, sick days may be carried forward into the next fiscal year. Once ninety (90) days of sick leave have been accumulated, teachers are paid \$25/day for unused sick leave accumulated over the ninety days. The monies will be paid at the end of the school year. Upon retirement, teachers will be paid \$25 for each day of unused sick leave accumulated up to 100 days. Employees that leave the School District's employ with accumulated sick days forfeit the right to receive payment thereof.

Support staff follows the same policy as teachers except that the accumulated sick days are paid on a graduated rate from \$5 to \$20 per day based on the normal number of hours in their workday.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

**Schoolcraft Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2015**

---

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the board of education.

Assigned – amounts intended to be used for specific purposes, as determined by the board of education or the Superintendent. The Board of Education has granted the finance committee and Superintendent the authority to assign funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**Eliminations and Reclassifications**

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

**Adoption of New Accounting Standards**

The Governmental Accounting Standards Board ("The GASB") has issued Statement No. 68 *Accounting and Financial Reporting for Pensions*, and Statement 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The net pension liability is recorded on the government-wide statements. Statement 71 amends Statement 68 to address an issue concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and non-employer contributing entities. Statements 68 and 71 are effective for the year ending June 30, 2015

**Upcoming Accounting and Reporting Changes**

The Governmental Accounting Standards Board ("The GASB") has issued Statement No. 72 *Fair Value Measurements and Applications*. Statement 72 provides guidance for accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for

**Schoolcraft Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2015**

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applying fair value to certain investments and disclosures related to all fair value measurements. The guidance establishes a three level hierarchy of inputs for valuation of fair value. The School District is evaluating the impact GASB 72 will have on its financial reporting. Statement 72 is effective for the year ending June 30, 2016.

In addition, the Governmental Accounting Standards Board has released the following three Statements:

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. The first objective of this Statement is provide the readers of the financial statements information about the effects of the pension-related transactions on the financial statements of state and local government employers. It will assist in assessing the relationship between a government's inflows of resources and its total cost (including pension expense) of providing government services each period in addition to providing information about the government's pension obligation. The second objective of this Statement is to improve the information about financial support provided by certain non-employer entities for pensions that are provided to the employees of other entities that are not within the scope of Statement No. 68. These requirements are effective for the fiscal year ending June 30, 2017. The third objective is to improve the quality of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions that are not within the scope of Statement 68 and to clarify the application of certain provisions of Statement No. 67 and 68. These requirements are effective for the fiscal year ending June 30, 2016.

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that

will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

The School District is evaluating the impact GASB 72 thru 75 will have on its financial reporting.

**Note 2 - Stewardship, Compliance, Accountability**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year-end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

**Schoolcraft Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2015**

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

**Excess of Expenditures Over Appropriations**

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Instructional staff	\$ 425,530	\$ 452,778	\$ 27,248
Business	230,300	234,199	3,899
Capital outlay	42,000	236,426	194,426
Transfers out	435,000	438,638	3,638

**District-Wide Deficits**

The School District has an unrestricted net position deficit for District-Wide activities in the amount of \$9,776,118 as of June 30, 2015. There are no other governmental funds with a deficit.

**Note 3 - Deposits and Investments**

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 1,967,497	\$ 100,028	\$ 2,067,525
Investments	490,633	-	490,633
	<u>\$ 2,458,130</u>	<u>\$ 100,028</u>	<u>\$ 2,558,158</u>

As of year-end, investments shown on the School District's Statement of Net Position are treated as deposits for the purpose of this disclosure. The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, certificates of deposit)	\$ 2,064,025
Investments in securities, money markets, and similar vehicles	490,633
Petty cash and cash on hand	<u>3,500</u>
Total	<u>\$ 2,558,158</u>

**Interest rate risk** – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

**Credit risk** – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures

**Schoolcraft Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2015**

not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$2,097,816 of the School District’s bank balance of \$2,597,816 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The following investment securities were uninsured and unregistered and held in the following manner:

Investment Type	Carrying Value	How Held
PNC Governmental Money Market Fund	\$ 490,633	Counterparty in the District's name

**Note 4 - Capital Assets**

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 187,900	\$ -	\$ -	\$ 187,900
Capital assets being depreciated				
Buildings and additions	22,873,217	-	-	22,873,217
Equipment and furniture	2,393,711	335,673	-	2,729,384
Buses and other vehicles	1,054,081	202,110	-	1,256,191
Total capital assets being depreciated	26,321,009	537,783	-	26,858,792
Less accumulated depreciation for				
Buildings and additions	10,263,372	427,863	-	10,691,235
Equipment and furniture	1,930,124	184,380	-	2,114,504
Buses and other vehicles	731,166	97,063	-	828,229
Total accumulated depreciation	12,924,662	709,306	-	13,633,968
Net capital assets being depreciated	13,396,347	(171,523)	-	13,224,824
Net capital assets	\$ 13,584,247	\$ (171,523)	\$ -	\$ 13,412,724

Depreciation expense was charged to activities of the School District as follows:

<b>Governmental activities</b>	
Instruction	\$ 419,363
Support services	277,760
Athletic services	12,183
Total governmental activities	\$ 709,306

**Schoolcraft Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 5 - Interfund Receivables, Payables, Transfers**

Individual interfund receivable and payable balances at year-end were:

<u>Due From Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
General	Food Service	\$ 45,984
Capital Projects	General	973,964
Debt	General	<u>553</u>
		<u><u>\$ 1,020,501</u></u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

A transfer of \$438,638 was made to the Capital Projects Fund from the General Fund to fund the costs of the School District's capital project plans.

**Note 6 - Unearned Revenue**

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

	<u>Unearned</u>
Advance participant fees	\$ 2,890
Lunch monies on account	5,566
Total	<u><u>\$ 8,456</u></u>

**Note 7 - Long-Term Debt**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include a capital lease payable, compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Government obligation bonds	\$ 9,435,000	\$ -	\$ 1,525,000	\$ 7,910,000	\$ 750,000
School Bond Loan Fund	928,999	200,883	-	1,129,882	-
Accrued interest on School Bond Loan Fund	44,129	30,879	-	75,008	-
Capital lease	367	-	367	-	-
Compensated absences	132,411	-	39,418	92,993	-
Total	<u><u>\$10,540,906</u></u>	<u><u>\$231,762</u></u>	<u><u>\$ 1,564,785</u></u>	<u><u>\$ 9,207,883</u></u>	<u><u>\$ 750,000</u></u>

For governmental activities, compensated absences are primarily liquidated by the general fund.

General obligation bonds payable at year-end, consists of the following:

\$12,420,000 serial bond due in annual installments of \$665,000 to \$795,000 through May 2026, interest at 2.50% to 4.75% \$ 7,910,000

**Schoolcraft Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2015**

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 750,000	\$ 312,483	\$ 1,062,483
2017	735,000	289,983	1,024,983
2018	735,000	266,463	1,001,463
2019	735,000	240,738	975,738
2020	725,000	211,338	936,338
2021 – 2025	3,525,000	618,657	4,143,657
2026	705,000	30,842	735,842
<b>Total</b>	<b>\$ 7,910,000</b>	<b>\$ 1,970,504</b>	<b>\$ 9,880,504</b>

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the fund had a balance of \$ 65,566 to pay this debt. Future debt and interest will be payable from future tax levies.

**Compensated Absences**

Accrued compensated absences, including payroll taxes on these benefits at year-end is \$92,993. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

**School Bond Loan Fund**

The State School Bond Loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the State School Bond Loan Fund. During the year, the School District borrowed \$200,883 and had an outstanding balance at year-end of \$1,129,882 of principal and \$75,008 in accrued interest. The School District has agreed to

repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

**Defeased Debt**

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. The new debt was issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

The final payment date is May 2026. As of year-end, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

1996 Issue refunded	<u>\$ 7,865,000</u>
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**Deferred Amount on Refunding**

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$523,477. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2026.

Deferred amount on refunding activity is summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred amount on refunding	<u>\$ 314,071</u>	<u>\$ -</u>	<u>\$ 45,757</u>	<u>\$ 268,314</u>

**Schoolcraft Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 8 - Risk Management**

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

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District's unemployment compensation expense for the year was \$0. No provision has been made for possible future claims.

**Note 9 - Pension Plans and Post-Employment Benefits**

**Organization**

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

- Two active classroom teachers or other certified school personnel.
- One active member or retiree from a non-certified support position.
- One active school system superintendent.

- One active finance or operations (non-superintendent) member.
- One retiree from a classroom teaching position.
- One retiree from a finance or operations management position.
- One administrator or trustee of a community college that is a reporting unit of the System.
- Two from the general public, one with health insurance or actuarial science experience and one with institutional investment experience.
- One elected member of a reporting unit's board of control.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act. There are 685 participating employers. A list of employers is provided in the Statistical Section. The System is a qualified pension trust fund under section 401(a) of the Internal Revenue Code. By statute, employees of K-12 public school districts, public school academies, district libraries, tax-supported community colleges and seven universities may be members. The seven universities are: Eastern Michigan, Central Michigan, Northern Michigan, Western Michigan, Ferris State, Michigan Technological, and Lake Superior State. Employees, who first become employed by one of the seven universities on or after January 1, 1996, become members of an alternative plan.

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

MPERS issues a publicly-available Comprehensive Annual Financial Report. That report may be obtained by writing to ORS at P.O. Box 30171, Lansing, Michigan 48909-7671, or on the Internet at <http://www.michigan.gov/orsschools>.

**Schoolcraft Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2015**

---

Membership – At September 30, 2014, the System's membership consisted of the following:

Inactive plan members or their beneficiaries currently receiving benefits:	
Regular benefits	181,489
Survivor benefits	16,855
Disability benefits	6,168
Total	204,512
Inactive plan members entitled to, but not yet receiving benefits:	
	16,979
Active plan members:	
Vested	108,934
Non-vested	101,843
Total	210,777
Total plan members	432,268

Benefits Provided – Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may

reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Member Contributions – Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987, through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates as a percent of wages: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Their options are described in detail under Pension Reform 2012. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula.

**Schoolcraft Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2015**

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Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

**Employer Contributions**

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits.

**Summary of Significant Accounting Policies**

Basis of Accounting and Presentation – The System’s financial statements are prepared using the accrual basis of accounting. Contributions from the employers are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of the System. The reserves are described below and details are provided in the supporting schedules.

GASB Statement No. 67, which was adopted during the year ended September 30, 2014, addresses accounting and financial reporting requirements for pension plans. The requirements for GASB Statement No. 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information.

Significant changes include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures. The implementation of GASB Statement No. 67 did not significantly impact the accounting for accounts receivable and investment balances.

Reserves – Reserve for Employee Contributions – This reserve represents active member contributions and interest less amounts transferred to the Reserve for Retired Benefit Payments for regular

and disability retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Employer Contributions representing unclaimed funds.

Members no longer contribute to this reserve except to purchase eligible service credit or repay previously refunded contributions. At September 30, 2014, the balance in this reserve was \$1.5 billion.

Reserve for Pension Plus Employee Contributions – This reserve represents active member contributions and interest less amounts transferred to the Reserve for Pension Plus Retired Benefit Payments for regular retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Pension Plus Employer Contributions representing unclaimed funds. This reserve was established under the provisions of Public Act 75 of 2010. At September 30, 2014, the balance in this reserve was \$59.5 million.

Reserve for Member Investment Plan – This reserve represents MIP contributions and interest less refunds and transfers to the Reserve for Retired Benefit Payments. At September 30, 2014, the balance in this reserve was \$4.7 billion.

Reserve for Employer Contributions – This reserve represents all employer contributions, except payments for health benefits. Interest from the Reserve for Undistributed Investment Income reserve is credited annually. Amounts are transferred annually to the Reserve for Retired Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was a deficit of (\$25.8) billion.

Reserve for Pension Plus Employer Contributions – This reserve represents all employer contributions for Pension Plus members, except payments for health benefits. Interest from the Reserve for Undistributed Investment Income reserve is credited annually at a rate of 7%. Amounts are transferred annually to the Reserve for Retired Pension Plus Benefit Payments to bring the balance of that reserve

**Schoolcraft Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2015**

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into balance with the actuarial present value of retirement allowances. This reserve was established under the provisions of Public Act 75 of 2010. At September 30, 2014, the balance in this reserve was \$55.5 million.

Reserve for Retired Benefit Payments – This reserve represents payments of future retirement benefits to current retirees. At retirement, a member’s accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was \$44.6 billion.

Reserve for Retired Pension Plus Benefit Payments – This reserve represents payments of future retirement benefits to current Pension Plus retirees. At retirement, a member’s accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Pension Plus Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. This reserve was established under the provisions of Public Act 75 of 2010. Currently, there are no participants qualified to retire under this program. At September 30, 2014, the balance in this reserve was \$0.

Reserve for Undistributed Investment Income – This reserve represents all investment earnings. Interest is transferred annually to the other reserves. Administrative expenses of the System are paid from the Reserve for Administrative Expenses, which is credited with amounts from the Reserve for Undistributed Investment Income to cover the expenses. For ease of reporting and understanding, the two reserves are presented as one reserve in the supporting schedules. Public Act 143 of 1997 established a stabilization subaccount within

the Reserve for Undistributed Investment Income to which any over funding is credited. As of September 30, 2014, the balance in the subaccount was zero. At September 30, 2014, the balance in this reserve was \$18.6 billion.

Reserve for Health (OPEB) Related Benefits – This reserve is credited with employee and employer contributions for retirees’ health, dental, and vision benefits. Starting in fiscal year 2013, the employer contribution is based on a prefunded basis and represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed thirty years. In addition, in fiscal year 2014, federal funding for Medicare Part D and Employer Group Waiver Plan (EGWP) was paid directly to a third party vendor. The third party vendor uses the EGWP funding for any claims submitted and bills the system for any remaining claims outstanding. Premiums for health, dental and vision benefits are paid from this reserve. At September 30, 2014, the balance in this reserve was \$3.5 billion.

Reporting Entity – The System is a pension and other employee benefit trust fund of the State. As such, the System is considered part of the State and is included in the State’s Comprehensive Annual Financial Report as a pension and other employee benefit trust fund. The System and its Board are not financially accountable for any other entities or other organizations. Accordingly, the System is the only entity included in this financial report.

Benefit Protection – Public Act 100 of 2002 was passed by the Michigan Legislature to protect pension benefits of public employees from alienation (being transferred). Alienation is attachment, garnishment, levy, execution, bankruptcy or other legal process, except for divorce orders or eligible domestic relation orders. The statutes governing the System contained an “anti-alienation” clause to provide for this protection; however, many smaller public pension systems did not have the benefit of this protection. Therefore, Public

**Schoolcraft Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2015**

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Act 100 of 2002 was passed to establish legal protection of pension assets that encompasses all public employees.

Fair Value of Investments – Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. The fair value of private investments is based on the net asset value reported in the financial statements of the respective investment entity. The net asset value is determined in accordance with governing documents of the investment entity, and is subject to an independent annual audit. Securities purchased with cash collateral under securities lending activities are recorded at estimated fair value. Other investments not having an established market are recorded at estimated fair value.

Investment Income – Dividend and interest income is recognized on the accrual basis. Fair value changes are recorded as investment income or loss. Purchases and sales of investments are recorded as of the trade date (the date upon which the transaction is initiated), except for purchase and sale of mortgages, real estate, and alternative investments which are recorded as of the settlement date (the date upon which the transaction is ultimately completed). The effect of recording such transactions as of the settlement date does not materially affect the financial statements.

Costs of Administering the System – Each year a restricted general fund appropriation is requested to fund the on-going business operations of the System. These administrative costs are ultimately funded by the System through the regular transfer of funds from the System to the State's general fund based on either a direct cost or allocation basis depending on the nature of the expense. Costs of administering the System are financed by undistributed investment income of the System.

Property and Equipment – Office space is leased from the State on a year to year basis. Office equipment is capitalized if the value exceeds \$5,000. These assets are recorded at cost and are reported net of depreciation in the Statement of Pension Plan and Other Post-employment Benefit Plan Fiduciary Net Position. Such assets are depreciated on a straight-line basis over 10 years. As of September 30, 1998, all capitalized equipment was fully depreciated. No additional equipment has been capitalized for the System since that date.

Related Party Transactions – Leases and Services – The System leases operating space and purchases certain administrative, data processing, legal and investment services from the State. The space and services are not otherwise available by competitive bid. The schedule below summarizes costs incurred by the System for such services.

Building rentals	\$ 789,000
Technological support	10,420,000
Attorney general	417,000
Investment services	12,846,000
Personnel services	9,922,000

Cash – At September 30, 2014, the System had \$246.7 million in a common cash investment pool maintained for various State operating funds. The participating funds in the common cash pool earn interest at various rates depending upon prevailing short-term interest rates. Earnings from these activities amounted to (\$0.6) thousand for the year ended September 30, 2014.

**Contributions and Funding Status**

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

**Schoolcraft Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2015**

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2014 valuation will be amortized over a 22 year period for the plan's 2014 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2014.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 – 4.0%	18.34 – 19.61%
Member Investment Plan	3.0 – 7.0	18.34 – 19.61
Pension Plus	3.0 – 6.4	18.11
Defined Contribution	0.0	15.44 – 16.61

The System may reconcile with actuarial requirements annually. If the system reconciles in a year, any funding excess or deficiency for pension benefits is smoothed over a maximum of 5 years, with at least one-fifth (20%) of the funding excess or deficiency included in the subsequent year's contribution. This payment is not recognized as a payable or receivable in the accounting records. If the System does not reconcile in a year, any funding excess or deficiency for pension benefits is accounted for in subsequent required contributions over the remaining amortization period. For fiscal year 2014, the System did not reconcile.

In May 1996, the Internal Revenue Service issued a private letter ruling allowing the System's members to purchase service credit and repay refunds using tax-deferred (pre-tax) dollars. The program was implemented in fiscal year 1998, and payments began in fiscal year 1999.

The program allows members to purchase service credit and repay refunds on a tax-deferred basis. Members sign an irrevocable agreement that identifies the contract duration, monthly payment, total contract amount and years of service credit being purchased. The duration of the contract can range from 1 to 20 years. The amounts are withheld from members' paychecks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h). At September 30, 2014, there were 16,503 agreements. The agreements were discounted using the assumed actuarial rate of return of 8% for September 30, 2014. The average remaining length of a contract was approximately 6.0 years for 2014. The short-term receivable was \$29.7 million and the discounted long-term receivable was \$83.6 million at September 30, 2014.

**Net Pension Liability**

Measurement of the MPERS Net Pension Liability – The plan's net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

MPERS (Plan) Net Pension Liability – As of September 30, 2014:

Total Pension Liability	\$ 65,160,887,182
Plan Fiduciary Net Position	43,134,384,072
Net Pension Liability	<u>\$ 22,026,503,110</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.20%
Net Pension Liability as a Percentage of Covered-Employee Payroll	250.11%

**Schoolcraft Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2015**

Year one MPSERS implementation of GASB Statement No. 68 recognizes a 0.00% change in the employers' proportionate share between beginning net pension liability and ending net pension liability.

MPSERS (Plan) Net Pension Liability – As of October 1, 2013

Total Pension Liability	\$ 62,859,499,994
Plan Fiduciary Net Position	39,427,686,072
Net Pension Liability	<u>\$ 23,431,813,922</u>

Proportionate Share of Reporting Unit's Net Pension Liability – At September 30, 2014, the School District reported a liability of \$12,224,654 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2014, the School District's proportionate share percent was 0.05550% percent, which is unchanged since the prior measurement date.

Long-Term Expected Return on Plan Assets – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	4.8%
Alternative Investment Pools	18.0	8.5
International Equity	16.0	6.1
Fixed Income Pools	10.5	1.5
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	15.5	6.3
Short Term Investment Pools	2.0	(0.2)
test	<u>100.0%</u>	

\*Long term rate of return does not include 2.5% inflation

Rate of Return – For the fiscal year ended September 30, 2014, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 12.58%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Schoolcraft Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2015**

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – As required by GASB Statement No. 68, the following presents the School District’s proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non- Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non- Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non- Hybrid/Hybrid)* 9.0% / 8.0%
\$ 16,117,142	\$ 12,224,654	\$ 8,945,176

\*Long term rate of return does not include 2.5% inflation

Timing of the Valuation – An actuarial valuation to determine the total pension liability is required to be performed every year. If the actuarial valuation is not calculated as of the plan’s fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan’s fiscal year end.

The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures.

Actuarial Valuations and Assumptions – Actuarial valuations for the pension plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**Schoolcraft Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2015**

Additional information as of the latest actuarial valuation follows:

*Actuarial Assumptions:*

- Wage inflation rate: 3.5%
- Investment Rate of returns:
  - MIP and Basic Plans (Non-Hybrid): 8.0%
  - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5-12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Healthcare Cost Trend Rate: 8.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

*Notes:*

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The experience study is included in the actuarial valuation described above.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.8457
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the MPSERS Comprehensive Annual Financial Report.

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

For the year ended June 30, 2015, the School District recognized total pension expense of \$990,230. At June 30, 2015, the employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 451,064	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(1,351,440)
Employer contributions subsequent to the measurement date	836,275	-
	\$ 1,287,339	\$(1,351,440)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Deferred (Inflows) and Deferred Outflows of Resources by Year**

Plan Year Ending September 30	Amount:
2015	\$ 615,705
2016	(220,570)
2017	(220,570)
2018	(238,666)
Total	\$ (64,101)

**Schoolcraft Community Schools**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Post-Employment Benefits**

In addition to the pension benefits described above, state law requires the School District to provide post-employment healthcare benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPERS).

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes up to 2% of their salary, and receives up to a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2014 through September 30, 2014, and October 1, 2014 through June 30, 2015, the employer contribution rate ranged from 5.52% to 6.45% and 2.20% to 2.71%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2015, 2014, and 2013 and were approximately \$167,153, \$341,000, and \$441,000, respectively.

**Unfunded Accrued Liability**

During the year ending June 30, 2015, the School District had contributions in the amount of \$416,257 to the MPERS. This amount represents the additional employer contributions attributed to the

unfunded accrued actuarial liability (UAAL) rate, which was approximately 7.63% for the year.

**Note 10 - Contingent Liabilities**

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

**Note 11 - Prior Period Adjustment**

As indicated in Note 1, the School District has adopted Government Accounting Standards Board Statements 68 and 71. These statements require the School District to record their proportionate share of the net pension liability and pension expense. Previously these amounts were not recorded on the School District's statements. The standards require this change be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2014, by \$12,337,981 restating it from \$6,017,212 to \$(6,320,769).

**Schoolcraft Community Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 1,037,000	\$ 1,075,050	\$ 1,051,676	\$ (23,374)
State sources	7,532,600	8,199,950	8,478,911	278,961
Federal sources	123,400	105,400	110,045	4,645
Intermediate sources	604,000	630,500	629,840	(660)
	<u>9,297,000</u>	<u>10,010,900</u>	<u>10,270,472</u>	<u>259,572</u>
<b>Total revenues</b>				
<b>Expenditures</b>				
Instruction				
Basic programs	4,524,425	4,938,350	4,889,630	(48,720)
Added needs	925,175	990,775	973,939	(16,836)
Supporting services				
Pupil	257,300	271,300	260,493	(10,807)
Instructional staff	340,230	425,530	452,778	27,248
General administration	251,305	267,055	257,817	(9,238)
School administration	553,800	609,100	590,431	(18,669)
Business	239,800	230,300	234,199	3,899
Operations and maintenance	880,350	920,050	915,614	(4,436)
Pupil transportation services	475,150	479,375	456,713	(22,662)
Central	246,600	275,550	258,004	(17,546)
Athletic activities	259,300	268,800	260,372	(8,428)
Community services	39,300	42,000	37,455	(4,545)
Capital outlay	56,475	42,000	236,426	194,426
	<u>9,049,210</u>	<u>9,760,185</u>	<u>9,823,871</u>	<u>63,686</u>
<b>Total expenditures</b>				
<b>Excess of revenues over expenditures</b>	<u>247,790</u>	<u>250,715</u>	<u>446,601</u>	<u>195,886</u>

**Schoolcraft Community Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2015**

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	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ (435,000)	\$ (435,000)	\$ (438,638)	\$ (3,638)
Net change in fund balance	(187,210)	(184,285)	7,963	192,248
Fund balance - beginning	<u>1,713,015</u>	<u>1,713,015</u>	<u>1,713,015</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,525,805</u>	<u>\$ 1,528,730</u>	<u>\$ 1,720,978</u>	<u>\$ 192,248</u>

**Schoolcraft Community Schools**  
**Required Supplementary Information**  
**Schedule of the School District's Proportionate Share of the Net Pension Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Measurement Date September 30th)**

	June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
A. School District's proportion of net pension liability (%)	0.05550%									
B. School District's proportionate share of net pension liability	\$ 12,224,654									
C. School District's covered-employee payroll	\$ 4,741,991									
D. School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	257.80%									
E. Plan fiduciary net position as a percentage of total pension liability	66.20%									

**Schoolcraft Community Schools**  
**Required Supplementary Information**  
**Schedule of the School District's Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years**

	For the Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
A. Statutorily required contributions	\$ 861,944									
B. Contributions in relation to statutorily required contributions	<u>861,537</u>									
C. Contribution deficiency (excess)	<u>\$ 407</u>									
D. School District's covered-employee payroll	\$ 4,757,080									
E. Contributions as a percentage of covered-employee payroll	18.11%									

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Comparative Balance Sheet**  
**June 30, 2015**

	2015	2014
<b>Assets</b>		
Cash	\$ 27,561	\$ 84,380
Accounts receivable	67,406	1,556
Due from other funds	974,517	1,242,594
Due from other governmental units	1,543,847	1,469,952
Investments	490,633	200,291
Prepaid items	21,855	14,008
	<u>3,125,819</u>	<u>3,012,781</u>
Total assets	<u>\$ 3,125,819</u>	<u>\$ 3,012,781</u>
<b>Liabilities and Fund Balance</b>		
Liabilities		
Accounts payable	\$ 502,567	\$ 463,676
Due to other funds	45,984	48,436
Due to other governmental units	179,558	179,558
Payroll deductions and withholdings	46,561	40,753
Accrued salaries payable	627,281	555,455
Unearned revenue	2,890	11,888
	<u>1,404,841</u>	<u>1,299,766</u>
Total liabilities	<u>1,404,841</u>	<u>1,299,766</u>
Fund Balance		
Non-spendable		
Prepaid items	21,855	14,008
Assigned for next fiscal year budget appropriations	-	187,210
Unassigned	1,699,123	1,511,797
	<u>1,720,978</u>	<u>1,713,015</u>
Total fund balance	<u>1,720,978</u>	<u>1,713,015</u>
Total liabilities and fund balance	<u>\$ 3,125,819</u>	<u>\$ 3,012,781</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Revenues Compared to Budget**  
**For the Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenues from local sources</b>				
Property tax levy	\$ 818,000	\$ 841,000	\$ 810,885	\$ (30,115)
Student activities	58,000	57,000	53,050	(3,950)
Community service activities	45,000	54,000	58,765	4,765
Other local revenues	<u>116,000</u>	<u>123,050</u>	<u>128,976</u>	<u>5,926</u>
Total revenues from local sources	<u>1,037,000</u>	<u>1,075,050</u>	<u>1,051,676</u>	<u>(23,374)</u>
<b>Revenues from state sources</b>				
Grants - unrestricted	7,040,400	7,020,150	7,028,710	8,560
Grants - restricted	485,800	1,173,800	1,444,133	270,333
State payments in lieu of taxes	<u>6,400</u>	<u>6,000</u>	<u>6,068</u>	<u>68</u>
Total revenues from state sources	<u>7,532,600</u>	<u>8,199,950</u>	<u>8,478,911</u>	<u>278,961</u>
<b>Revenues from federal sources</b>				
Grants	<u>123,400</u>	<u>105,400</u>	<u>110,045</u>	<u>4,645</u>
<b>Intermediate sources</b>				
ISD collected millage	590,000	613,000	612,244	(756)
Cooperative education	<u>14,000</u>	<u>17,500</u>	<u>17,596</u>	<u>96</u>
Total intermediate sources	<u>604,000</u>	<u>630,500</u>	<u>629,840</u>	<u>(660)</u>
Total revenue and other financing sources	<u>\$ 9,297,000</u>	<u>\$ 10,010,900</u>	<u>\$ 10,270,472</u>	<u>\$ 259,572</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Basic program - elementary</b>				
Salaries	\$ 1,364,400	\$ 1,358,600	\$ 1,353,029	\$ (5,571)
Employee benefits	747,700	851,150	855,924	4,774
Purchased services	31,000	55,000	55,634	634
Supplies and materials	65,800	69,300	57,724	(11,576)
Total elementary	<u>2,208,900</u>	<u>2,334,050</u>	<u>2,322,311</u>	<u>(11,739)</u>
<b>Basic program - middle school</b>				
Salaries	596,900	606,800	602,651	(4,149)
Employee benefits	294,900	361,900	354,067	(7,833)
Purchased services	18,200	20,000	19,720	(280)
Supplies and materials	50,300	31,300	25,272	(6,028)
Total middle school	<u>960,300</u>	<u>1,020,000</u>	<u>1,001,710</u>	<u>(18,290)</u>
<b>Basic program - high school</b>				
Salaries	675,300	676,400	669,203	(7,197)
Employee benefits	356,200	426,100	421,829	(4,271)
Purchased services	170,800	213,700	206,961	(6,739)
Supplies and materials	59,150	74,800	65,480	(9,320)
Other	1,550	2,500	2,491	(9)
Total high school	<u>1,263,000</u>	<u>1,393,500</u>	<u>1,365,964</u>	<u>(27,536)</u>
<b>Basic program - pre-school</b>				
Salaries	-	2,700	2,557	(143)
Employee benefits	-	1,000	841	(159)
Purchased services	82,225	122,400	130,988	8,588
Supplies and materials	10,000	64,700	65,259	559
Total pre-school	<u>92,225</u>	<u>190,800</u>	<u>199,645</u>	<u>8,845</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Added needs - special education</b>				
Salaries	358,900	327,800	322,429	(5,371)
Employee benefits	164,900	190,100	185,745	(4,355)
Purchased services	35,000	57,900	52,395	(5,505)
Supplies and materials	4,100	4,100	3,248	(852)
Total special education	<u>562,900</u>	<u>579,900</u>	<u>563,817</u>	<u>(16,083)</u>
<b>Added needs - compensatory education</b>				
Salaries	27,300	32,300	34,525	2,225
Employee benefits	8,200	14,000	13,691	(309)
Purchased services	68,900	81,300	79,208	(2,092)
Supplies and materials	29,600	34,000	36,585	2,585
Total compensatory education	<u>134,000</u>	<u>161,600</u>	<u>164,009</u>	<u>2,409</u>
<b>Added needs - career and technical education</b>				
Salaries	122,400	122,800	121,333	(1,467)
Employee benefits	55,500	66,300	65,078	(1,222)
Purchased services	35,500	40,900	40,962	62
Supplies and materials	14,875	19,275	18,740	(535)
Total career and technical education	<u>228,275</u>	<u>249,275</u>	<u>246,113</u>	<u>(3,162)</u>
<b>Pupil - guidance services</b>				
Purchased services	59,500	60,500	60,819	319
Supplies and materials	7,950	7,950	1,650	(6,300)
Total guidance services	<u>67,450</u>	<u>68,450</u>	<u>62,469</u>	<u>(5,981)</u>
<b>Pupil - health services</b>				
Purchased services	5,000	5,000	4,985	(15)
Supplies and materials	2,000	3,000	2,845	(155)
Total health services	<u>7,000</u>	<u>8,000</u>	<u>7,830</u>	<u>(170)</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Pupil - psychological services</b>				
Salaries	68,700	69,400	68,678	(722)
Employee benefits	39,100	45,400	44,576	(824)
Purchased services	550	550	40	(510)
Supplies and materials	700	700	106	(594)
Total psychological services	<u>109,050</u>	<u>116,050</u>	<u>113,400</u>	<u>(2,650)</u>
<b>Pupil - speech services</b>				
Salaries	44,600	45,000	44,529	(471)
Employee benefits	26,800	31,400	30,543	(857)
Purchased services	550	550	250	(300)
Supplies and materials	500	500	-	(500)
Total speech services	<u>72,450</u>	<u>77,450</u>	<u>75,322</u>	<u>(2,128)</u>
<b>Pupil - other support services</b>				
Supplies and materials	<u>1,350</u>	<u>1,350</u>	<u>1,472</u>	<u>122</u>
<b>Instructional staff - improvement of education</b>				
Salaries	-	8,600	13,582	4,982
Employee benefits	-	3,500	3,737	237
Purchased services	24,900	25,900	30,682	4,782
Total improvement of education	<u>24,900</u>	<u>38,000</u>	<u>48,001</u>	<u>10,001</u>
<b>Instructional staff - educational media services</b>				
Salaries	52,000	44,200	42,354	(1,846)
Employee benefits	17,500	18,700	18,479	(221)
Purchased services	-	11,800	11,598	(202)
Supplies and materials	17,730	17,730	14,184	(3,546)
Total educational media services	<u>87,230</u>	<u>92,430</u>	<u>86,615</u>	<u>(5,815)</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Instructional staff - technology assisted instruction</b>				
Purchased services	-	50,300	67,561	17,261
Supplies and materials	-	20,000	34,248	14,248
Total technology assisted instruction	-	70,300	101,809	31,509
<b>Instructional staff - supervision and direction of instructional staff</b>				
Purchased services	36,000	36,000	36,920	920
<b>Instructional staff - other services</b>				
Salaries	117,500	118,200	120,291	2,091
Employee benefits	55,400	62,400	51,692	(10,708)
Purchased services	19,200	8,200	7,450	(750)
Total other instructional staff services	192,100	188,800	179,433	(9,367)
<b>General administration - board of education</b>				
Salaries	805	805	690	(115)
Purchased services	37,500	39,250	23,002	(16,248)
Other	7,000	7,000	6,823	(177)
Total board of education	45,305	47,055	30,515	(16,540)
<b>General administration - executive administration</b>				
Salaries	139,700	141,000	146,803	5,803
Employee benefits	58,100	70,800	71,528	728
Purchased services	2,500	2,500	3,420	920
Supplies and materials	4,200	4,100	3,705	(395)
Other	1,500	1,600	1,846	246
Total executive administration	206,000	220,000	227,302	7,302

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>School administration - office of the principal</b>				
Salaries	362,000	375,000	366,236	(8,764)
Employee benefits	151,900	191,700	182,584	(9,116)
Purchased services	35,400	37,900	37,662	(238)
Other	1,800	1,800	1,564	(236)
Total office of the principal	<u>551,100</u>	<u>606,400</u>	<u>588,046</u>	<u>(18,354)</u>
<b>School administration - other</b>				
Supplies and materials	<u>2,700</u>	<u>2,700</u>	<u>2,385</u>	<u>(315)</u>
<b>Business - fiscal services</b>				
Salaries	118,000	119,200	121,799	2,599
Employee benefits	78,000	77,800	80,284	2,484
Purchased services	16,100	13,200	12,616	(584)
Supplies and materials	1,200	1,200	1,036	(164)
Other	500	500	449	(51)
Total fiscal services	<u>213,800</u>	<u>211,900</u>	<u>216,184</u>	<u>4,284</u>
<b>Business - other</b>				
Purchased services	6,000	6,400	6,352	(48)
Other	<u>20,000</u>	<u>12,000</u>	<u>11,663</u>	<u>(337)</u>
Total other business	<u>26,000</u>	<u>18,400</u>	<u>18,015</u>	<u>(385)</u>
<b>Operations and maintenance - operating building services</b>				
Salaries	323,600	325,100	326,517	1,417
Employee benefits	141,400	170,200	167,793	(2,407)
Purchased services	79,800	89,200	94,189	4,989
Supplies and materials	<u>335,550</u>	<u>335,550</u>	<u>327,115</u>	<u>(8,435)</u>
Total operating building services	<u>880,350</u>	<u>920,050</u>	<u>915,614</u>	<u>(4,436)</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Pupil transportation services</b>				
Salaries	228,300	228,300	226,837	(1,463)
Employee benefits	89,700	109,400	99,739	(9,661)
Purchased services	13,850	12,775	12,666	(109)
Supplies and materials	117,100	102,700	92,796	(9,904)
Other	26,200	26,200	24,675	(1,525)
Total transportation services	<u>475,150</u>	<u>479,375</u>	<u>456,713</u>	<u>(22,662)</u>
<b>Central - communication services</b>				
Salaries	5,000	11,500	11,304	(196)
Employee benefits	1,700	4,900	3,187	(1,713)
Total communication services	<u>6,700</u>	<u>16,400</u>	<u>14,491</u>	<u>(1,909)</u>
<b>Central - staff/personnel and communication services</b>				
Purchased services	4,000	4,000	2,294	(1,706)
Other	2,000	2,000	930	(1,070)
Total staff/personnel and communication services	<u>6,000</u>	<u>6,000</u>	<u>3,224</u>	<u>(2,776)</u>
<b>Central - support services technology</b>				
Salaries	67,000	70,800	70,105	(695)
Employee benefits	38,500	46,100	45,254	(846)
Purchased services	70,800	92,000	87,523	(4,477)
Supplies and materials	43,600	30,250	29,503	(747)
Total support services technology	<u>219,900</u>	<u>239,150</u>	<u>232,385</u>	<u>(6,765)</u>
<b>Central - other</b>				
Supplies and materials	14,000	14,000	7,904	(6,096)

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Athletic activities</b>				
Salaries	100,900	101,300	100,413	(887)
Employee benefits	41,900	51,000	49,694	(1,306)
Purchased services	94,000	94,000	88,738	(5,262)
Supplies and materials	13,500	13,500	12,101	(1,399)
Other	9,000	9,000	9,426	426
Total athletic activities	<u>259,300</u>	<u>268,800</u>	<u>260,372</u>	<u>(8,428)</u>
<b>Community services - custody and care of children</b>				
Salaries	19,700	20,200	17,295	(2,905)
Employee benefits	6,700	8,600	7,480	(1,120)
Purchased services	10,900	11,200	10,679	(521)
Supplies and materials	2,000	2,000	2,001	1
Total custody and care of children	<u>39,300</u>	<u>42,000</u>	<u>37,455</u>	<u>(4,545)</u>
<b>Capital outlay</b>				
Basic program - pre-school	17,775	-	-	-
Added needs - career and technical education	37,300	27,500	27,320	(180)
Instructional staff - technology assisted instruction	-	-	194,777	194,777
Central - support services technology	1,400	14,500	14,329	(171)
Total capital outlay	<u>56,475</u>	<u>42,000</u>	<u>236,426</u>	<u>194,426</u>
<b>Other financing uses</b>				
Transfers out	<u>435,000</u>	<u>435,000</u>	<u>438,638</u>	<u>3,638</u>
Total expenditures and financing uses	<u>\$ 9,484,210</u>	<u>\$ 10,195,185</u>	<u>\$ 10,262,509</u>	<u>\$ 67,324</u>

**Schoolcraft Community Schools**  
**Fiduciary Fund**  
**Statement of Changes in Assets and Liabilities**  
**June 30, 2015**

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>Assets</b>				
Cash	\$ 94,280	\$ 209,166	\$ 203,418	\$ 100,028
<b>Liabilities</b>				
Due to student groups	\$ 94,280	\$ 209,166	\$ 203,418	\$ 100,028

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools  
Other Supplemental Information  
Schedule of Outstanding Bonded Indebtedness  
June 30, 2015**

Year Ending June 30,	2009 Refunding Bonds
2016	\$ 750,000
2017	735,000
2018	735,000
2019	735,000
2020	725,000
2021	710,000
2022	710,000
2023	705,000
2024	705,000
2025	695,000
2026	705,000
Total	<u>\$ 7,910,000</u>
Principal payments due first day of	May
Interest payments due first day of	May and November
Interest rate	2.50% - 4.75%
Original issue	<u>\$ 12,420,000</u>

**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***

**Independent Auditors' Report**

Management and the Board of Education  
Schoolcraft Community Schools

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 Schoolcraft Community Schools, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Schoolcraft Community Schools' basic financial statements, and have issued our report thereon dated October 28, 2015.

**Internal Control Over Financial Reporting**

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

*Yeo & Yeo, P.C.*

Kalamazoo, MI  
October 28, 2015