

**Schoolcraft Community Schools**

**Annual Financial Statements  
and  
Independent Auditors' Report**

**June 30, 2011**

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**Schoolcraft Community Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2011**

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**Members of the Board of Education**

Michael Rochholz – President

Skip Fox – Vice President

Kathy Mastenbrook – Treasurer

Darby Fetzer – Secretary

Matt DeVoe - Trustee

David Krum – Trustee

Jeannette Marshall - Trustee

**Administration**

Dr. Rusty Stitt - Superintendent

## Independent Auditors' Report

To the Board of Education  
Schoolcraft Community Schools  
Schoolcraft, Michigan

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, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Schoolcraft Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Schoolcraft Community Schools as of June 30, 2011, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Entity adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2011 on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Schoolcraft Community Schools' financial statements as a whole. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, Schoolcraft Community Schools' financial statements for the year ended June 30, 2010, which are not presented with the accompanying financial statements. In our report dated October 29, 2010, we expressed unqualified opinions on the respective 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 financial statements that collectively comprise Schoolcraft Community Schools' financial statements as a whole. The 2010 information in the comparative statements is presented for purposes of additional analysis and is not a required part of the 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 2010 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2010 information in the comparative statements is fairly stated in all material respects in relation to the financial statements from which they have been derived.

*Yeo & Yeo, P.C.*

Kalamazoo, Michigan  
October 11, 2011

## **Schoolcraft Community Schools Management's Discussion and Analysis For the Year Ended June 30, 2011**

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This section of the Schoolcraft Community Schools annual financial report presents a discussion and analysis of the School District's financial performance during the year ended June 30, 2011. It is to be read in conjunction with the School District's financial statements, which immediately follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Schoolcraft Community Schools financially as a whole. The District-wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the School District-wide financial statements by providing information about the School District's most significant funds - the General Fund, the 2009 Debt Fund, and the Capital Projects Fund with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

### **Reporting the School District as a Whole - District-wide Financial Statements**

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps one answer this question. Statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, debt service, community services, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

**Schoolcraft Community Schools  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

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**Reporting the School District's Most Significant Funds - Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help the School District to control and manage money for particular purposes (the Food Service is an example) or to show that the School District is meeting legal responsibilities for using certain taxes, grants, and other money (i.e. construction bond funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental Funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on demonstrating how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds are described in a reconciliation.

**The School District as Trustee - Reporting the School District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net assets. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Schoolcraft Community Schools  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2011:

	Year Ended June 30, 2011	Year Ended June 30, 2010		Year Ended June 30, 2011	Year Ended June 30, 2010
<b>Assets</b>			<b>Liabilities</b>		
Current assets	\$ 3,762,418	\$ 4,290,719	Current liabilities	\$ 2,652,441	\$ 2,565,850
Capital assets	25,900,696	25,761,333	Long-term liabilities	12,165,819	13,608,286
Less: accumulated depreciation	<u>(11,110,753)</u>	<u>(10,611,300)</u>	Total liabilities	<u>14,818,260</u>	<u>16,174,136</u>
Capital assets, net book value	<u>14,789,943</u>	<u>15,150,033</u>	<b>Net Assets</b>		
			Invested in capital assets, net of related debt	1,291,307	318,388
			Restricted for debt service	95,091	411,212
			Unrestricted	<u>2,347,703</u>	<u>2,537,016</u>
			Total net assets (liabilities)	<u>3,734,101</u>	<u>3,266,616</u>
Total assets	<u>\$ 18,552,361</u>	<u>\$ 19,440,752</u>	Total liabilities and net assets	<u>\$ 18,552,361</u>	<u>\$ 19,440,752</u>

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$3,734,101 and \$3,266,616 at June 30, 2011 and June 30, 2010, respectively. Capital assets (net of related debt totaling \$1,291,307 and \$318,388 at June 30, 2011 and June 30, 2010, respectively) compares the original cost, less depreciation, of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Debt repayments are outpacing the investment in additional capital assets as expected. All major renovations and building projects were completed prior to June 30, 2005 and maintenance plans have been put in place to care for the existing facilities so the School District anticipates the continuation of this trend. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets \$2,347,703 was unrestricted.

The \$2,347,703 and \$2,537,016 at June 30, 2011 and June 30, 2010, respectively, in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year. See below for further discussion on the change in unrestricted net assets.

**Schoolcraft Community Schools  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net assets for fiscal years 2011 and 2010 respectively.

**Table 2 - Statement of Activities**

	Year Ended June 30, 2011	Year Ended June 30, 2010		Year Ended June 30, 2011	Year Ended June 30, 2010
<b>Program revenue:</b>			<b>Expenses:</b>		
Charges for services	\$ 345,791	\$ 285,012	Instruction	\$ 6,300,657	\$ 6,175,756
Operating grants	<u>1,405,494</u>	<u>1,413,972</u>	Supporting Services	4,009,388	3,461,622
Total program revenue	<u>1,751,285</u>	<u>1,698,984</u>	Food services	340,983	325,146
			Athletics	-	217,158
<b>General revenue:</b>			Community services	43,083	-
Property taxes, levied for general purposes	1,093,211	1,141,328	Interest on long-term debt	<u>504,951</u>	<u>659,523</u>
Property taxes, levied for debt service	1,554,005	1,898,406			
State aid, unrestricted	7,119,314	7,173,508			
Interest and investment earnings	14,902	15,236			
Other	<u>133,830</u>	<u>140,154</u>			
Total general revenue	<u>9,915,262</u>	<u>10,368,632</u>	Total expenses	<u>11,199,062</u>	<u>10,839,205</u>
Total revenue	<u>\$ 11,666,547</u>	<u>\$ 12,067,616</u>	Increase in net assets	<u>\$ 467,485</u>	<u>\$ 1,228,411</u>

As reported in the statement of activities, the cost of all governmental activities for 2010-11 was \$11,666,547. Some activities were partially funded by those who benefited from the programs (\$345,791) or by subsidies from other governments and organizations (\$1,405,494). The remaining "public benefit" portion of governmental activities was paid for with \$2,647,216 in taxes, \$7,119,314 in state foundation allowance, and with other revenues (i.e. interest and general entitlements). The decrease in revenue is primarily attributable to the decrease in the debt millage rate from 9.05 mills to 7.5 mills (\$327,000). One benefit of refinancing the debt in 2009 was the ability to lower the tax burden on taxpayers more quickly than if the debt had been allowed to continue as previously financed. The increase in supporting services expenses can primarily be attributed to the change in accounting for athletic activities in a separate fund to reporting it as a supporting service (\$217,000) and the replacement of previously contracted staff as well as contracting additional staff (\$236,000). The decrease in interest of long-term debt is a result of the refinancing of the debt in 2009.

The School District experienced an increase in net assets of \$467,485.

**Schoolcraft Community Schools  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

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As discussed above, the net cost indicates the financial burden that was placed on the state and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

**The School District's Funds**

As noted earlier, the School District uses funds to help control and manage money for particular purposes. Examining funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the 2010-11 fiscal year, the governmental funds reported a combined fund balance of \$2,477,378, which is a decrease of \$513,806 from the previous year. The primary reasons for the decrease are relate to the decreases in fund balance in the 2009 Debt fund and the Capital Projects fund as noted below.

The General Fund's fund balance increased \$215,333 to \$1,427,684. The net change is primarily the result of the Board of Education decision to retain the county wide regional enhancement millage revenue in the General Fund rather than transfer it to the Capital Projects fund as done in prior years (\$377,300). General Fund fund balance is available to fund costs related to allowable school operating purposes.

The 2009 Debt Service Fund decreased (\$316,121) to \$95,091. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. The District pledged when refinancing the 1996 Debt to lower the millage rate to 7.5 from 9.05, resulting in lower collections (\$327,400). The Durant debt obligations are funded by annual state appropriations, and no fund balance exists at year end. Debt Service Funds fund balances are reserved and can only be used to pay debt service obligations.

The Capital Projects Fund decreased (\$414,592) to \$948,470. This is the fund that the School District uses to manage the district wide capital asset replacement and maintenance plans. In prior years the 1.5% county wide regional enhancement millage revenues has funded these plans but in 2010-11 the Board of Education determined that the current year revenues would be retained in the General Fund. The School District's asset replacement and maintenance plan is a long-term plan and the planned spending for 2010-11 was continued without the transfer of revenue (\$426,200).

Special Revenue Funds increased \$1,574 from the prior year to a total fund balance of \$6,133.

**General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to manage unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

**Schoolcraft Community Schools  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

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There were revisions made to the 2010-11 General Fund original budget. Budgeted revenues were increased to reflect the receipt of additional federal funding in the form of Education Jobs Fund (\$256,400) and American Reinvestment and Recovery Act (ARRA) monies (\$228,100). Expenditures were increased to reflect the actual staffing and compensation levels finalized subsequent to the original budget.

**Capital Assets and Debt Administration**

**Capital Assets**

As of June 30, 2011, the School District had \$14.79 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture and equipment. This amount represents a net decrease from the previous year primarily due to depreciation, as the only major additions to capital assets were the purchase of depreciable technology related equipment (\$90,700) and a bus (\$75,600). Additional funds were spent for energy consortium fees (\$52,000), property (\$39,000) new band uniforms (\$37,000) and various facility and operational improvements that were individually insignificant (\$105,400) and are not depreciable.

The only major expenditure in the capital project fund budgeted for the 2011-12 fiscal year is the payment of energy consortium fees (\$56,000). Total expenditures budgeted of \$161,400 are expected to be funded primarily through the capital fund's fund balance as the Board of Education made a decision to retain the regional enhancement millage revenue in the General Fund.

**Debt**

At the end of this year, the School District had \$13.88 million in bonds outstanding versus \$15.2 million in the previous year - an decrease of 8.95% percent. See below for details related to the refunding of the School District debt. Those bonds consisted of the following:

	2011	2010
General Obligation Bonds	\$ 13,880,000	\$ 15,245,000

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "Qualified Debt," (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$15.2 million is significantly below the statutorily imposed limit.

As noted above previously the refinancing of the debt in 2009 allowed the debt millage to be lowered to approximately 7.50 from 9.05 in December 2010 which resulted in a savings in 2011 for the District's taxpayers. Other obligations include accrued compensated absences. More detailed information about our long-term liabilities is presented in the notes to the financial statements.

**Schoolcraft Community Schools  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

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**Economic Factors and Next Year's Budgets and Rates**

The School District's elected officials and administration consider many factors when setting the School District's 2010-11 fiscal year budget. One of the most important factors affecting the budget is student enrollment count. The state foundation revenue is determined by multiplying the blended student count by the state foundation allowance per pupil. The 2010-11 budget was adopted in June 2010, based on an estimate of students that will be enrolled in September 2010. Approximately 80 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2011-12 school year, it is anticipated that the fall student count will be higher than the estimates used in creating the 2011-12 budget. The related per pupil funding that was adopted by the State is complicated and again includes one time money if certain conditions are met. The District is diligently working toward putting in place the pieces required to receive the one time money. Currently there are a large number of bills in Lansing that have the potential of greatly changing how we provide public education in the State of Michigan. The School District's administration continues to work under a zero basis budgeting approach, purchasing needs only, as they wait to see how the pending bills work through the legislative process. Any questions related to the School District can be directed verbally to the either the Superintendent or Finance Director at 269-488-7390 or in writing to the same at 629 East Clay St. MI Schoolcraft, MI 49087.

**Schoolcraft Community Schools**  
**Statement of Net Assets**  
**June 30, 2011**

	Governmental Activities
<b>Assets</b>	
Cash	\$ 1,992,759
Taxes receivable	18,427
Accounts receivable	115,727
Due from other governmental units	1,404,541
Inventory	6,132
Investments	13,297
Prepaid items	38,665
Other assets	172,870
Capital assets not being depreciated	187,900
Capital assets - net of accumulated depreciation	14,602,043
Total assets	18,552,361
 <b>Liabilities</b>	
Accounts payable	362,877
Due to other governmental units	179,558
Payroll deductions and withholdings	102,301
Accrued expenditures	96,243
Accrued salaries payable	453,459
Deferred revenue	6,828
Noncurrent liabilities	
Due within one year	1,451,175
Due in more than one year	12,165,819
Total liabilities	14,818,260
 <b>Net Assets</b>	
Invested in capital assets, net of related debt	1,291,307
Restricted for:	
Debt service	95,091
Unrestricted	2,347,703
Total net assets	\$ 3,734,101

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

	Program Revenues			Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets	
<b>Functions/Programs</b>				
Governmental activities				
Instruction	\$ 6,300,657	\$ 65,803	\$ 1,274,035	\$ (4,960,819)
Supporting services	4,009,388	71,470	-	(3,937,918)
Food services	340,983	208,518	131,459	(1,006)
Community services	43,083	-	-	(43,083)
Interest on long-term debt	504,951	-	-	(504,951)
Total governmental activities	<u>\$ 11,199,062</u>	<u>\$ 345,791</u>	<u>\$ 1,405,494</u>	<u>(9,447,777)</u>
General revenues				
Property taxes, levied for general purposes				1,093,211
Property taxes, levied for debt service				1,554,005
State aid - unrestricted				7,119,314
Interest and investment earnings				14,902
Other				133,830
Total general revenues				9,915,262
Change in net assets				467,485
Net assets - beginning				3,266,616
Net assets - ending				\$ 3,734,101

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2011**

	<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	\$ 14,730	\$ 95,091	\$ 1,879,323	\$ 3,615	\$ 1,992,759
Taxes receivable	9,072	9,355	-	-	18,427
Accounts receivable	115,727	-	-	-	115,727
Due from other funds	930,853	-	-	464	931,317
Due from other governmental units	1,404,541	-	-	-	1,404,541
Inventory	-	-	-	6,132	6,132
Investments	13,297	-	-	-	13,297
Prepaid items	38,665	-	-	-	38,665
	<u>38,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,665</u>
 Total assets	 <u>\$ 2,526,885</u>	 <u>\$ 104,446</u>	 <u>\$ 1,879,323</u>	 <u>\$ 10,211</u>	 <u>\$ 4,520,865</u>

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2011**

	<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	\$ 362,877	\$ -	\$ -	\$ -	\$ 362,877
Due to other funds	464	-	930,853	-	931,317
Due to other governmental units	179,558	-	-	-	179,558
Payroll deductions and withholdings	102,301	-	-	-	102,301
Accrued salaries payable	453,459	-	-	-	453,459
Deferred revenue	<u>542</u>	<u>9,355</u>	<u>-</u>	<u>4,078</u>	<u>13,975</u>
 Total liabilities	 <u>1,099,201</u>	 <u>9,355</u>	 <u>930,853</u>	 <u>4,078</u>	 <u>2,043,487</u>
Fund Balance					
Non-spendable					
Inventory	-	-	-	6,132	6,132
Prepaid items	38,665	-	-	-	38,665
Restricted for:					
Debt service	-	95,091	-	-	95,091
Committed	-	-	948,470	-	948,470
Unassigned	<u>1,389,019</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1,389,020</u>
 Total fund balance	 <u>1,427,684</u>	 <u>95,091</u>	 <u>948,470</u>	 <u>6,133</u>	 <u>2,477,378</u>
 Total liabilities and fund balance	 <u>\$ 2,526,885</u>	 <u>\$ 104,446</u>	 <u>\$ 1,879,323</u>	 <u>\$ 10,211</u>	 <u>\$ 4,520,865</u>

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2011**

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<b>Total fund balances for governmental funds</b>	<b>\$ 2,477,378</b>
Total net assets for governmental activities in the statement of net assets is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Property taxes	7,147
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	14,602,043
Other long-term assets are not deferred in the governmental funds.	
Bond issuance costs	172,870
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(96,243)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(118,358)
Bonds payable	(13,470,643)
Other loans payable and liabilities	<u>(27,993)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 3,734,101</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, 2011**

	General Fund	2009 Debt Service Fund	Capital Projects Fund	Nonmajor - Food Service Fund	Total Governmental Funds
<b>Revenues</b>					
Local sources	\$ 1,001,000	\$ 1,557,348	\$ 11,559	\$ 208,518	\$ 2,778,425
State sources	7,402,037	9,795	-	17,064	7,428,896
Federal sources	605,455	-	-	114,395	719,850
Intermediate sources	757,028	-	-	-	757,028
 Total revenues	 <u>9,765,520</u>	 <u>1,567,143</u>	 <u>11,559</u>	 <u>339,977</u>	 <u>11,684,199</u>
<b>Expenditures</b>					
Current					
Education					
Instruction	5,696,489	-	-	-	5,696,489
Supporting services	3,807,678	-	-	-	3,807,678
Food services	-	-	-	338,403	338,403
Community services	43,083	-	-	-	43,083
Capital outlay	2,937	-	426,151	-	429,088
Debt service					
Principal	-	1,373,519	-	-	1,373,519
Interest and other expenditures	-	509,745	-	-	509,745
 Total expenditures	 <u>9,550,187</u>	 <u>1,883,264</u>	 <u>426,151</u>	 <u>338,403</u>	 <u>12,198,005</u>
 Excess (deficiency) of revenues over expenditures	 215,333	 (316,121)	 (414,592)	 1,574	 (513,806)
 Fund balance - beginning, as restated	 <u>1,212,351</u>	 <u>411,212</u>	 <u>1,363,062</u>	 <u>4,559</u>	 <u>2,991,184</u>
 Fund balance - ending	 <u>\$ 1,427,684</u>	 <u>\$ 95,091</u>	 <u>\$ 948,470</u>	 <u>\$ 6,133</u>	 <u>\$ 2,477,378</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, 2011**

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**Net change in fund balances - total governmental funds** \$ (513,806)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Property taxes (17,652)

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 (577,641)

Capital outlay 217,721

Sale of capital assets (net book value) (170)

Expenses are recorded when incurred in the statement of activities.

Interest 4,794

Compensated absences 47,465

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 assets, 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Repayments of long-term debt 1,389,182

Amortization bond issuance costs (82,408)

**Change in net assets of governmental activities** **\$ 467,485**

**Schoolcraft Community Schools**  
**Fiduciary Funds**  
**Statement of Assets and Liabilities**  
**June 30, 2011**

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	<u>Agency Funds</u>
<b>Assets</b>	
Cash	\$ <u>107,341</u>
<b>Liabilities</b>	
Due to agency fund activities	\$ <u>107,341</u>

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2011**

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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 nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets 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 assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

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.). The School District does not allocate indirect costs. 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 assets 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

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2011**

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to compensated absences and claims and judgments, are recorded only when payment is due.

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, 2011, 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

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2011**

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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 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 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

*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 assets. Bond premiums and discounts, as well as issuance costs, 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, as well as bond issuance costs, during the current period.

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2011**

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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. Issuance costs are reported as debt service expenditures.

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

Non-spendable - assets 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 constrained on use imposed by the District's highest level of decision-making, its board of education. 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 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 District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

**Eliminations and Reclassifications**

In the process of aggregating data for the statement of net assets 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 Standard**

The Government Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which the District adopted effective July 1, 2010. The new standard changes fund balance classifications to depict the relative strength of the spending constraints and clarifies the definitions of various governmental fund types. The standard includes a new definition of special revenue funds, and athletic funds no longer meet that definition. As a result, balances and activities previously reported under the athletic fund are combined with the general fund.

	<u>As Originally Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Beginning fund balance			
General Fund	\$ 1,211,151	\$ 1,200	\$ 1,212,351
Athletic Fund	1,200	(1,200)	-

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2011**

**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.

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.

**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	\$ 1,992,759	\$ 107,341	\$ 2,100,100
Investments	13,297	-	13,297
	\$ 2,006,056	\$ 107,341	\$ 2,113,397

As of year-end, investments shown on the School District's Statement of Financial 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)	\$ 2,096,600
Investments in securities, money markets, and similar vehicles	13,297
Petty cash and cash on hand	3,500
Total	\$ 2,113,397

*Interest rate risk* – The 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.

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2011**

government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures 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 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 District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, \$1,953,697 of the District's bank balance of \$2,221,787 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	\$ 13,297	By counterparty in the District's name

**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	\$ 148,000	\$ 39,900	\$ -	\$ 187,900
Capital assets being depreciated				
Buildings and additions	22,873,217	-	-	22,873,217
Equipment and furniture	1,889,727	102,226	37,803	1,954,150
Buses and other vehicles	850,389	75,595	40,555	885,429
Total capital assets being depreciated	<u>25,613,333</u>	<u>177,821</u>	<u>78,358</u>	<u>25,712,796</u>
Less accumulated depreciation for				
Buildings and additions	8,552,017	427,838	-	8,979,855
Equipment and furniture	1,587,901	81,477	37,633	1,631,745
Buses and other vehicles	471,382	68,326	40,555	499,153
Total accumulated depreciation	<u>10,611,300</u>	<u>577,641</u>	<u>78,188</u>	<u>11,110,753</u>
Net capital assets being depreciated	<u>15,002,033</u>	<u>(399,820)</u>	<u>170</u>	<u>14,602,043</u>
Net capital assets	<u>\$ 15,150,033</u>	<u>\$ (359,920)</u>	<u>\$ 170</u>	<u>\$ 14,789,943</u>

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

<b>Governmental activities</b>	
Instruction	\$ 421,250
Support services	153,811
Food services	<u>2,580</u>
Total governmental activities	<u>\$ 577,641</u>

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 4 - 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	\$ 464
Capital Projects	General	<u>930,853</u>
		<u><u>\$ 931,317</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.

**Note 5 - Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes	\$ 7,147	\$ -
Advance participant fees	-	2,750
Lunch monies on account	-	<u>4,078</u>
Total	<u><u>\$ 7,147</u></u>	<u><u>\$ 6,828</u></u>

**Note 6 - 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	\$ 15,245,000	\$ -	\$ 1,365,000	\$ 13,880,000	\$ 1,425,000
Durant resolution package bonds	66,466	-	8,519	57,947	8,924
Capital lease	43,656	-	15,663	27,993	17,251
Compensated absences	165,823	118,358	165,823	118,358	-
Deferred amount on refunding	<u>(523,477)</u>	-	<u>(56,173)</u>	<u>(467,304)</u>	-
Total	<u><u>\$ 14,997,468</u></u>	<u><u>\$ 118,358</u></u>	<u><u>\$ 1,498,832</u></u>	<u><u>\$ 13,616,994</u></u>	<u><u>\$ 1,451,175</u></u>

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

Interest expenditures for the fiscal year in the General and Debt Service Funds were \$3,585 and \$509,444, respectively.

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2011**

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%	\$ 11,020,000
\$4,010,000 serial bond due in annual installments of \$520,000 to \$740,000 through May 2015, interest at 1.25% to 3.75%	<u>2,860,000</u>
Total general obligation bonded debt	<u><u>\$ 13,880,000</u></u>

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,425,000	\$ 479,398	\$ 1,904,398
2013	1,495,000	445,113	1,940,113
2014	1,525,000	407,018	1,932,018
2015	1,525,000	363,783	1,888,783
2016	750,000	312,483	1,062,483
2017-2021	3,640,000	1,191,764	4,831,764
2022-2026	<u>3,520,000</u>	<u>466,256</u>	<u>3,986,256</u>
Total	<u><u>\$ 13,880,000</u></u>	<u><u>\$ 3,665,815</u></u>	<u><u>\$ 17,545,815</u></u>

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the fund had a balance of \$ 95,091 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

\$139,487 Durant Refunding serial bonds due in annual installments through 5/15/2013; interest 4.76% due annually	<u><u>\$ 57,947</u></u>
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These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 8,925	\$ 870	\$ 9,795
2013	<u>49,022</u>	<u>16,789</u>	<u>65,811</u>
Total	<u><u>\$ 57,947</u></u>	<u><u>\$ 17,659</u></u>	<u><u>\$ 75,606</u></u>

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2011**

**Capital Leases Payable**

The School District entered into agreements to lease office equipment beginning September 2007 and June 2009. The leases are classified as capital leases based on the terms of the agreements. The future minimum lease payments are as follows:

Year Ending June 30,	2007 Lease	2009 Lease	Total
2012	\$ 14,808	\$ 4,440	\$ 19,248
2013	2,468	4,440	6,908
2014	-	4,440	4,440
2015	-	370	370
Total minimum lease payments	17,276	13,690	30,966
Less amount representing interest	992	1,981	2,973
Present value of minimum lease payments	<u>\$ 16,284</u>	<u>\$ 11,709</u>	<u>\$ 27,993</u>

The assets acquired through capital lease are as follows:

Assets			
Machinery and equipment	\$ 58,650	\$ 17,346	\$ 75,996
Less accumulated depreciation	45,616	6,938	52,554
Total	<u>\$ 13,034</u>	<u>\$ 10,408</u>	<u>\$ 23,442</u>

**Compensated Absences**

Accrued compensated absences, including payroll taxes on these benefits at year end is \$118,358. 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.

**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>\$ 10,660,000</u>
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**Note 7 - 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 \$1,123. At June 30, 2011, the School District has recorded a \$1,281 unemployment compensation liability.

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 8 - Pension Plans and Post Employment Benefits**

**Plan Description**

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees' Retirement System (MPSERS), which is a cost-sharing multiple-employer public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPSERS operates within the Michigan Department of Technology, Management and Budget, Office of Retirement Services, who has the authority to establish and amend benefit provisions. The Michigan Department of Technology, Management and Budget issued a publicly available financial report that includes financial statements and required supplementary information for MPSERS. The report provides information for the plan as a whole and information helpful for understanding the scale of the information presented relative to the School. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671, calling 800-381-5111 or on the web at <http://www.michigan.gov/orsschools>.

In 2010 MPSERS created a new Pension Plus plan. All Michigan public school employees who begin work on or after July 1, 2010, are enrolled in the Pension Plus plan. The Pension Plus plan includes two components: (a) a defined benefit pension component, and (b) a defined contribution savings component.

**Funding Policy**

The District is required by the School Finance Reform Act to contribute to MPSERS an actuarially determined percentage of payroll for all participating employees. The District's actual contributions match the required contributions. Additionally, employees participating in the Member Investment Plan contributed 3% to 6.4% of their covered wages through payroll deduction. In addition to retirement

benefits, a portion of the total MPSERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPSERS pension retirement plan funding for the three-year period beginning July 1, 2008 through June 30, 2011.

	2011	2010	2009
Funding percentage range	8.63 - 12.16%	9.73 - 10.13%	9.73 - 10.17%
Total payroll	5,519,613	5,622,582	5,833,724
Total covered payroll	5,445,278	5,555,544	5,719,941
School pension contributions	625,338	560,315	569,989
Employee MIP contributions	170,857	166,822	170,470
Tax deferred payment program	38,838	41,690	45,718

**Defined Contribution Savings Plan**

For the Pension Plus savings plan, participants are automatically enrolled and 2% of their pay is withheld and deposited into the account. Participants may elect to not contribute, or may elect to increase their personal contribution up to the annual limits established by the IRS. The District matches 50 percent of the employee contributions into the Pension Plus savings plan, up to 1 percent. Participants opting to not contribute receive no employer matching contribution. Contributions by the District and participants during the year ended June 30, 2011, were:

	School District	Participants
Contributions to the Pension Plus Savings Plan	\$ 276	\$ 553

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2011**

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**Post Employment Benefits**

In addition to the pension benefits described above, the School Finance Reform Act requires the School District to provide post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPSERS). Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health care, dental and vision coverage at the time of receiving the benefits. The School's actual contributions match the required contributions.

The following table discloses pertinent information relative to MPSERS post employment benefits funding for the three-year period beginning July 1, 2008 through June 30, 2011.

	2011	2010	2009
Funding percentage range	6.81 - 8.5%	6.81%	6.55 - 6.81%
Employer contributions	451,875	380,433	378,183
Employee contributions	142,790	-	-

**Note 9 - 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.

**Schoolcraft Community Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Local sources	\$ 967,100	\$ 990,900	\$ 1,001,000	\$ 10,100
State sources	7,323,000	7,358,300	7,402,037	43,737
Federal sources	107,500	600,700	605,455	4,755
Intermediate sources	<u>785,000</u>	<u>788,800</u>	<u>757,028</u>	<u>(31,772)</u>
Total revenues	<u>9,182,600</u>	<u>9,738,700</u>	<u>9,765,520</u>	<u>26,820</u>
<b>Expenditures</b>				
Instruction				
Basic programs	4,767,950	4,887,875	4,772,527	(115,348)
Added needs	934,065	974,475	923,962	(50,513)
Supporting services				
Pupil	336,400	283,900	270,236	(13,664)
Instructional staff	351,300	398,200	365,839	(32,361)
General administration	216,205	286,705	279,638	(7,067)
School administration	580,000	712,100	693,752	(18,348)
Business	259,200	262,000	220,951	(41,049)
Operations and maintenance	1,039,200	1,052,000	1,004,080	(47,920)
Pupil transportation services	538,100	547,400	519,142	(28,258)
Central	205,900	208,500	204,083	(4,417)
Athletic activities	219,100	253,200	249,957	(3,243)
Community services	33,850	47,000	43,083	(3,917)
Capital outlay	<u>3,000</u>	<u>3,000</u>	<u>2,937</u>	<u>(63)</u>
Total expenditures	<u>9,484,270</u>	<u>9,916,355</u>	<u>9,550,187</u>	<u>(366,168)</u>
Excess of revenues over expenditures	<u>\$ (301,670)</u>	<u>\$ (177,655)</u>	<u>\$ 215,333</u>	<u>\$ 392,988</u>

**Schoolcraft Community Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2011**

	<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	\$ (402,250)	\$ (17,250)	\$ -	\$ 17,250
Total other financing sources (uses)	<u>(402,250)</u>	<u>(17,250)</u>	<u>-</u>	<u>17,250</u>
Net change in fund balance	(703,920)	(194,905)	215,333	410,238
Fund balance - beginning, as restated	<u>1,212,351</u>	<u>1,212,351</u>	<u>1,212,351</u>	<u>-</u>
Fund balance - ending	<u>\$ 508,431</u>	<u>\$ 1,017,446</u>	<u>\$ 1,427,684</u>	<u>\$ 410,238</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Comparative Balance Sheet**  
**June 30, 2011**

	2011	2010
<b>Assets</b>		
Cash	\$ 14,730	\$ 24,843
Taxes receivable	9,072	6,558
Accounts receivable	115,727	130,789
Due from other funds	930,853	674,624
Due from other governmental units	1,404,541	1,426,140
Inventory	-	1,000
Investments	13,297	10,070
Prepaid items	38,665	15,238
Total assets	\$ 2,526,885	\$ 2,289,262
 <b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 362,877	\$ 335,754
Due to other funds	464	-
Due to other governmental units	179,558	179,558
Payroll deductions and withholdings	102,301	109,973
Accrued salaries payable	453,459	440,991
Deferred revenue	542	10,635
Total liabilities	1,099,201	1,076,911
 <b>Fund Balance</b>		
Non-spendable		
Inventory	-	1,000
Prepaid items	38,665	15,238
Unassigned	1,389,019	1,196,113
Total fund balance	1,427,684	1,212,351
Total liabilities and fund balance	\$ 2,526,885	\$ 2,289,262

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Revenues Compared to Budget**  
**For the Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenues from local sources</b>				
Property tax levy	\$ 720,000	\$ 721,000	\$ 729,897	\$ 8,897
Earnings on investments	4,000	1,000	-	(1,000)
Student activities	71,000	71,000	71,470	470
Community service activities	43,100	66,900	65,803	(1,097)
Other local revenues	129,000	131,000	133,830	2,830
Total revenues from local sources	<u>967,100</u>	<u>990,900</u>	<u>1,001,000</u>	<u>10,100</u>
<b>Revenues from state sources</b>				
Grants - unrestricted	6,967,000	7,018,000	7,109,519	91,519
Grants - restricted	356,000	336,700	288,860	(47,840)
State payments in lieu of taxes	-	3,600	3,658	58
Total revenues from state sources	<u>7,323,000</u>	<u>7,358,300</u>	<u>7,402,037</u>	<u>43,737</u>
<b>Revenues from federal sources</b>				
Grants	107,500	600,700	605,455	4,755
Total revenues from federal sources	<u>107,500</u>	<u>600,700</u>	<u>605,455</u>	<u>4,755</u>
<b>Intermediate sources</b>				
ISD collected millage	785,000	785,000	753,197	(31,803)
Cooperative education	-	3,800	3,831	31
Total intermediate sources	<u>785,000</u>	<u>788,800</u>	<u>757,028</u>	<u>(31,772)</u>
Total revenue and other financing sources	<u>\$ 9,182,600</u>	<u>\$ 9,738,700</u>	<u>\$ 9,765,520</u>	<u>\$ 26,820</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Basic program - elementary</b>				
Salaries	\$ 1,435,700	\$ 1,406,200	\$ 1,397,912	\$ (8,288)
Employee benefits	715,900	755,650	746,280	(9,370)
Purchased services	29,500	31,500	26,100	(5,400)
Supplies and materials	60,300	76,825	36,472	(40,353)
Total elementary	<u>2,241,400</u>	<u>2,270,175</u>	<u>2,206,764</u>	<u>(63,411)</u>
<b>Basic program - middle school</b>				
Salaries	652,000	759,000	757,816	(1,184)
Employee benefits	332,050	405,100	392,523	(12,577)
Purchased services	14,300	12,100	11,201	(899)
Supplies and materials	29,800	26,300	18,012	(8,288)
Total middle school	<u>1,028,150</u>	<u>1,202,500</u>	<u>1,179,552</u>	<u>(22,948)</u>
<b>Basic program - high school</b>				
Salaries	897,500	838,900	833,732	(5,168)
Employee benefits	488,700	471,600	457,047	(14,553)
Purchased services	18,600	17,900	19,267	1,367
Supplies and materials	91,800	82,700	72,654	(10,046)
Other	1,800	1,800	1,200	(600)
Total high school	<u>1,498,400</u>	<u>1,412,900</u>	<u>1,383,900</u>	<u>(29,000)</u>
<b>Basic program - pre-school</b>				
Other	-	2,300	2,311	11
Total pre-school	<u>-</u>	<u>2,300</u>	<u>2,311</u>	<u>11</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Added needs - special education</b>				
Salaries	\$ 414,200	\$ 413,700	\$ 405,341	\$ (8,359)
Employee benefits	188,900	199,100	189,520	(9,580)
Purchased services	5,900	5,900	4,221	(1,679)
Supplies and materials	4,100	27,300	25,279	(2,021)
Other	500	500	-	(500)
Total special education	<u>613,600</u>	<u>646,500</u>	<u>624,361</u>	<u>(22,139)</u>
<b>Added needs - compensatory education</b>				
Salaries	58,000	58,800	46,014	(12,786)
Employee benefits	15,800	16,700	12,892	(3,808)
Supplies and materials	1,000	1,000	125	(875)
Total compensatory education	<u>74,800</u>	<u>76,500</u>	<u>59,031</u>	<u>(17,469)</u>
<b>Added needs - career and technical education</b>				
Salaries	124,200	126,400	125,674	(726)
Employee benefits	64,000	68,300	67,645	(655)
Purchased services	500	500	895	395
Supplies and materials	8,965	8,275	6,342	(1,933)
Other	48,000	48,000	40,014	(7,986)
Total career and technical education	<u>245,665</u>	<u>251,475</u>	<u>240,570</u>	<u>(10,905)</u>
<b>Pupil - guidance services</b>				
Salaries	24,500	-	-	-
Employee benefits	33,200	-	-	-
Purchased services	66,400	64,600	53,213	(11,387)
Supplies and materials	3,000	3,000	2,383	(617)
Other	2,500	2,500	1,996	(504)
Total guidance services	<u>129,600</u>	<u>70,100</u>	<u>57,592</u>	<u>(12,508)</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Pupil - health services</b>				
Purchased services	\$ 6,500	\$ 7,300	\$ 7,127	\$ (173)
Supplies and materials	500	500	326	(174)
Total health services	<u>7,000</u>	<u>7,800</u>	<u>7,453</u>	<u>(347)</u>
<b>Pupil - psychological services</b>				
Salaries	65,000	66,000	65,962	(38)
Employee benefits	32,900	35,000	35,025	25
Supplies and materials	700	700	76	(624)
Other	550	550	222	(328)
Total psychological services	<u>99,150</u>	<u>102,250</u>	<u>101,285</u>	<u>(965)</u>
<b>Pupil - speech services</b>				
Salaries	65,200	66,200	66,187	(13)
Employee benefits	32,900	35,000	35,637	637
Supplies and materials	500	500	347	(153)
Other	550	550	225	(325)
Total speech services	<u>99,150</u>	<u>102,250</u>	<u>102,396</u>	<u>146</u>
<b>Pupil - other support services</b>				
Other	1,500	1,500	1,510	10
Total other pupil support services	<u>1,500</u>	<u>1,500</u>	<u>1,510</u>	<u>10</u>
<b>Instructional staff - improvement of education</b>				
Employee benefits	3,300	-	-	-
Purchased services	15,500	52,800	48,933	(3,867)
Total improvement of education	<u>18,800</u>	<u>52,800</u>	<u>48,933</u>	<u>(3,867)</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Instructional staff - educational media services</b>				
Salaries	\$ 69,000	\$ 70,200	\$ 66,461	\$ (3,739)
Employee benefits	27,200	29,000	26,891	(2,109)
Supplies and materials	17,700	17,700	16,789	(911)
Other	<u>2,000</u>	<u>2,000</u>	<u>1,842</u>	<u>(158)</u>
Total educational media services	<u>115,900</u>	<u>118,900</u>	<u>111,983</u>	<u>(6,917)</u>
<b>Instructional staff - supervision and direction of instructional staff</b>				
Purchased services	<u>34,000</u>	<u>34,000</u>	<u>32,141</u>	<u>(1,859)</u>
Total supervision and direction of instructional staff	<u>34,000</u>	<u>34,000</u>	<u>32,141</u>	<u>(1,859)</u>
<b>Instructional staff - other services</b>				
Salaries	112,400	113,400	102,674	(10,726)
Employee benefits	40,800	48,500	43,042	(5,458)
Purchased services	25,000	25,000	21,638	(3,362)
Supplies and materials	-	2,000	1,928	(72)
Other	<u>4,400</u>	<u>3,600</u>	<u>3,500</u>	<u>(100)</u>
Total other instructional staff services	<u>182,600</u>	<u>192,500</u>	<u>172,782</u>	<u>(19,718)</u>
<b>General administration - board of education</b>				
Salaries	805	805	805	-
Purchased services	35,800	35,800	25,031	(10,769)
Other	<u>2,800</u>	<u>10,800</u>	<u>13,505</u>	<u>2,705</u>
Total board of education	<u>39,405</u>	<u>47,405</u>	<u>39,341</u>	<u>(8,064)</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>General administration - executive administration</b>				
Salaries	\$ 140,800	\$ 191,500	\$ 192,165	\$ 665
Employee benefits	30,500	39,000	38,700	(300)
Purchased services	1,500	2,600	2,576	(24)
Supplies and materials	2,400	4,600	5,496	896
Other	1,600	1,600	1,360	(240)
Total executive administration	<u>176,800</u>	<u>239,300</u>	<u>240,297</u>	<u>997</u>
<b>School administration - office of the principal</b>				
Salaries	401,900	477,400	467,701	(9,699)
Employee benefits	174,100	230,700	222,927	(7,773)
Other	1,000	1,000	674	(326)
Total office of the principal	<u>577,000</u>	<u>709,100</u>	<u>691,302</u>	<u>(17,798)</u>
<b>School administration - other</b>				
Supplies and materials	3,000	3,000	2,450	(550)
Total other school administration	<u>3,000</u>	<u>3,000</u>	<u>2,450</u>	<u>(550)</u>
<b>Business - fiscal services</b>				
Salaries	101,100	113,000	111,909	(1,091)
Employee benefits	65,600	73,900	49,783	(24,117)
Purchased services	59,700	42,700	39,731	(2,969)
Supplies and materials	1,800	1,800	1,268	(532)
Other	400	400	438	38
Total fiscal services	<u>228,600</u>	<u>231,800</u>	<u>203,129</u>	<u>(28,671)</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Business - other</b>				
Purchased services	\$ 5,600	\$ 5,200	\$ 5,134	\$ (66)
Other	<u>25,000</u>	<u>25,000</u>	<u>12,688</u>	<u>(12,312)</u>
Total other business	<u>30,600</u>	<u>30,200</u>	<u>17,822</u>	<u>(12,378)</u>
<b>Operations and maintenance - operating building services</b>				
Salaries	397,100	394,200	383,937	(10,263)
Employee benefits	187,100	195,300	183,688	(11,612)
Purchased services	331,500	339,000	321,669	(17,331)
Supplies and materials	<u>123,500</u>	<u>123,500</u>	<u>114,786</u>	<u>(8,714)</u>
Total operating building services	<u>1,039,200</u>	<u>1,052,000</u>	<u>1,004,080</u>	<u>(47,920)</u>
<b>Pupil transportation services</b>				
Salaries	287,200	281,500	273,120	(8,380)
Employee benefits	121,000	121,000	106,008	(14,992)
Purchased services	82,800	97,800	96,705	(1,095)
Supplies and materials	<u>47,100</u>	<u>47,100</u>	<u>43,309</u>	<u>(3,791)</u>
Total transportation services	<u>538,100</u>	<u>547,400</u>	<u>519,142</u>	<u>(28,258)</u>
<b>Central - staff/personnel and communication services</b>				
Purchased services	1,000	1,000	1,400	400
Supplies and materials	<u>3,200</u>	<u>3,200</u>	<u>3,493</u>	<u>293</u>
Total staff/personnel and communication services	<u>4,200</u>	<u>4,200</u>	<u>4,893</u>	<u>693</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Central - support services technology</b>				
Salaries	\$ 52,100	\$ 52,800	\$ 52,798	\$ (2)
Employee benefits	29,800	31,700	31,101	(599)
Purchased services	112,800	112,800	108,813	(3,987)
Supplies and materials	7,000	7,000	6,478	(522)
Total support services technology	<u>201,700</u>	<u>204,300</u>	<u>199,190</u>	<u>(5,110)</u>
<b>Athletic activities</b>				
Salaries	137,000	114,600	116,588	1,988
Employee benefits	37,100	16,500	16,968	468
Purchased services	20,000	96,000	95,383	(617)
Supplies and materials	16,000	17,100	12,542	(4,558)
Other	9,000	9,000	8,476	(524)
Total athletic activities	<u>219,100</u>	<u>253,200</u>	<u>249,957</u>	<u>(3,243)</u>
<b>Community services - custody and care of children</b>				
Salaries	33,000	21,000	19,725	(1,275)
Employee benefits	-	8,000	5,915	(2,085)
Purchased services	-	16,000	15,430	(570)
Supplies and materials	850	2,000	2,013	13
Total custody and care of children	<u>33,850</u>	<u>47,000</u>	<u>43,083</u>	<u>(3,917)</u>
<b>Capital outlay</b>				
Central - support services technology	<u>3,000</u>	<u>3,000</u>	<u>2,937</u>	<u>(63)</u>
<b>Other financing uses</b>				
Transfers out	<u>402,250</u>	<u>17,250</u>	<u>-</u>	<u>(17,250)</u>
Total expenditures and financing uses	<u>\$ 9,886,520</u>	<u>\$ 9,933,605</u>	<u>\$ 9,550,187</u>	<u>\$ (383,418)</u>

**Schoolcraft Community Schools**  
**Fiduciary Fund**  
**Statement of Changes in Assets and Liabilities**  
**June 30, 2011**

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>Assets</b>				
Cash	\$ 108,672	\$ 247,305	\$ 248,636	\$ 107,341
<b>Liabilities</b>				
Due to student groups	\$ 108,672	\$ 247,305	\$ 248,636	\$ 107,341

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools  
Other Supplemental Information  
Schedule of Outstanding Bonded Indebtedness  
June 30, 2011**

Year Ending June 30,	2009 Refunding Bonds	2009 Series B Refunding Bonds	Total
2012	\$ 755,000	\$ 670,000	\$ 1,425,000
2013	775,000	720,000	1,495,000
2014	795,000	730,000	1,525,000
2015	785,000	740,000	1,525,000
2016	750,000	-	750,000
2017	735,000	-	735,000
2018	735,000	-	735,000
2019	735,000	-	735,000
2020	725,000	-	725,000
2021	710,000	-	710,000
2022	710,000	-	710,000
2023	705,000	-	705,000
2024	705,000	-	705,000
2025	695,000	-	695,000
2026	705,000	-	705,000
Total	<u>\$ 11,020,000</u>	<u>\$ 2,860,000</u>	<u>\$ 13,880,000</u>
Principal payments due first day of	May	May	
Interest payments due first day of	May and November	May and November	
Interest rate	2.50% - 4.75%	1.25% - 3.75%	
Original issue	<u>\$ 12,420,000</u>	<u>\$ 4,010,000</u>	

**Schoolcraft Community Schools  
Schoolcraft, Michigan**

**Single Audit Report**

**June 30, 2011**

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**Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Members of the Board of Education  
Schoolcraft Community Schools

We have audited 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, 2011, which collectively comprise Schoolcraft Community Schools' basic financial statements and have issued our report thereon dated October 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Schoolcraft Community Schools' internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Schoolcraft Community Schools' internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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

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

*Yeo & Yeo, P.C.*

Kalamazoo, Michigan  
October 11, 2011

**Independent Auditors' Report on Compliance with Requirements That Could Have  
a Direct and Material Effect on Each Major Program and on  
Internal Control over Compliance in Accordance with OMB Circular A-133**

To the Board of Education  
Schoolcraft Community Schools

**Compliance**

We have audited Schoolcraft Community Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Schoolcraft Community Schools' major federal programs for the year ended June 30, 2011. Schoolcraft Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Schoolcraft Community Schools' management. Our responsibility is to express an opinion on Schoolcraft Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Schoolcraft Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Schoolcraft Community Schools' compliance with those requirements.

In our opinion, Schoolcraft Community Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### **Internal Control over Compliance**

Management of Schoolcraft Community Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Schoolcraft Community Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Schoolcraft Community Schools' internal control over compliance.

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

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

### **Schedule of Expenditures of Federal Awards**

We have audited 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, 2011, and have issued our report thereon dated October 11, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

*Yeo & Yeo, P.C.*

Kalamazoo, Michigan  
October 11, 2011

**Schoolcraft Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2011**

	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2010	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2011
U.S. Department of Agriculture								
Nutrition Cluster								
Passed through Michigan Department of Education								
Non-cash assistance (commodities)								
Entitlement	10.555	\$ 22,043	\$ -	\$ -	\$ 22,043	\$ 22,043	\$ -	\$ -
Bonus	10.555	1,010	-	-	1,010	1,010	-	-
			-		23,053	23,053	-	-
Cash assistance								
School Breakfast Program								
101970 School Breakfast Program	10.553	297	-	-	297	297	-	-
111970 School Breakfast Program		3,474	-	-	3,474	3,474	-	-
National School Lunch Program								
091950 Sec. 4 - Total Servings	10.555	22,891	1,256	20,423	2,468	3,724	-	-
091960 Sec. 11 - Free and Reduced		58,332	3,301	51,843	6,489	9,790	-	-
101950 Sec. 4 - Total Servings		21,672	-	-	21,672	21,672	-	-
101960 Sec. 11 - Free and Reduced		56,942	-	-	56,942	56,942	-	-
			4,557		91,342	95,899	-	-
Total Nutrition Cluster			4,557		114,395	118,952	-	-
Total U.S. Department of Agriculture - Nutrition Cluster			4,557		114,395	118,952	-	-
U.S. Department of Education								
Passed through Michigan Department of Education								
1115301011 Title I, Part A	84.010	35,330	-	-	35,330	35,330	-	-
Special Education Cluster								
Passed through Kalamazoo Regional Educational Services Assoc.								
1104501011 IDEA Flowthrough	84.027	45,160	-	-	45,160	45,160	-	-
1104551011 ARRA IDEA Flowthrough	84.391A	97,231	-	-	97,231	-	-	97,231
Total Special Education Cluster			-		142,391	45,160	-	97,231

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Schoolcraft Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2011**

	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2010	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue June 30, 2011
Passed through Calhoun ISD 1128601011 Safe and Drug Free Schools	84.186	\$ 1,384	\$ -	\$ -	\$ 1,384	\$ 1,384	\$ -	\$ -
Passed through Michigan Department of Education 1105201011 Improving Teacher Quality	84.367	33,763	-	-	33,763	33,763	-	-
Passed through Michigan Department of Education 1125251011 ARRA State Fiscal Stabilization Fund	84.394	134,183	-	-	134,183	134,183	-	-
Passed through Michigan Department of Education 1125451011 Education Jobs Fund	84.410A	256,364	-	-	256,364	256,364	-	-
			-	-	390,547	390,547	-	-
Total Department of Education			-	-	603,415	506,184	-	97,231
Department of Health and Human Services Passed through Kalamazoo Regional Educational Services Assoc. Medicaid Outreach	93.778	2,040	-	-	2,040	2,040	-	-
Total Federal Programs			\$ 4,557		\$ 719,850	\$ 627,176	\$ -	\$ 97,231

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Schoolcraft Community Schools**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2011**

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1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2011.
3. The federal amounts reported on the Grant Auditor Report are in agreement with the Schedule of Expenditures of Federal Awards with the exception of Note 5 listed below.
4. The amounts reported on the Recipient Entitlement Balance Reports agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.
5. There was a difference between the Grant Auditor Report and the Schedule of Expenditures of Federal Awards due to the timing of payment issue date and the subsequent date of the electronic transfer.

National School Lunch amount on Schedule of Expenditures of Federal Awards as receipts	\$ 92,128
National School Lunch amount reported on Grant Auditor Report	<u>87,571</u>
June 30, 2010 receivable amount deposited during June 30, 2011	<u>\$ 4,557</u>

**Schoolcraft Community Schools**  
**Summary of Findings and Questioned Costs**  
**For the Year Ended June 30, 2011**

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

*Financial Statements*

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ Yes      X   No

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.410A	Education Jobs Fund

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

Auditee qualified as a low-risk auditee?   X   Yes    \_\_\_ No

**Schoolcraft Community Schools**  
**Summary of Findings and Questioned Costs**  
**For the Year Ended June 30, 2011**

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**SECTION II – GOVERNMENT AUDITING STANDARDS FINDINGS**

There were no findings related to the financial statements which are required to be reported in accordance with government auditing standards for the year ended June 30, 2011.

**SECTION III – FEDERAL AWARD FINDINGS**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2011.

**Schoolcraft Community Schools**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2011**

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**SECTION II – GOVERNMENT AUDITING STANDARDS FINDINGS**

There were no findings related to the financial statements which are required to be reported in accordance with government auditing standards for the year ended June 30, 2010.

**SECTION III – FEDERAL AWARD FINDINGS**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2010.



October 11, 2011

Management and the Board of Education  
Schoolcraft Community Schools  
Schoolcraft, Michigan

We have completed our audit of the financial statements of Schoolcraft Community Schools as of and for the year ended June 30, 2011 and have issued our report dated October 11, 2011. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I. Auditors' Communication of Significant Matters with Those Charged with Governance

We discussed these matters with various personnel in the organization during the audit and we would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Education, and others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

*Yeo & Yeo, P.C.*  
Kalamazoo, Michigan

## **Appendix I**

### **Auditors' Communication of Significant Matters with Those Charged with Governance**

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated July 18, 2011. Professional standards also require that we communicate to you the following information related to our audit.

#### **Significant Audit Findings**

##### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies are described in Note 1 of the financial statements. The District has adopted Government Accounting Standards Board Statement No. 54 effective July 1, 2010. The new standard changes fund balance classifications to depict the relative strength of the spending constraints and clarifies the definitions of various governmental fund types. The standard includes a new definition of special revenue funds, and athletic funds no longer meet that definition. As a result, balances and activities previously reported under the athletic fund are combined with the general fund. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. There were no significant estimates in the financial statements.

Disclosures in the financial statements are neutral, consistent and clear.

##### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### **Corrected and Uncorrected Misstatements**

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

##### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We had no disagreements with management during the audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

**Management’s Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Reports**

Other information that is required to be reported to you is included in the Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Independent Auditors’ Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, and the Schedule of Findings and Questioned Costs. Please read all information included in that those reports to ensure you are aware of relevant information.