

**Schoolcraft Community Schools**

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

**June 30, 2014**

## Table of Contents

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

<b>6</b>	<b>Other Supplementary Information</b>	
	General Fund	
	Comparative Balance Sheet	6 – 1
	Schedule of Revenues Compared to Budget	6 – 2
	Schedule of Expenditures Compared to Budget	6 – 3
	Fiduciary Funds	
	Statement of Changes in Assets and Liabilities	6 – 10
	Schedule of Outstanding Bonded Indebtedness	6 – 11
<b>7</b>	<b>Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	7 – 1

**Schoolcraft Community Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2014**

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**Members of the Board of Education**

Skip Fox – President

Matt DeVoe – Vice President

Kathy Mastenbrook – Treasurer

Darby Fetzer – Secretary

Michael Rochholz – Trustee

David Krum – Trustee

Jeannette Marshall – Trustee

**Administration**

Dr. Rusty Stitt – Superintendent



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## Independent Auditors' Report

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

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

## **Opinions**

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

## **Other Matters:**

### **Required Supplementary Information**

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

### **Other Information**

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

The other supplementary information, as identified in the table of contents, is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

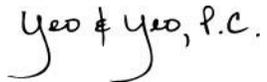
The list of the Members of the Board of Education and Administration has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Prior Year Information**

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Schoolcraft Community Schools' financial statements as of and for the year ended June 30, 2013, which are not presented with the accompanying financial statements. In our report dated October 11, 2013, we expressed unmodified 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 2013 information in the comparative supplementary schedules 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 2013 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 2013 information in the comparative supplementary schedules is fairly stated in all material respects in relation to the financial statements from which they have been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014 on our consideration of Schoolcraft Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Schoolcraft Community Schools' internal control over financial reporting and compliance.



Kalamazoo, MI  
October 10, 2014

**Schoolcraft Community Schools  
Management's Discussion and Analysis  
June 30, 2014**

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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, 2014. 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 the Schoolcraft Community School District financially as a whole. The *Government-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 government-wide financial statements by providing information about the School District's most significant fund – the General Fund. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The annual report is arranged as follows:

***Management's Discussion and Analysis (MD&A)***  
***(Required Supplemental Information)***

***Basic Financial Statements***

***District-wide Financial Statements***

***Fund Financial Statements***

***Notes to the Basic Financial Statements***

***(Required Supplemental Information)***  
***Budgetary Information for General Fund***

***Other Supplemental Information***

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

The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information about the School District as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The statement of net position includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

These two statements report the School District's net position and how they have changed. Net position – the difference between assets & deferred outflows and liabilities & deferred inflows, as reported in the statement of net position – is one way to measure the School District's financial health,

**Schoolcraft Community Schools  
Management's Discussion and Analysis  
June 30, 2014**

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or position. Over time, increases or decreases in the School District's net position – as reported in the statement of activities – 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 our 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 position and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

**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 position and the statement of activities) and governmental funds are described in the 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 position. 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  
June 30, 2014**

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2014:

	Year Ended June 30, 2014	Year Ended June 30, 2013		Year Ended June 30, 2014	Year Ended June 30, 2013
<b>Assets</b>					
Current assets	\$ 3,976,369	\$ 3,833,765	Current liabilities	\$ 1,316,568	\$ 1,411,485
Capital assets	26,508,909	26,121,347	Long-term liabilities	10,540,906	11,706,091
Less: accumulated depreciation	<u>(12,924,662)</u>	<u>(12,285,851)</u>	Total liabilities	<u>11,857,474</u>	<u>13,117,576</u>
Capital assets, net book value	<u>13,584,247</u>	<u>13,835,496</u>	<b>Net Position</b>		
Total assets	<u>17,560,616</u>	<u>17,669,261</u>	Net investment in capital assets	3,489,822	2,601,957
<b>Deferred Outflow of Resources</b>			Restricted		
Deferred amount on debt refunding	<u>314,070</u>	<u>362,532</u>	Food service	49,790	35,984
			Debt service	87,324	65,277
			Unrestricted	<u>2,390,276</u>	<u>2,210,999</u>
			Total net position	<u>6,017,212</u>	<u>4,914,217</u>
Total assets and deferred outflows of resources	<u>\$ 17,874,686</u>	<u>18,031,793</u>	Total liabilities and net position	<u>\$ 17,874,686</u>	<u>\$ 18,031,793</u>

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was \$6,017,212 and \$4,914,217 at June 30, 2014 and June 30, 2013, respectively. Capital assets (net of related debt totaling \$3,489,822 and \$2,601,957 at June 30, 2014 and June 30, 2013, 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 position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use the net position for day-to-day operations. The remaining amount of net position \$2,390,276 was unrestricted.

The \$2,390,276 and \$2,210,999 at June 30, 2014 and June 30, 2013, respectively, in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position 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 position from year to year. See below for further discussion on the change in unrestricted net position.

**Schoolcraft Community Schools  
Management's Discussion and Analysis  
June 30, 2014**

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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 position for fiscal years 2014 and 2013 respectively.

**Table 2 - Statement of Activities**

	Year Ended June 30, 2014	Year Ended June 30, 2013		Year Ended June 30, 2014	Year Ended June 30, 2013
<b>Program revenue:</b>			<b>Expenses:</b>		
Charges for services	\$ 342,145	\$ 336,564	Instruction	\$ 6,114,832	\$ 6,115,025
Operating grants	<u>1,705,507</u>	<u>1,689,774</u>	Supporting Services	3,549,522	3,590,269
Total program revenue	2,047,652	2,026,338	Food services	375,763	362,109
 			Community services	37,644	27,677
<b>General revenue:</b>			Interest on long-term debt	<u>475,405</u>	<u>504,262</u>
Property taxes, levied for general purposes	798,592	745,456			
Property taxes, levied for debt service	1,639,024	1,608,178			
State aid, unrestricted	7,015,732	6,930,242			
Interest and investment earnings	3,611	5,848			
Other	<u>151,550</u>	<u>151,365</u>			
Total general revenue	<u>9,608,509</u>	<u>9,441,089</u>	Total expenses	<u>10,553,166</u>	<u>10,599,342</u>
Total revenue	<u>\$ 11,656,161</u>	<u>11,467,427</u>	Increase in net position	<u>\$ 1,102,995</u>	<u>\$ 868,085</u>

As reported in the statement of activities, the cost of all governmental activities for 2013-14 was \$10,553,166. Some activities were partially funded by those who benefited from the programs (\$342,145) or by subsidies from other governments and organizations (\$1,705,507). The remaining "public benefit" portion of governmental activities was paid for with \$2,437,616 in taxes, \$7,015,732 in state foundation allowance, and with other revenues (i.e. interest and general entitlements).

The School District experienced an increase in net position of \$1,102,995.

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.

**Schoolcraft Community Schools  
Management's Discussion and Analysis  
June 30, 2014**

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**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 2013-14 fiscal year, the governmental funds reported a combined fund balance of \$2,720,431, which is a increase of \$230,315 from the previous year.

The Capital Projects Fund decreased \$23,251 to \$870,302. This is the fund that the School District uses to manage the district wide capital asset replacement and maintenance plans. The School District's asset replacement and maintenance plan is a long-term plan and the planned spending is primarily funded through the transfer of the enhancement and rent revenues from the General Fund.

Special Revenue Funds increased \$13,806 from the prior year to a total fund balance of \$49,790.

**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.

There were revisions made to the 2013-14 General Fund original budget. Budgeted revenues were increased to reflect the receipt of additional state funding once the funding model was known. 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, 2014, the School District had \$13.58 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 major addition to capital assets was the purchase of new Ipads (\$254,600). Additional funds were spent for a new pole vault pit (\$10,000), a new secure entrance system (\$40,371) and a new bus with lift (\$82,557).

Three major expenditures in the capital project fund are budgeted for the 2014-15 fiscal year, technology upgrades (\$200,000), a bus (\$85,000), and a new maintenance truck (\$30,000). Total expenditures budgeted of \$450,000 are expected to be funded primarily through the regional enhancement millage and rent revenue transfer from the General Fund.

**Schoolcraft Community Schools  
Management's Discussion and Analysis  
June 30, 2014**

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**Debt**

At the end of this year, the School District had \$9.44 million in bonds outstanding versus \$10.96 million in the previous year - a decrease of 13.91 percent. See below for details related to the refunding of the School District debt. Those bonds consisted of the following:

	<u>2014</u>	<u>2013</u>
General Obligation Bonds	\$ <u>9,435,000</u>	\$ <u>10,960,000</u>

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 \$9.44 million is significantly below the statutorily imposed limit.

**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 2014-15 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 2014-15 budget was adopted in June 2014, based on an estimate of students that will be enrolled in October 2014. 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 2014-15 school year, it is anticipated that the fall student count will support the estimates used in creating the 2014-15 budget. The related per pupil funding that was adopted by the State is complicated and again includes onetime money if certain conditions are met. The District is diligently working toward putting in place the pieces required to receive the one time money. There remains 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 defeat of the August 2014 bond proposal leaves the District with capital needs that must be re-prioritized and met with limited funds. The School District's administration continues to work under a zero base budgeting approach, purchasing needs only, as they wait to see how the pending bills work through the legislative process, and the direction of the community on how to meet capital needs.

**Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. Any questions related to the School District can be directed verbally to either the Superintendent or Finance Director at 269-488-7390 or in writing to the same at 551 East Lyons St. MI Schoolcraft, MI 49087.

**Schoolcraft Community Schools**  
**Statement of Net Position**  
**June 30, 2014**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 2,285,702
Accounts receivable	1,556
Due from other governmental units	1,469,952
Inventory	4,860
Investments	200,291
Prepaid items	14,008
Capital assets not being depreciated	187,900
Capital assets - net of accumulated depreciation	<u>13,396,347</u>
Total assets	<u>17,560,616</u>
 <b>Deferred Outflow of Resources</b>	
Deferred amount on debt refunding	<u>314,070</u>
Total assets and deferred outflow of resources	<u>17,874,686</u>

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Statement of Net Position**  
**June 30, 2014**

	Governmental Activities
<b>Liabilities</b>	
Accounts payable	\$ 463,676
Due to other governmental units	179,558
Payroll deductions and withholdings	40,753
Accrued expenditures	60,630
Accrued salaries payable	555,455
Unearned revenue	16,496
Noncurrent liabilities	
Due within one year	1,525,367
Due in more than one year	9,015,539
Total liabilities	11,857,474
 <b>Net Position</b>	
Net investment in capital assets	3,489,822
Restricted for:	
Food service	49,790
Debt service	87,324
Unrestricted	2,390,276
 Total net position	\$ 6,017,212

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
<b>Functions/Programs</b>				
Governmental activities				
Instruction	\$ 6,114,832	\$ 50,693	\$ 1,550,050	\$ (4,514,089)
Supporting services	3,549,522	57,340	-	(3,492,182)
Food services	375,763	234,112	155,457	13,806
Community services	37,644	-	-	(37,644)
Interest on long-term debt	475,405	-	-	(475,405)
	<u>\$ 10,553,166</u>	<u>\$ 342,145</u>	<u>\$ 1,705,507</u>	<u>(8,505,514)</u>
General revenues				
Property taxes, levied for general purposes				798,592
Property taxes, levied for debt service				1,639,024
State aid - unrestricted				7,015,732
Interest and investment earnings				3,611
Other				151,550
				<u>9,608,509</u>
				Change in net position
				1,102,995
				Net position - beginning
				4,914,217
				Net position - ending
				\$ 6,017,212

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2014**

	<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	\$ 84,380	\$ 87,324	\$ 2,112,896	\$ 1,102	\$ 2,285,702
Accounts receivable	1,556	-	-	-	1,556
Due from other funds	1,242,594	-	-	48,436	1,291,030
Due from other governmental units	1,469,952	-	-	-	1,469,952
Inventory	-	-	-	4,860	4,860
Investments	200,291	-	-	-	200,291
Prepaid items	14,008	-	-	-	14,008
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total assets	<u>\$ 3,012,781</u>	<u>\$ 87,324</u>	<u>\$ 2,112,896</u>	<u>\$ 54,398</u>	<u>\$ 5,267,399</u>

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2014**

	<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	\$ 463,676	\$ -	\$ -	\$ -	\$ 463,676
Due to other funds	48,436	-	1,242,594	-	1,291,030
Due to other governmental units	179,558	-	-	-	179,558
Payroll deductions and withholdings	40,753	-	-	-	40,753
Accrued salaries payable	555,455	-	-	-	555,455
Unearned revenue	11,888	-	-	4,608	16,496
	<u>1,299,766</u>	<u>-</u>	<u>1,242,594</u>	<u>4,608</u>	<u>2,546,968</u>
Total liabilities					
Fund Balance					
Non-spendable					
Inventory	-	-	-	4,860	4,860
Prepaid items	14,008	-	-	-	14,008
Restricted for:					
Food service	-	-	-	44,930	44,930
Debt service	-	87,324	-	-	87,324
Committed	-	-	870,302	-	870,302
Assigned for next fiscal year budget appropriations	187,210	-	-	-	187,210
Unassigned	1,511,797	-	-	-	1,511,797
	<u>1,713,015</u>	<u>87,324</u>	<u>870,302</u>	<u>49,790</u>	<u>2,720,431</u>
Total fund balance					
Total liabilities and fund balance					
	<u>\$ 3,012,781</u>	<u>\$ 87,324</u>	<u>\$ 2,112,896</u>	<u>\$ 54,398</u>	<u>\$ 5,267,399</u>

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2014**

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<b>Total fund balances for governmental funds</b>	<b>\$ 2,720,431</b>
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	187,900
Capital assets - net of accumulated depreciation	13,396,347
Deferred amounts on debt refunding are not available to reduce debt in the current period and are not reported in the funds.	
	314,070
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(60,630)
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	(132,411)
Bonds payable	(9,435,000)
School bond loan payable	(928,999)
Accrued interest on school bond loan payable	(44,129)
Other loans payable and liabilities	(367)
<b>Net position of governmental activities</b>	<b>\$ 6,017,212</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, 2014**

	General Fund	2009 Debt Service Fund	Capital Projects Fund	Nonmajor - Food Service Fund	Total Governmental Funds
<b>Revenues</b>					
Local sources	\$ 1,058,175	\$ 1,639,603	\$ 3,032	\$ 234,112	\$ 2,934,922
State sources	7,808,284	-	-	18,413	7,826,697
Federal sources	135,698	-	-	137,044	272,742
Intermediate sources	621,800	-	-	-	621,800
 Total revenues	 <u>9,623,957</u>	 <u>1,639,603</u>	 <u>3,032</u>	 <u>389,569</u>	 <u>11,656,161</u>
<b>Expenditures</b>					
Current					
Education					
Instruction	5,340,496	-	-	-	5,340,496
Supporting services	3,544,735	-	-	-	3,544,735
Food services	-	-	-	375,763	375,763
Community services	37,644	-	-	-	37,644
Capital outlay	42,094	-	467,558	-	509,652
Debt service					
Principal	-	1,525,000	-	-	1,525,000
Interest and other expenditures	-	407,317	-	-	407,317
 Total expenditures	 <u>8,964,969</u>	 <u>1,932,317</u>	 <u>467,558</u>	 <u>375,763</u>	 <u>11,740,607</u>
 Excess (deficiency) of revenues over expenditures	 <u>658,988</u>	 <u>(292,714)</u>	 <u>(464,526)</u>	 <u>13,806</u>	 <u>(84,446)</u>

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2014**

	<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>Other Financing Sources (Uses)</b>					
Proceeds from school bond loan fund	\$ -	\$ 314,761	\$ -	\$ -	\$ 314,761
Transfers in	-	-	441,275	-	441,275
Transfers out	(441,275)	-	-	-	(441,275)
 Total other financing sources (uses)	 (441,275)	 314,761	 441,275	 -	 314,761
 Net change in fund balance	 217,713	 22,047	 (23,251)	 13,806	 230,315
 Fund balance - beginning	 <u>1,495,302</u>	 <u>65,277</u>	 <u>893,553</u>	 <u>35,984</u>	 <u>2,490,116</u>
 Fund balance - ending	 <u>\$ 1,713,015</u>	 <u>\$ 87,324</u>	 <u>\$ 870,302</u>	 <u>\$ 49,790</u>	 <u>\$ 2,720,431</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, 2014**

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**Net change in fund balances - total governmental funds** \$ 230,315

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

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

Depreciation expense	(638,811)
Capital outlay	387,562

Expenses are recorded when incurred in the statement of activities.

Interest	(19,626)
Compensated absences	(22,391)

Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.

Proceeds on long-term debt	(314,761)
Repayments of long-term debt	1,529,169
Amortization of deferred amount on debt defeasance	<u>(48,462)</u>

**Change in net position of governmental activities** **\$ 1,102,995**

**Schoolcraft Community Schools**  
**Fiduciary Funds**  
**Statement of Assets and Liabilities**  
**June 30, 2014**

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	<u>Agency Funds</u>
<b>Assets</b>	
Cash	\$ <u>94,280</u>
<b>Liabilities</b>	
Due to agency fund activities	\$ <u>94,280</u>

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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

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

**Fund Financial Statements**

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

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

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.

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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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 Net Position**

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, 2014, the rates are as follows per \$1,000 of assessed value:

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

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

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

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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

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

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

Compensated Absences – Employees are provided with sick days each year. If not used, sick days may be carried forward into the next fiscal year. Once ninety (90) days of sick leave have been accumulated, teachers are paid \$25/day for unused sick leave accumulated over the ninety days. The monies will be paid at the end of the school year. Upon retirement, teachers will be paid \$25 for each day of unused sick leave accumulated up to 100 days. Employees that leave the School District’s employ with accumulated sick days forfeit the right to receive payment thereof. Support staff follows the same policy as teachers except that the accumulated sick days are paid on a graduated rate from \$5 to \$20 per day based on the normal number of hours in their workday.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable

bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

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

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

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

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

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

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

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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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.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**Eliminations and Reclassifications**

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

**Upcoming Accounting and Reporting Changes**

The Government Accounting Standards Board has issued *Statement 68, Accounting and Financial Reporting for Pensions*, and *Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The net pension liability will be recorded on the government-wide statements. Statement 71 amends Statement 68 to address an issue concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and non-employer contributing entities. The District is evaluating the impact these standards will have on its financial reporting. Statement 68 and 71 are effective for the year ending June 30, 2015.

The GASB has also issued Statement 69, *Government Combinations and Disposals of Government Operations*. Statement 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation of termination of services, and the legal structure of the new or continuing entity. Statement 69 is effective for the year ending June 30, 2015.

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

**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.

**Excess of Expenditures Over Appropriations**

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

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Operations and maintenance	\$ 898,350	\$ 917,885	\$ 19,535
Transfers out	431,000	441,275	10,275

**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	\$ 2,285,702	\$ 94,280	\$ 2,379,982
Investments	200,291	-	200,291
	<u>\$ 2,485,993</u>	<u>\$ 94,280</u>	<u>\$ 2,580,273</u>

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

Deposits (checking, savings accounts, certificates of deposit)	\$ 2,376,482
Investments in securities, money markets, and similar vehicles	200,291
Petty cash and cash on hand	<u>3,500</u>
Total	<u>\$ 2,580,273</u>

**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.

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

Credit risk – State statutes and the School District’s investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers’ acceptances, commercial paper rated prime at the time of purchase that matures 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, \$2,180,521 of the District’s bank balance of \$2,628,057 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	\$ 200,291	Counterparty in the District’s name

**Note 4 - Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 187,900	\$ -	\$ -	\$ 187,900
Capital assets being depreciated				
Buildings and additions	22,873,217	-	-	22,873,217
Equipment and furniture	2,088,706	305,005	-	2,393,711
Buses and other vehicles	971,524	82,557	-	1,054,081
Total capital assets being depreciated	25,933,447	387,562	-	26,321,009
Less accumulated depreciation for				
Buildings and additions	9,835,533	427,839	-	10,263,372
Equipment and furniture	1,801,804	128,320	-	1,930,124
Buses and other vehicles	648,514	82,652	-	731,166
Total accumulated depreciation	12,285,851	638,811	-	12,924,662
Net capital assets being depreciated	13,647,596	(251,249)	-	13,396,347
Net capital assets	\$ 13,835,496	\$ (251,249)	\$ -	\$ 13,584,247

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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

<b>Governmental activities</b>	
Instruction	\$ 421,430
Support services	203,535
Food services	2,580
Athletic services	<u>11,266</u>
 Total governmental activities	 <u><u>\$ 638,811</u></u>

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

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

<u>Due From Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
General	Food Service	\$ 48,436
Capital Projects	General	<u>1,242,594</u>
		<u><u>\$ 1,291,030</u></u>

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

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

A transfer of \$441,275 was made to the Capital Projects Fund from the General Fund to fund the costs of the School District's capital project plans.

**Note 6 - Unearned Revenue**

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

	<u>Unearned</u>
Advance participant fees	\$ 11,888
Lunch monies on account	<u>4,608</u>
Total	<u><u>\$ 16,496</u></u>

**Note 7 - Long-Term Debt**

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

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$10,960,000	\$ -	\$ 1,525,000	\$ 9,435,000	\$ 1,525,000
School Bond Loan Fund	614,238	314,761	-	928,999	-
Accrued interest on School Bond Loan Fund	17,297	26,832	-	44,129	-
Capital lease	4,536	-	4,169	367	367
Compensated absences	110,020	22,391	-	132,411	-
Total	<u>\$11,706,091</u>	<u>\$363,984</u>	<u>\$ 1,529,169</u>	<u>\$10,540,906</u>	<u>\$ 1,525,367</u>

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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

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

\$12,420,000 serial bond due in annual installments of \$665,000 to \$795,000 through May 2026, interest at 2.50% to 4.75%	\$ 8,695,000
\$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%	740,000
Total general obligation bonded debt	\$ 9,435,000

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

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,525,000	\$ 363,783	\$ 1,888,783
2016	750,000	312,483	1,062,483
2017	735,000	289,983	1,024,983
2018	735,000	266,463	1,001,463
2019	735,000	240,738	975,738
2020-2024	3,555,000	766,138	4,321,138
2025-2026	1,400,000	94,700	1,494,700
Total	\$ 9,435,000	\$ 2,334,288	\$ 11,769,288

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the fund had a balance of \$ 87,324 to pay this debt. Future debt and interest will be payable from future tax levies.

**Capital Leases Payable**

The School District entered into an agreement to lease office equipment beginning June 2009. The lease is classified as a capital lease based on the terms of the agreements. The future minimum lease payments are as follows:

Year Ending June 30,	2009 Lease
2015	\$ 370
Total minimum lease payments	370
Less: Amount representing interest	3
Present value of minimum lease payments	\$ 367

The assets acquired through capital lease are as follows:

Assets	
Machinery and equipment	\$ 17,346
Less: Accumulated depreciation	17,346
Total	\$ -

**Compensated Absences**

Accrued compensated absences, including payroll taxes on these benefits at year-end is \$132,411. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

**School Bond Loan Fund**

The State School Bond Loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the State School Bond Loan Fund. During the year, the School District borrowed \$314,761 and had an outstanding balance at year-end of \$928,999 of principal and \$44,129 in accrued interest. The School District has agreed to

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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

**Defeased Debt**

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

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

1996 Issue refunded	\$ <u>8,580,000</u>
---------------------	---------------------

**Deferred Amount on Refunding**

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

Deferred amount on refunding activity is summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred amount on refunding	\$ 362,532	\$ -	\$ 48,462	\$ 314,070

**Note 8 - Risk Management**

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

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District's unemployment compensation expense for the year was \$13,587. No provision has been made for possible future claims.

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

**Plan Description**

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

The plans provide retirement, survivor and disability benefits to plan members and their beneficiaries.

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

MPSERS operates within the Michigan Department of Technology, Management and Budget, Office of Retirement Services, under the authority established by the Michigan Public School Employees Retirement Act (Retirement Act), as enacted and amended by the Michigan Legislature. The Michigan Legislature has the authority to amend the Retirement Act. The Michigan Department of Technology, Management and Budget issues a publicly-available financial report that includes financial statements and required supplementary information for MPSERS. The report provides information for the plans as a whole and information helpful for understanding the scale of the information presented relative to the School District. 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>. The system also provides postemployment healthcare benefits to retirees and their beneficiaries who elect to receive the benefits.

Full details on each of these plans are available on the MPSERS website at the address provided above.

**Pension Benefits**

Employer contributions to MPSERS result from the applying rules and applicable changes of the School Finance Reform Act. Accordingly, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. Depending on the plan selected, a plan member's contribution may range from 0% to 7% of their gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

For the period July 1, 2013 through September 30, 2013, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF (first worked September 4, 2012 or later)	Pension Plus to DC with PHF (first worked September 4, 2012 or later)	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	15.21%	15.02%	15.02%	12.78%	12.78%	12.78%	15.21%
Health contributions	9.11%	9.11%	8.18%	8.18%	9.11%	8.18%	8.18%
Defined contribution plan employer contributions:							
DC	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
PHF	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

For the period October 1, 2013 through June 30, 2014, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF (first worked September 4, 2012 or later)	Pension Plus to DC with PHF (first worked September 4, 2012 or later)	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	18.34%	18.11%	18.11%	15.44%	15.44%	15.44%	18.34%
Health contributions	6.45%	6.45%	5.52%	5.52%	6.45%	5.52%	5.52%
Defined contribution plan employer contributions:							
DC	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
PHF	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2014**

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The School District's required and actual contributions to the plans for the years ended June 30, 2014, 2013, and 2012 were approximately \$836,000, \$740,000, and \$773,000, respectively. Contributions made by the participants of the plan for the year ended June 30, 2014 were \$210,040.

**Post Employment Benefits**

In addition to the pension benefits described above, state law requires the District to provide post-retirement healthcare benefits for eligible retirees and beneficiaries through MPSERS.

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

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

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

For the periods July 1, 2013 through September 30, 2013, and October 1, 2013 through June 30, 2014, the employer contribution rate ranged from 8.18% to 9.11% and 5.52% to 6.45%, respectively. See above two tables for rates.

The District's actual contributions match the required contributions for the years ended June 30, 2014, 2013, and 2012 and were approximately \$341,000, \$441,000, and \$463,000, respectively.

**Unfunded Accrued Actuarial Liability**

During the year ended June 30, 2014, the District had contributions in the amount of \$231,580 to the Michigan Public School Employee Retirement System (MPSERS). This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 4.56% for the year. These contributions are not included in the above tables.

**Note 10 - Contingent Liabilities**

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

**Schoolcraft Community Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Local sources	\$ 959,000	\$ 1,061,600	\$ 1,058,175	\$ (3,425)
State sources	7,602,900	7,817,650	7,808,284	(9,366)
Federal sources	133,800	140,700	135,698	(5,002)
Intermediate sources	602,000	608,300	621,800	13,500
	<u>9,297,700</u>	<u>9,628,250</u>	<u>9,623,957</u>	<u>(4,293)</u>
<b>Expenditures</b>				
Instruction				
Basic programs	4,297,200	4,511,275	4,441,602	(69,673)
Added needs	765,000	929,250	898,894	(30,356)
Supporting services				
Pupil	250,870	255,670	245,904	(9,766)
Instructional staff	327,130	354,930	343,332	(11,598)
General administration	247,605	260,755	257,823	(2,932)
School administration	621,800	608,000	600,894	(7,106)
Business	245,900	247,100	231,643	(15,457)
Operations and maintenance	932,450	898,350	917,885	19,535
Pupil transportation services	498,050	488,950	456,835	(32,115)
Central	218,300	255,750	239,538	(16,212)
Athletic activities	270,700	263,000	250,881	(12,119)
Community services	29,350	43,300	37,644	(5,656)
Capital outlay	6,100	43,725	42,094	(1,631)
	<u>8,710,455</u>	<u>9,160,055</u>	<u>8,964,969</u>	<u>(195,086)</u>
Excess of revenues over expenditures	<u>587,245</u>	<u>468,195</u>	<u>658,988</u>	<u>190,793</u>

**Schoolcraft Community Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2014**

	<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	\$ (431,000)	\$ (431,000)	\$ (441,275)	\$ (10,275)
Net change in fund balance	156,245	37,195	217,713	180,518
Fund balance - beginning	<u>1,495,302</u>	<u>1,495,302</u>	<u>1,495,302</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,651,547</u>	<u>\$ 1,532,497</u>	<u>\$ 1,713,015</u>	<u>\$ 180,518</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Comparative Balance Sheet**  
**June 30, 2014**

	2014	2013
<b>Assets</b>		
Cash	\$ 84,380	\$ 78,264
Accounts receivable	1,556	114,006
Due from other funds	1,242,594	678,255
Due from other governmental units	1,469,952	1,494,993
Investments	200,291	484,935
Prepaid items	14,008	8,036
Total assets	\$ 3,012,781	\$ 2,858,489
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 463,676	\$ 547,862
Due to other funds	48,436	24,735
Due to other governmental units	179,558	179,558
Payroll deductions and withholdings	40,753	43,681
Accrued salaries payable	555,455	563,851
Unearned revenue	11,888	3,500
Total liabilities	1,299,766	1,363,187
<b>Fund Balance</b>		
Non-spendable		
Prepaid items	14,008	8,036
Restricted for:		
Assigned for next fiscal year budget appropriations	187,210	-
Unassigned	1,511,797	1,487,266
Total fund balance	1,713,015	1,495,302
Total liabilities and fund balance	\$ 3,012,781	\$ 2,858,489

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Revenues Compared to Budget**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenues from local sources</b>				
Property tax levy	\$ 738,000	\$ 818,000	\$ 798,592	\$ (19,408)
Student activities	80,000	58,000	57,340	(660)
Community service activities	30,000	45,000	48,507	3,507
Other local revenues	<u>111,000</u>	<u>144,000</u>	<u>151,550</u>	<u>7,550</u>
Total revenues from local sources	<u>959,000</u>	<u>1,061,600</u>	<u>1,058,175</u>	<u>(3,425)</u>
<b>Revenues from state sources</b>				
Grants - unrestricted	6,915,600	6,990,750	7,015,732	24,982
Grants - restricted	684,000	820,500	786,110	(34,390)
State payments in lieu of taxes	<u>3,300</u>	<u>6,400</u>	<u>6,442</u>	<u>42</u>
Total revenues from state sources	<u>7,602,900</u>	<u>7,817,650</u>	<u>7,808,284</u>	<u>(9,366)</u>
<b>Revenues from federal sources</b>				
Grants	<u>133,800</u>	<u>140,700</u>	<u>135,698</u>	<u>(5,002)</u>
<b>Intermediate sources</b>				
ISD collected millage	590,000	600,000	613,494	13,494
Cooperative education	<u>12,000</u>	<u>8,300</u>	<u>8,306</u>	<u>6</u>
Total intermediate sources	<u>602,000</u>	<u>608,300</u>	<u>621,800</u>	<u>13,500</u>
Total revenue and other financing sources	<u><u>\$ 9,297,700</u></u>	<u><u>\$ 9,628,250</u></u>	<u><u>\$ 9,623,957</u></u>	<u><u>\$ (4,293)</u></u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Basic program - elementary</b>				
Salaries	\$ 1,190,800	\$ 1,306,200	\$ 1,274,749	\$ (31,451)
Employee benefits	706,500	738,950	737,089	(1,861)
Purchased services	67,400	74,000	69,775	(4,225)
Supplies and materials	45,300	45,300	45,044	(256)
Total elementary	<u>2,010,000</u>	<u>2,164,450</u>	<u>2,126,657</u>	<u>(37,793)</u>
<b>Basic program - middle school</b>				
Salaries	638,900	593,500	614,434	20,934
Employee benefits	351,000	312,600	316,558	3,958
Purchased services	46,800	17,900	16,655	(1,245)
Supplies and materials	20,400	50,400	45,919	(4,481)
Total middle school	<u>1,057,100</u>	<u>974,400</u>	<u>993,566</u>	<u>19,166</u>
<b>Basic program - high school</b>				
Salaries	634,000	664,100	643,449	(20,651)
Employee benefits	379,800	372,700	358,017	(14,683)
Purchased services	148,500	155,500	149,287	(6,213)
Supplies and materials	63,950	72,950	65,389	(7,561)
Other	1,550	1,550	1,265	(285)
Total high school	<u>1,227,800</u>	<u>1,266,800</u>	<u>1,217,407</u>	<u>(49,393)</u>
<b>Basic program - pre-school</b>				
Salaries	-	2,900	-	(2,900)
Employee benefits	-	1,200	-	(1,200)
Purchased services	2,300	80,525	80,880	355
Supplies and materials	-	21,000	23,092	2,092
Total pre-school	<u>2,300</u>	<u>105,625</u>	<u>103,972</u>	<u>(1,653)</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Added needs - special education</b>				
Salaries	300,100	340,600	329,415	(11,185)
Employee benefits	151,100	166,800	161,046	(5,754)
Purchased services	49,500	45,700	39,488	(6,212)
Supplies and materials	3,750	3,750	3,918	168
Total special education	<u>504,450</u>	<u>556,850</u>	<u>533,867</u>	<u>(22,983)</u>
<b>Added needs - compensatory education</b>				
Salaries	47,200	30,800	36,507	5,707
Employee benefits	16,700	11,100	14,437	3,337
Purchased services	-	70,300	61,547	(8,753)
Supplies and materials	5,000	40,600	40,161	(439)
Total compensatory education	<u>68,900</u>	<u>152,800</u>	<u>152,652</u>	<u>(148)</u>
<b>Added needs - career and technical education</b>				
Salaries	103,200	118,700	117,196	(1,504)
Employee benefits	52,300	58,700	57,689	(1,011)
Purchased services	29,500	30,100	27,356	(2,744)
Supplies and materials	6,650	12,100	10,134	(1,966)
Total career and technical education	<u>191,650</u>	<u>219,600</u>	<u>212,375</u>	<u>(7,225)</u>
<b>Pupil - guidance services</b>				
Purchased services	56,200	59,700	59,607	(93)
Supplies and materials	7,620	7,920	3,990	(3,930)
Total guidance services	<u>63,820</u>	<u>67,620</u>	<u>63,597</u>	<u>(4,023)</u>
<b>Pupil - health services</b>				
Purchased services	5,500	5,500	3,424	(2,076)
Supplies and materials	500	1,500	1,226	(274)
Total health services	<u>6,000</u>	<u>7,000</u>	<u>4,650</u>	<u>(2,350)</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Pupil - psychological services</b>				
Salaries	66,300	67,900	67,845	(55)
Employee benefits	39,600	40,800	39,875	(925)
Purchased services	550	550	-	(550)
Supplies and materials	700	700	700	-
Total psychological services	<u>107,150</u>	<u>109,950</u>	<u>108,420</u>	<u>(1,530)</u>
<b>Pupil - speech services</b>				
Salaries	41,200	41,800	41,780	(20)
Employee benefits	30,300	26,900	24,920	(1,980)
Purchased services	550	550	709	159
Supplies and materials	500	500	510	10
Total speech services	<u>72,550</u>	<u>69,750</u>	<u>67,919</u>	<u>(1,831)</u>
<b>Pupil - other support services</b>				
Supplies and materials	<u>1,350</u>	<u>1,350</u>	<u>1,318</u>	<u>(32)</u>
<b>Instructional staff - improvement of education</b>				
Purchased services	<u>1,400</u>	<u>31,400</u>	<u>31,394</u>	<u>(6)</u>
<b>Instructional staff - educational media services</b>				
Salaries	52,800	55,900	55,973	73
Employee benefits	19,600	20,700	20,441	(259)
Supplies and materials	17,730	17,730	12,804	(4,926)
Total educational media services	<u>90,130</u>	<u>94,330</u>	<u>89,218</u>	<u>(5,112)</u>
<b>Instructional staff - supervision and direction of instructional staff</b>				
Purchased services	<u>34,000</u>	<u>34,000</u>	<u>33,586</u>	<u>(414)</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Instructional staff - other services</b>				
Salaries	115,100	116,700	115,776	(924)
Employee benefits	57,800	58,900	53,902	(4,998)
Purchased services	28,700	19,600	19,456	(144)
Total other instructional staff services	<u>201,600</u>	<u>195,200</u>	<u>189,134</u>	<u>(6,066)</u>
<b>General administration - board of education</b>				
Salaries	805	805	805	-
Purchased services	34,550	43,000	43,780	780
Other	7,000	7,000	6,479	(521)
Total board of education	<u>42,355</u>	<u>50,805</u>	<u>51,064</u>	<u>259</u>
<b>General administration - executive administration</b>				
Salaries	138,000	139,700	139,587	(113)
Employee benefits	60,100	62,100	61,577	(523)
Purchased services	1,000	2,500	2,424	(76)
Supplies and materials	4,550	4,050	1,725	(2,325)
Other	1,600	1,600	1,446	(154)
Total executive administration	<u>205,250</u>	<u>209,950</u>	<u>206,759</u>	<u>(3,191)</u>
<b>School administration - office of the principal</b>				
Salaries	404,700	396,500	392,584	(3,916)
Employee benefits	181,400	180,700	181,396	696
Purchased services	31,200	26,300	23,137	(3,163)
Other	1,800	1,800	1,643	(157)
Total office of the principal	<u>619,100</u>	<u>605,300</u>	<u>598,760</u>	<u>(6,540)</u>
<b>School administration - other</b>				
Supplies and materials	<u>2,700</u>	<u>2,700</u>	<u>2,134</u>	<u>(566)</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Business - fiscal services</b>				
Salaries	114,800	122,500	122,517	17
Employee benefits	85,300	81,600	75,554	(6,046)
Purchased services	18,200	15,400	14,871	(529)
Supplies and materials	1,250	1,250	798	(452)
Other	450	450	211	(239)
Total fiscal services	<u>220,000</u>	<u>221,200</u>	<u>213,951</u>	<u>(7,249)</u>
<b>Business - other</b>				
Purchased services	5,900	5,900	5,849	(51)
Other	20,000	20,000	11,843	(8,157)
Total other business	<u>25,900</u>	<u>25,900</u>	<u>17,692</u>	<u>(8,208)</u>
<b>Operations and maintenance - operating building services</b>				
Salaries	310,600	319,700	318,522	(1,178)
Employee benefits	168,100	151,200	152,478	1,278
Purchased services	119,100	92,800	89,832	(2,968)
Supplies and materials	334,650	334,650	357,053	22,403
Total operating building services	<u>932,450</u>	<u>898,350</u>	<u>917,885</u>	<u>19,535</u>
<b>Pupil transportation services</b>				
Salaries	234,600	227,500	225,185	(2,315)
Employee benefits	98,800	96,700	90,072	(6,628)
Purchased services	15,350	13,450	13,270	(180)
Supplies and materials	127,050	127,050	104,183	(22,867)
Other	22,250	24,250	24,125	(125)
Total transportation services	<u>498,050</u>	<u>488,950</u>	<u>456,835</u>	<u>(32,115)</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Central - communication services</b>				
Salaries	5,000	5,000	2,708	(2,292)
Employee benefits	1,900	1,900	1,296	(604)
Total communication services	<u>6,900</u>	<u>6,900</u>	<u>4,004</u>	<u>(2,896)</u>
<b>Central - staff/personnel and communication services</b>				
Purchased services	4,000	3,500	1,122	(2,378)
Other	900	2,000	1,960	(40)
Total staff/personnel and communication services	<u>4,900</u>	<u>5,500</u>	<u>3,082</u>	<u>(2,418)</u>
<b>Central - support services technology</b>				
Salaries	56,400	64,500	65,282	782
Employee benefits	35,700	39,800	38,953	(847)
Purchased services	70,800	80,450	81,430	980
Supplies and materials	43,600	43,600	35,061	(8,539)
Total support services technology	<u>206,500</u>	<u>228,350</u>	<u>220,726</u>	<u>(7,624)</u>
<b>Central - other</b>				
Supplies and materials	-	15,000	11,726	(3,274)
<b>Athletic activities</b>				
Salaries	106,900	101,400	92,726	(8,674)
Employee benefits	47,300	45,100	42,756	(2,344)
Purchased services	94,000	94,000	92,856	(1,144)
Supplies and materials	13,500	13,500	12,557	(943)
Other	9,000	9,000	9,986	986
Total athletic activities	<u>270,700</u>	<u>263,000</u>	<u>250,881</u>	<u>(12,119)</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Community services - custody and care of children</b>				
Salaries	21,000	15,500	14,636	(864)
Employee benefits	7,900	5,900	5,768	(132)
Purchased services	-	19,900	15,059	(4,841)
Supplies and materials	450	2,000	2,181	181
Total custody and care of children	<u>29,350</u>	<u>43,300</u>	<u>37,644</u>	<u>(5,656)</u>
<b>Capital outlay</b>				
Basic program - pre-school	-	20,000	17,685	(2,315)
Added needs - career and technical education	4,700	4,700	3,949	(751)
General administration - board of education	-	6,600	6,543	(57)
Central - support services technology	1,400	12,425	13,917	1,492
Total capital outlay	<u>6,100</u>	<u>43,725</u>	<u>42,094</u>	<u>(1,631)</u>
<b>Debt service</b>				
<b>Other financing uses</b>				
Transfers out	<u>431,000</u>	<u>431,000</u>	<u>441,275</u>	<u>10,275</u>
Total expenditures and financing uses	<u>\$ 9,141,455</u>	<u>\$ 9,591,055</u>	<u>\$ 9,406,244</u>	<u>\$ (184,811)</u>

**Schoolcraft Community Schools**  
**Fiduciary Fund**  
**Statement of Changes in Assets and Liabilities**  
**June 30, 2014**

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>Assets</b>				
Cash	\$ 94,804	\$ 180,760	\$ 181,284	\$ 94,280
<b>Liabilities</b>				
Due to student groups	\$ 94,804	\$ 180,760	\$ 181,284	\$ 94,280

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2014**

Year Ending June 30,	2009 Refunding Bonds	2009 Series B Refunding Bonds	Total
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>\$ 8,695,000</u>	<u>\$ 740,000</u>	<u>\$ 9,435,000</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>	

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance With  
*Government Auditing Standards***

**Independent Auditors' Report**

Management and the Board of Education  
Schoolcraft Community Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Schoolcraft Community Schools, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Schoolcraft Community Schools' basic financial statements, and have issued our report thereon dated October 10, 2014.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Yeo & Yeo, P.C.*

Kalamazoo, MI  
October 10, 2014



October 10, 2014

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, 2014, and have issued our report dated October 10, 2014. 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.

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, 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 September 11, 2014. 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 used by the district are described in Note 1 of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the district during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement 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. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Schoolcraft Community Schools' financial statements was:

Management's estimate of the useful lives of fixed assets, which is based on the length of time management believes those assets will provide some economic benefit in the future.

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

## **Regulatory Changes & Accounting Standards - Upcoming Changes for June 30, 2015 and After**

### **Accounting Standards**

The Government Accounting Standards Board ("The GASB") has issued Statement 68, *Accounting and Financial Reporting for Pensions*, and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The net pension liability will be recorded on the government-wide statements. Statement 71 amends Statement 68 to address an issue concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and non-employer contributing entities. Statements 68 and 71 are effective for the year ending June 30, 2015.

The GASB has also issued Statement 69, *Government Combinations and Disposals of Government Operations*. Statement 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity. Statement 69 is effective for the year ending June 30, 2015.

### **Uniform Grant Guidance (Super Circular)**

In December 2013, the Federal Office of Management and Budget (OMB) issued final guidance on administrative requirements, the Guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102 and A-133 and the guidance in Circular A-50 on Single Audit Act follow-up. Districts will need to implement the new administrative requirements and Cost Principles for all new federal grants awarded after December 26, 2014, and to additional funding to existing awards (referred to as funding increments) made after that date. EDGAR will be the source for guidance school districts will follow.

Highlights of the Omni Circular:

- Raises the single audit threshold from \$500,000 to \$750,000 (federal expenditures during the June 30, 2016, year-end)
- Increases monitoring and risk assessment necessary by federal program offices
- Focuses heavily on internal controls and polices/procedures, which should be in compliance with COSO
- Additional monitoring by pass-through agencies of sub recipients
- New rules for procurement/property management
- Cost principles are more principles based, with intention to reduce administrative burden

Additional information and resources are available at the following websites:

- OMB [http://www.whitehouse.gov/omb/grants\\_docs](http://www.whitehouse.gov/omb/grants_docs)
- Council on Federal Assistance Reform (COFAR) <https://cfo.gov/cofar/>
- US Department of Education <http://1.usa.gov/1rzFswz>
- EDGAR (<http://1.usa.gov/1pOUq2p>)

### **Sec. 147c- State Share of Unfunded Liability – Michigan Public School Employees Retirement System (MPSERS)**

For 2014-15 the method in which the State will allocate the State Share of the Unfunded Liability will not change. However, the rate will increase to an estimated 7.63% of payroll. The funding was increased to accommodate the unfunded liability statutory cap of 20.96%.

### **Audit and FID Submission Deadline**

For the upcoming year, June 30, 2015, the deadline to submit the Financial Information Database (FID) and the school district financial audits will be October 15th.

### **Sec. 22f - Best Practices**

For the upcoming year, June 30, 2015, fiscal year your district must meet 7 out of 9 Best Practices. Per pupil funding, if this is met, will be \$50. The nine best practices are as follows:

- Act as policyholder for health care services benefits
- Competitively bid at least one non-instructional service
- Participate in schools of choice
- Provide online learning opportunities
- Provide a public online dashboard with finance and academic metrics
- Use teacher and administrator job performance as a significant factor in determining compensation requirements under MCL 380.1250
- Collective bargaining agreements shall not include any prohibited subjects of bargaining as required under the Public Employment Relations Act
- Implement a comprehensive guidance and counseling program.
- Offer pupils in grades K to 8 the opportunity to complete coursework or other learning experiences that are substantially equivalent to 1 credit in a language other than English

### **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, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were more than trivial.

There were no uncorrected misstatements that were more than trivial.

### **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 are pleased to 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 district'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 district'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: 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*. Please read all information included in that report (those reports) to ensure you are aware of relevant information.

### **Report on Required Supplementary Information**

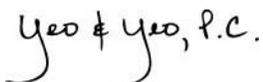
With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis and budgetary comparison information, we applied certain limited procedures to the required supplementary information in accordance with auditing standards 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.

### **Report on Other Information**

With respect to the supplementary information accompanying the financial statements, other than list of the Members of the Board of Education and Administration, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We discussed these matters with various personnel in the district during the audit and with management. 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 district, and are not intended to be and should not be used by anyone other than those specified parties.



Kalamazoo, Michigan