

Schoolcraft Community Schools

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

June 30, 2013

Table of Contents

Section		Page
1	Members of the Board of Education and Administration	1 – 1
2	Independent Auditors' Report	2 – 1
3	Management's Discussion and Analysis	3 – 1
4	Basic Financial Statements	
	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
5	Required Supplemental Information	
	Budgetary Comparison Schedule – General Fund	5 – 1

6	Other Supplemental Information	
	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
7	Independent Auditors' Report on Internal Control Over Financial Reporting and on in Accordance Compliance and Other Matters Based on an Audit of Financial Statements Performed with Government Auditing Standards	7 – 1

Schoolcraft Community Schools
Members of the Board of Education and Administration
June 30, 2013

Members of the Board of Education

Michael Rochholz – President

Skip Fox – Vice President

Kathy Mastenbrook – Treasurer

Darby Fetzer – Secretary

Matt DeVoe – Trustee

David Krum – Trustee

Jeannette Marshall – Trustee

Administration

Dr. Rusty Stitt – Superintendent



710 E. Milham
Kalamazoo, MI 49002
(269) 329.7007 / (800) 375.3968
Fax (269) 329.0626

Independent Auditors' Report

To 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, 2013, 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, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2013, the District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplemental 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 Supplemental Information

The other supplemental 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. The other supplemental 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 supplemental information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year 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, 2012, which are not presented with the accompanying financial statements. In our report dated October 5, 2012, 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 2012 information in the comparative supplemental 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 2012 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 2012 information in the comparative supplemental schedules are 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 11, 2013 on our consideration of Schoolcraft Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Schoolcraft Community Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
October 11, 2013

**Schoolcraft Community Schools
Management's Discussion and Analysis
June 30, 2013**

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, 2013. 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, 2013**

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, 2013**

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, 2013:

	Year Ended June 30, <u>2013</u>	Year Ended June 30, 2012 – As restated <u> </u>		Year Ended June 30, <u>2013</u>	Year Ended June 30, 2012 – As restated <u> </u>
Assets					
Current assets	\$ 3,833,765	\$ 3,273,999	Current liabilities	\$ 1,411,485	\$ 1,041,618
Capital assets	26,121,347	26,003,041	Long-term liabilities	<u>11,706,091</u>	<u>12,507,453</u>
Less: accumulated depreciation	<u>(12,285,851)</u>	<u>(11,681,837)</u>	Total liabilities	<u>13,117,576</u>	<u>13,549,071</u>
Capital assets, net book value	<u>13,835,496</u>	<u>14,321,204</u>	Net Position		
Total assets	<u>17,669,261</u>	<u>17,595,203</u>	Net investment in capital assets	2,601,957	1,931,208
Deferred Outflow of Resources			Restricted		
Deferred amount on debt refunding	<u>362,532</u>	<u>-</u>	Food service	35,984	19,789
			Debt service	65,277	70,858
			Unrestricted	<u>2,210,999</u>	<u>2,024,277</u>
			Total net position	<u>4,914,217</u>	<u>4,046,132</u>
Total assets and deferred outflows of resources	<u>\$ 18,031,793</u>	<u>17,595,203</u>	Total liabilities and net position	<u>\$ 18,031,793</u>	<u>\$ 17,595,203</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 \$4,914,217 and \$4,046,132 at June 30, 2013 and June 30, 2012, respectively. Capital assets (net of related debt totaling \$2,601,957 and \$1,931,208 at June 30, 2013 and June 30, 2012, 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 \$2,210,999 was unrestricted.

The \$2,210,999 and \$2,024,277 at June 30, 2013 and June 30, 2012, 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

**Schoolcraft Community Schools
Management's Discussion and Analysis
June 30, 2013**

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.

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 2013 and 2012 respectively.

Table 2 - Statement of Activities

	Year Ended June 30, 2013	Year Ended June 30, 2012		Year Ended June 30, 2013	Year Ended June 30, 2012
Program revenue:			Expenses:		
Charges for services	\$ 336,564	\$ 370,848	Instruction	\$ 6,115,025	\$ 6,067,302
Operating grants	<u>1,689,774</u>	<u>1,594,778</u>	Supporting Services	3,590,269	3,903,257
Total program revenue	2,026,338	1,965,626	Food services	362,109	351,739
General revenue:			Community services	27,677	63,080
Property taxes, levied for general purposes	745,456	769,786	Interest on long-term debt	<u>504,262</u>	<u>478,499</u>
Property taxes, levied for debt service	1,608,178	1,589,508			
State aid, unrestricted	6,930,242	6,851,859			
Interest and investment earnings	5,848	7,600			
Other	<u>151,365</u>	<u>138,864</u>			
Total general revenue	<u>9,441,089</u>	<u>9,357,617</u>	Total expenses	<u>10,599,342</u>	<u>10,863,877</u>
Total revenue	<u>\$ 11,467,427</u>	<u>11,323,243</u>	Increase in net position	<u>\$ 868,085</u>	<u>\$ 459,366</u>

As reported in the statement of activities, the cost of all governmental activities for 2012-13 was \$10,599,342. Some activities were partially funded by those who benefited from the programs (\$336,564) or by subsidies from other governments and organizations (\$1,689,774). The remaining "public benefit" portion of governmental activities was paid for with \$2,353,634 in taxes, \$6,930,242 in state foundation allowance, and with other revenues (i.e. interest and general entitlements). The decrease in supporting services expenses can primarily be attributed to the reorganization of services and reduction in staff in the supporting service areas.

The School District experienced an increase in net position of \$868,085.

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, 2013

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 2012-13 fiscal year, the governmental funds reported a combined fund balance of \$2,490,116, which is an increase of \$169,159 from the previous year.

The Capital Projects Fund increased \$124,527 to \$893,553. 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 \$16,195 from the prior year to a total fund balance of \$35,984.

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 2012-13 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.

**Schoolcraft Community Schools
Management's Discussion and Analysis
June 30, 2013**

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2013, the School District had \$13.84 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 replacement of the single portion of the high school roof (\$139,600). Additional funds were spent for energy consortium fees (\$50,500), depreciable technology (\$47,400) and various facility and operational improvements that were individually insignificant (\$95,200).

Three major expenditures in the capital project fund are budgeted for the 2013-14 fiscal year, technology upgrades (\$255,000), improvements to the elementary office area (\$100,000) and a bus (\$87,000). Total expenditures budgeted of \$592,000 are expected to be funded primarily through the regional enhancement millage and rent revenue transfer from the General Fund.

Debt

At the end of this year, the School District had \$10.96 million in bonds outstanding versus \$12.46 million in the previous year - a decrease of 12.04 percent. See below for details related to the refunding of the School District debt. Those bonds consisted of the following:

	<u>2013</u>	<u>2012</u>
General Obligation Bonds	\$ <u>10,960,000</u>	\$ <u>12,455,000</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 \$10.96 million is significantly below the statutorily imposed limit.

**Schoolcraft Community Schools
Management's Discussion and Analysis
June 30, 2013**

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 2013-14 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 2013-14 budget was adopted in June 2013, based on an estimate of students that will be enrolled in October 2013. 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 2013-14 school year, it is anticipated that the fall student count will be slightly higher than the estimates used in creating the 2013-14 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 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.

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, 2013

	<u>Governmental Activities</u>
Assets	
Cash	\$ 1,726,282
Accounts receivable	114,006
Due from other governmental units	1,494,993
Inventory	5,513
Investments	484,935
Prepaid items	8,036
Capital assets not being depreciated	187,900
Capital assets - net of accumulated depreciation	<u>13,647,596</u>
Total assets	<u>17,669,261</u>
 Deferred Outflow of Resources	
Deferred amount on debt refunding	<u>362,532</u>
Total assets and deferred outflow of resources	<u>18,031,793</u>

See Accompanying Notes to Financial Statements

Schoolcraft Community Schools
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 547,862
Due to other governmental units	179,558
Payroll deductions and withholdings	43,681
Accrued expenditures	67,836
Accrued salaries payable	563,851
Unearned revenue	8,697
Noncurrent liabilities	
Due within one year	1,529,169
Due in more than one year	<u>10,176,922</u>
Total liabilities	<u>13,117,576</u>
Net Position	
Net investment in capital assets	2,601,957
Restricted for:	
Food service	35,984
Debt service	65,277
Unrestricted	<u>2,210,999</u>
 Total net position	 <u>\$ 4,914,217</u>

See Accompanying Notes to Financial Statements

Schoolcraft Community Schools
Statement of Activities
For the Year Ended June 30, 2013

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
Functions/Programs				
Governmental activities				
Instruction	\$ 6,115,025	\$ 35,247	\$ 1,533,181	\$ (4,546,597)
Supporting services	3,590,269	79,606	-	(3,510,663)
Food services	362,109	221,711	156,593	16,195
Community services	27,677	-	-	(27,677)
Interest on long-term debt	504,262	-	-	(504,262)
	<u>\$ 10,599,342</u>	<u>\$ 336,564</u>	<u>\$ 1,689,774</u>	<u>(8,573,004)</u>
General revenues				
Property taxes, levied for general purposes				745,456
Property taxes, levied for debt service				1,608,178
State aid - unrestricted				6,930,242
Interest and investment earnings				5,848
Other				151,365
				Total general revenues 9,441,089
				Change in net position 868,085
				Net position - beginning 4,193,467
				Change in accounting principle (147,335)
				Net position - beginning, as restated 4,046,132
				Net position - ending \$ 4,914,217

See Accompanying Notes to Financial Statements

Schoolcraft Community Schools
Governmental Funds
Balance Sheet
June 30, 2013

	<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>
Assets					
Cash	\$ 78,264	\$ 65,277	\$ 1,571,808	\$ 10,933	\$ 1,726,282
Accounts receivable	114,006	-	-	-	114,006
Due from other funds	678,255	-	-	24,735	702,990
Due from other governmental units	1,494,993	-	-	-	1,494,993
Inventory	-	-	-	5,513	5,513
Investments	484,935	-	-	-	484,935
Prepaid items	8,036	-	-	-	8,036
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,858,489</u>	<u>\$ 65,277</u>	<u>\$ 1,571,808</u>	<u>\$ 41,181</u>	<u>\$ 4,536,755</u>

See Accompanying Notes to Financial Statements

Schoolcraft Community Schools
Governmental Funds
Balance Sheet
June 30, 2013

	<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>
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 547,862	\$ -	\$ -	\$ -	\$ 547,862
Due to other funds	24,735	-	678,255	-	702,990
Due to other governmental units	179,558	-	-	-	179,558
Payroll deductions and withholdings	43,681	-	-	-	43,681
Accrued salaries payable	563,851	-	-	-	563,851
Unearned revenue	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>5,197</u>	<u>8,697</u>
 Total liabilities	 <u>1,363,187</u>	 <u>-</u>	 <u>678,255</u>	 <u>5,197</u>	 <u>2,046,639</u>
Fund Balance					
Non-spendable					
Inventory	-	-	-	5,513	5,513
Prepaid items	8,036	-	-	-	8,036
Restricted for:					
Food service	-	-	-	30,471	30,471
Debt service	-	65,277	-	-	65,277
Committed	-	-	893,553	-	893,553
Unassigned	<u>1,487,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,487,266</u>
 Total fund balance	 <u>1,495,302</u>	 <u>65,277</u>	 <u>893,553</u>	 <u>35,984</u>	 <u>2,490,116</u>
 Total liabilities and fund balance	 <u>\$ 2,858,489</u>	 <u>\$ 65,277</u>	 <u>\$ 1,571,808</u>	 <u>\$ 41,181</u>	 <u>\$ 4,536,755</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, 2013

Total fund balances for governmental funds	\$ 2,490,116
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	13,647,596
Deferred amounts on debt refunding are not available to reduce debt in the current period and are not reported in the funds.	
	362,532
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(67,836)
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	(110,020)
Bonds payable	(10,960,000)
School bond loan payable	(614,238)
Accrued interest on school bond loan payable	(17,297)
Other loans payable and liabilities	<u>(4,536)</u>
Net position of governmental activities	<u>\$ 4,914,217</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, 2013

	General Fund	2009 Debt Service Fund	Capital Projects Fund	Nonmajor - Food Service Fund	Total Governmental Funds
Revenues					
Local sources	\$ 1,011,674	\$ 1,609,458	\$ 4,568	\$ 221,711	\$ 2,847,411
State sources	7,520,079	65,812	-	17,656	7,603,547
Federal sources	144,387	-	-	138,937	283,324
Intermediate sources	738,743	-	-	-	738,743
 Total revenues	 <u>9,414,883</u>	 <u>1,675,270</u>	 <u>4,568</u>	 <u>378,304</u>	 <u>11,473,025</u>
Expenditures					
Current					
Education					
Instruction	5,299,716	-	-	-	5,299,716
Supporting services	3,599,450	-	-	-	3,599,450
Food services	-	-	-	362,109	362,109
Community services	27,677	-	-	-	27,677
Capital outlay	1,322	-	332,741	-	334,063
Debt service					
Principal	-	1,544,023	-	-	1,544,023
Interest and other expenditures	-	462,202	-	-	462,202
 Total expenditures	 <u>8,928,165</u>	 <u>2,006,225</u>	 <u>332,741</u>	 <u>362,109</u>	 <u>11,629,240</u>
 Excess (deficiency) of revenues over expenditures	 <u>486,718</u>	 <u>(330,955)</u>	 <u>(328,173)</u>	 <u>16,195</u>	 <u>(156,215)</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, 2013

	<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>
Other Financing Sources (Uses)					
Proceeds from school bond loan fund	\$ -	\$ 325,374	\$ -	\$ -	\$ 325,374
Transfers in	-	-	452,700	-	452,700
Transfers out	<u>(452,700)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(452,700)</u>
Total other financing sources (uses)	<u>(452,700)</u>	<u>325,374</u>	<u>452,700</u>	<u>-</u>	<u>325,374</u>
Net change in fund balance	34,018	(5,581)	124,527	16,195	169,159
Fund balance - beginning	<u>1,461,284</u>	<u>70,858</u>	<u>769,026</u>	<u>19,789</u>	<u>2,320,957</u>
Fund balance - ending	<u>\$ 1,495,302</u>	<u>\$ 65,277</u>	<u>\$ 893,553</u>	<u>\$ 35,984</u>	<u>\$ 2,490,116</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, 2013

Net change in fund balances - total governmental funds	\$ 169,159
Total change in net position reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	(5,598)
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	(604,014)
Capital outlay	118,306
Expenses are recorded when incurred in the statement of activities.	
Interest	9,041
Compensated absences	7,437
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	(325,374)
Repayments of long-term debt	1,550,229
Amortization of deferred amount on debt defeasance	<u>(51,101)</u>
Change in net position of governmental activities	<u>\$ 868,085</u>

See Accompanying Notes to Financial Statements

Schoolcraft Community Schools
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2013

	<u>Agency Funds</u>
Assets	
Cash	\$ <u>94,804</u>
Liabilities	
Due to agency fund activities	\$ <u>94,804</u>

See Accompanying Notes to Financial Statements

Schoolcraft Community Schools
Notes to Financial Statements
June 30, 2013

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, 2013

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, 2013, 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 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, 2013

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.

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.

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.

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, 2013

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.

Adoption of New Accounting Standards

The Government Accounting Standards Board issued Statements 63 and 65, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and Items Previously Reported as Assets and Liabilities*, which the government adopted effective July 1, 2012. The new standards provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of net position and related disclosures.

Upcoming Accounting and Reporting Changes

The Government Accounting Standards Board has issued *Statements 67, Financial Reporting for Pension Plans and 68 Accounting and Financial Reporting for Pensions*. Statement 67 changes how public employee pension plans calculate and report their total pension liability. 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 effect of these changes has not been determined. Statement 67 is effective for the year ending June 30, 2014 and Statement 68 is effective for the year ending June 30, 2015.

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.

Schoolcraft Community Schools
Notes to Financial Statements
June 30, 2013

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

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

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

Note 3 - Deposits and Investments

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

	Governmental Activities	Fiduciary Funds	Total Primary Government
	<u> </u>	<u> </u>	<u> </u>
Cash	\$ 1,726,282	\$ 94,804	\$ 1,821,086
Investments	484,935	-	484,935
	<u>\$ 2,211,217</u>	<u>\$ 94,804</u>	<u>\$ 2,306,021</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)	\$ 1,817,586
Investments in securities, money markets, and similar vehicles	484,935
Petty cash and cash on hand	<u>3,500</u>
Total	<u>\$ 2,306,021</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.

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, \$1,869,803 of the District's bank balance of \$2,369,803 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Schoolcraft Community Schools
Notes to Financial Statements
June 30, 2013

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	\$ 484,935	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
Governmental activities				
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	1,991,538	97,168	-	2,088,706
Buses and other vehicles	950,386	21,138	-	971,524
Total capital assets being depreciated	25,815,141	118,306	-	25,933,447
Less accumulated depreciation for				
Buildings and additions	9,407,693	427,840	-	9,835,533
Equipment and furniture	1,704,481	97,323	-	1,801,804
Buses and other vehicles	569,663	78,851	-	648,514
Total accumulated depreciation	11,681,837	604,014	-	12,285,851
Net capital assets being depreciated	14,133,304	(485,708)	-	13,647,596
Net capital assets	\$ 14,321,204	\$ (485,708)	\$ -	\$ 13,835,496

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

Governmental activities	
Instruction	\$ 419,740
Support services	170,511
Food services	2,580
Athletic services	11,183
Total governmental activities	<u>\$ 604,014</u>

Note 5 - Interfund Receivables, Payables, Transfers

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

Due From Fund	Due to Fund	Amount
General	Food Service	\$ 24,735
Capital Projects	General	678,255
		<u>\$ 702,990</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 \$452,700 was made to the Capital Projects Fund from the General Fund to fund the costs of the School District's capital project plans.

Schoolcraft Community Schools
Notes to Financial Statements
June 30, 2013

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	\$ 3,500
Lunch monies on account	5,197
Total	\$ 8,697

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	\$12,455,000	\$ -	\$ 1,495,000	\$10,960,000	\$1,525,000
Durant bond	49,022	-	49,022	-	-
School Bond Loan Fund	288,864	325,374	-	614,238	-
Accrued interest on School Bond Loan Fund	3,646	13,651	-	17,297	-
Capital lease	10,743	-	6,207	4,536	4,169
Compensated absences	117,457	-	7,437	110,020	-
Total	\$12,924,732	\$339,025	\$ 1,557,666	\$11,706,091	\$1,529,169

Deferred amount on refunding activity is summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred amount on refunding	\$ 413,633	\$ -	\$ 51,101	\$ 362,532

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%	\$ 9,490,000
\$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%	1,470,000
Total general obligation bonded debt	\$ 10,960,000

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

Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,525,000	\$ 407,018	\$ 1,932,018
2015	1,525,000	363,783	1,888,783
2016	750,000	312,483	1,062,483
2017	735,000	289,983	1,024,983
2018	735,000	266,463	1,001,463
2019-2023	3,585,000	913,056	4,498,056
2024-2026	2,105,000	188,519	2,293,519
Total	\$ 10,960,000	\$ 2,741,305	\$13,701,305

Schoolcraft Community Schools
Notes to Financial Statements
June 30, 2013

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the fund had a balance of \$ 65,277 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
2014	\$ 4,440
2015	370
Total minimum lease payments	4,810
Less: Amount representing interest	274
Present value of minimum lease payments	\$ 4,536

The assets acquired through capital lease are as follows:

Assets	
Machinery and equipment	\$ 17,346
Less: Accumulated depreciation	13,877
	\$ 3,469
Total	\$ 3,469

Compensated Absences

Accrued compensated absences, including payroll taxes on these benefits at year-end is \$110,020. 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 \$325,374 and had an outstanding balance at year-end of \$614,238 of principal and \$17,297 in accrued interest. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

Defeased Debt

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

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

1996 Issue refunded	\$ 9,295,000
---------------------	--------------

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.

Schoolcraft Community Schools
Notes to Financial Statements
June 30, 2013

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 \$20,827. 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 (MPSERS), 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.

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 supplemental 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>.

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

In September 2012, the Michigan legislature enacted additional changes (2012 Retirement Reform) to the Retirement Act, with different aspects becoming effective in late 2012 and early 2013. With these changes MPSERS offers eight retirement plans: Basic, Member Investment Plan (MIP), Basic 4%, MIP 7%, Basic DC Converted, MIP DC Converted, Pension Plus, and the Defined Contribution (DC) plan. Multiple options exist within some of these plans.

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

Funding Policy

For the defined benefit plans the District is required by state law to contribute to MPSERS an actuarially determined percentage of payroll for all eligible participating employees. The District's actual contributions match the required contributions. Additionally, employees participating in the various defined benefit pension plans contribute the following amounts of their pretax salaries: (a) Member Investment Plan participants contribute 3% to 6.4%; (b) Basic 4% participants contribute 4%; and (c) MIP 7% participants contribute 3.9% to 7%. The following table discloses pertinent information relative to MPSERS defined benefit pension retirement plan funding for the three-year period beginning July 1, 2010 through June 30, 2013.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Funding percentage range	12.78 - 16.25 %	10.66 - 15.96%	8.63- 12.16%
School district defined benefit pension contributions	<u>\$ 740,478</u>	<u>\$ 772,919</u>	<u>\$ 625,338</u>

Schoolcraft Community Schools
Notes to Financial Statements
June 30, 2013

Defined Contribution Savings Plans

For the Pension Plus savings plan, eligible participants are automatically enrolled and 2% of their pay is withheld and deposited into the account. Participants may elect to not contribute, or may elect to increase their personal contribution up to the annual limits established by the IRS. The District matches 50 percent of the employee contributions into the Pension Plus savings plan, up to 1 percent. Participants opting to not contribute receive no employer matching contribution. Participants in the Basic DC Converted and MIP DC Converted plans receive 4% employer contributions to a tax-deferred 401(k) plan. The Defined Contribution Plan provides a 50% employer match (up to 3% of salary) on employee contributions. Participants in any of these defined contribution options may elect to make contributions to a tax-deferred 457 account up to the maximum amounts permitted by the IRS.

Contributions by the District and participants during the year ended June 30, 2013, were:

	School District	Participants
Contributions to the:		
Defined Contribution Plan	\$ 3,540	\$ 3,425

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.

The District's actual contributions match the required contributions.

The following table discloses pertinent information relative to the District's MPSERS defined benefit post employment benefits funding for the three-year period beginning July 1, 2010 through June 30, 2013.

	2013	2012	2011
Funding percentage range	8.18 - 9.11 %	8.50%	6.81 - 8.50 %
School district defined benefit post employment benefit plan contributions	\$ 441,022	\$ 462,880	\$ 451,875

Contributions by the District and participants to the MPSERS defined contribution Personal Healthcare Fund during the year ended June 30, 2013, were:

	School District	Participants
Contributions to the Personal Healthcare Fund	\$ 4,733	\$ 4,733

Schoolcraft Community Schools
Notes to Financial Statements
June 30, 2013

Unfunded Accrued Actuarial Liability

During the year ended June 30, 2013, the District had contributions in the amount of \$102,022 to the Michigan Public School Employee Retirement System (MPERS). This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was 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.

Note 11 - Change in Accounting Principle

As indicated in Note 1, the District has adopted Government Accounting Standards Board Statements 63 and 65. These statements require bond issuance costs to be expensed. Previously these costs were capitalized in the statement of net position and amortized. The standards require this change be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2012, by \$147,335, restating it from \$4,193,467 to \$4,046,132.

Schoolcraft Community Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 984,000	\$ 1,000,000	\$ 1,011,674	\$ 11,674
State sources	7,402,300	7,515,800	7,520,079	4,279
Federal sources	123,500	153,800	144,387	(9,413)
Intermediate sources	672,700	752,700	738,743	(13,957)
	<u>9,182,500</u>	<u>9,422,300</u>	<u>9,414,883</u>	<u>(7,417)</u>
Expenditures				
Instruction				
Basic programs	4,482,100	4,529,750	4,476,820	(52,930)
Added needs	852,355	856,115	822,896	(33,219)
Supporting services				
Pupil	240,170	211,220	202,067	(9,153)
Instructional staff	354,930	358,630	345,393	(13,237)
General administration	232,545	253,905	255,620	1,715
School administration	687,250	682,000	666,461	(15,539)
Business	280,400	241,000	222,606	(18,394)
Operations and maintenance	1,012,150	979,650	973,559	(6,091)
Pupil transportation services	505,700	502,750	469,207	(33,543)
Central	215,500	227,200	211,076	(16,124)
Athletic activities	253,700	259,200	253,461	(5,739)
Community services	28,950	28,950	27,677	(1,273)
Capital outlay	1,400	1,400	1,322	(78)
	<u>9,147,150</u>	<u>9,131,770</u>	<u>8,928,165</u>	<u>(203,605)</u>
Excess of revenues over expenditures	<u>35,350</u>	<u>290,530</u>	<u>486,718</u>	<u>196,188</u>

Schoolcraft Community Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Transfers out	\$ (357,700)	\$ (452,700)	\$ (452,700)	\$ -
Net change in fund balance	(322,350)	(162,170)	34,018	196,188
Fund balance - beginning	<u>1,461,284</u>	<u>1,461,284</u>	<u>1,461,284</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,138,934</u>	<u>\$ 1,299,114</u>	<u>\$ 1,495,302</u>	<u>\$ 196,188</u>

Schoolcraft Community Schools
Other Supplemental Information
General Fund
Comparative Balance Sheet
June 30, 2013

	2013	2012
Assets		
Cash	\$ 78,264	\$ 20,250
Taxes receivable	-	8,926
Accounts receivable	114,006	50,762
Due from other funds	678,255	914,512
Due from other governmental units	1,494,993	1,384,746
Investments	484,935	26,059
Prepaid items	8,036	15,112
Total assets	\$ 2,858,489	\$ 2,420,367
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 547,862	\$ 288,024
Due to other funds	24,735	16,739
Due to other governmental units	179,558	179,558
Payroll deductions and withholdings	43,681	63,121
Accrued salaries payable	563,851	410,048
Unearned revenue	3,500	1,593
Total liabilities	1,363,187	959,083
Fund Balance		
Non-spendable		
Prepaid items	8,036	15,112
Unassigned	1,487,266	1,446,172
Total fund balance	1,495,302	1,461,284
Total liabilities and fund balance	\$ 2,858,489	\$ 2,420,367

Schoolcraft Community Schools
Other Supplemental Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenues from local sources				
Property tax levy	\$ 753,000	\$ 753,000	\$ 745,456	\$ (7,544)
Student activities	69,000	84,000	79,606	(4,394)
Community service activities	34,000	34,000	35,247	1,247
Other local revenues	<u>128,000</u>	<u>129,000</u>	<u>151,365</u>	<u>22,365</u>
Total revenues from local sources	<u>984,000</u>	<u>1,000,000</u>	<u>1,011,674</u>	<u>11,674</u>
Revenues from state sources				
Grants - unrestricted	6,918,100	6,898,100	6,930,242	32,142
Grants - restricted	480,900	614,100	586,214	(27,886)
State payments in lieu of taxes	<u>3,300</u>	<u>3,600</u>	<u>3,623</u>	<u>23</u>
Total revenues from state sources	<u>7,402,300</u>	<u>7,515,800</u>	<u>7,520,079</u>	<u>4,279</u>
Revenues from federal sources				
Grants	<u>123,500</u>	<u>153,800</u>	<u>144,387</u>	<u>(9,413)</u>
Intermediate sources				
ISD collected millage	632,700	672,700	665,205	(7,495)
Cooperative education	<u>40,000</u>	<u>80,000</u>	<u>73,538</u>	<u>(6,462)</u>
Total intermediate sources	<u>672,700</u>	<u>752,700</u>	<u>738,743</u>	<u>(13,957)</u>
Total revenue and other financing sources	<u><u>\$ 9,182,500</u></u>	<u><u>\$ 9,422,300</u></u>	<u><u>\$ 9,414,883</u></u>	<u><u>\$ (7,417)</u></u>

Schoolcraft Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - elementary				
Salaries	\$ 1,344,400	\$ 1,324,100	\$ 1,318,118	\$ (5,982)
Employee benefits	753,200	738,000	725,300	(12,700)
Purchased services	19,800	47,500	44,744	(2,756)
Supplies and materials	47,900	37,900	33,356	(4,544)
Total elementary	<u>2,165,300</u>	<u>2,147,500</u>	<u>2,121,518</u>	<u>(25,982)</u>
Basic program - middle school				
Salaries	702,400	724,000	710,499	(13,501)
Employee benefits	377,900	379,600	373,147	(6,453)
Purchased services	10,300	14,000	11,648	(2,352)
Supplies and materials	31,400	23,400	18,599	(4,801)
Total middle school	<u>1,122,000</u>	<u>1,141,000</u>	<u>1,113,893</u>	<u>(27,107)</u>
Basic program - high school				
Salaries	690,400	676,450	683,514	7,064
Employee benefits	388,800	375,400	373,915	(1,485)
Purchased services	75,200	141,500	140,230	(1,270)
Supplies and materials	36,550	44,050	40,486	(3,564)
Other	1,550	1,550	1,050	(500)
Total high school	<u>1,192,500</u>	<u>1,238,950</u>	<u>1,239,195</u>	<u>245</u>
Basic program - pre-school				
Purchased services	<u>2,300</u>	<u>2,300</u>	<u>2,214</u>	<u>(86)</u>

Schoolcraft Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Added needs - special education				
Salaries	\$ 312,900	\$ 321,200	\$ 310,807	\$ (10,393)
Employee benefits	155,900	152,100	143,580	(8,520)
Purchased services	6,300	15,120	13,356	(1,764)
Supplies and materials	3,750	3,790	3,747	(43)
Total special education	<u>478,850</u>	<u>492,210</u>	<u>471,490</u>	<u>(20,720)</u>
Added needs - compensatory education				
Salaries	57,700	56,700	53,036	(3,664)
Employee benefits	20,300	18,000	18,227	227
Purchased services	-	2,500	2,224	(276)
Supplies and materials	900	4,600	2,772	(1,828)
Total compensatory education	<u>78,900</u>	<u>81,800</u>	<u>76,259</u>	<u>(5,541)</u>
Added needs - career and technical education				
Salaries	105,900	102,800	102,063	(737)
Employee benefits	59,900	50,800	49,340	(1,460)
Purchased services	120,500	120,200	116,758	(3,442)
Supplies and materials	8,305	8,305	6,986	(1,319)
Total career and technical education	<u>294,605</u>	<u>282,105</u>	<u>275,147</u>	<u>(6,958)</u>
Pupil - guidance services				
Purchased services	42,100	42,100	42,103	3
Supplies and materials	7,620	7,620	2,802	(4,818)
Total guidance services	<u>49,720</u>	<u>49,720</u>	<u>44,905</u>	<u>(4,815)</u>

Schoolcraft Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - health services				
Purchased services	\$ 7,250	\$ 7,250	\$ 4,960	\$ (2,290)
Supplies and materials	450	600	561	(39)
Total health services	<u>7,700</u>	<u>7,850</u>	<u>5,521</u>	<u>(2,329)</u>
Pupil - psychological services				
Salaries	65,700	66,300	66,316	16
Employee benefits	38,100	38,300	38,114	(186)
Purchased services	550	550	-	(550)
Supplies and materials	700	700	-	(700)
Total psychological services	<u>105,050</u>	<u>105,850</u>	<u>104,430</u>	<u>(1,420)</u>
Pupil - speech services				
Salaries	44,600	42,100	42,005	(95)
Employee benefits	30,700	3,300	3,213	(87)
Purchased services	550	550	240	(310)
Supplies and materials	500	500	458	(42)
Total speech services	<u>76,350</u>	<u>46,450</u>	<u>45,916</u>	<u>(534)</u>
Pupil - other support services				
Supplies and materials	<u>1,350</u>	<u>1,350</u>	<u>1,295</u>	<u>(55)</u>
Instructional staff - improvement of education				
Salaries	14,100	14,100	14,034	(66)
Employee benefits	-	600	557	(43)
Purchased services	-	-	9,927	9,927
Total improvement of education	<u>14,100</u>	<u>14,700</u>	<u>24,518</u>	<u>9,818</u>

Schoolcraft Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - educational media services				
Salaries	\$ 68,000	\$ 68,700	\$ 67,217	\$ (1,483)
Employee benefits	23,800	24,100	23,184	(916)
Supplies and materials	17,730	17,730	15,309	(2,421)
Total educational media services	<u>109,530</u>	<u>110,530</u>	<u>105,710</u>	<u>(4,820)</u>
Instructional staff - supervision and direction of instructional staff				
Purchased services	<u>34,000</u>	<u>34,000</u>	<u>34,173</u>	<u>173</u>
Instructional staff - other services				
Salaries	113,000	115,100	116,352	1,252
Employee benefits	54,900	55,500	51,107	(4,393)
Purchased services	29,400	28,800	13,533	(15,267)
Total other instructional staff services	<u>197,300</u>	<u>199,400</u>	<u>180,992</u>	<u>(18,408)</u>
General administration - board of education				
Salaries	805	805	575	(230)
Purchased services	34,550	44,350	46,109	1,759
Other	4,000	7,000	6,891	(109)
Total board of education	<u>39,355</u>	<u>52,155</u>	<u>53,575</u>	<u>1,420</u>

Schoolcraft Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
General administration - executive administration				
Salaries	\$ 135,600	\$ 137,900	\$ 140,029	\$ 2,129
Employee benefits	50,600	56,600	54,852	(1,748)
Purchased services	1,500	1,800	1,791	(9)
Supplies and materials	4,050	3,850	3,792	(58)
Other	1,440	1,600	1,581	(19)
Total executive administration	<u>193,190</u>	<u>201,750</u>	<u>202,045</u>	<u>295</u>
School administration - office of the principal				
Salaries	469,500	452,000	443,953	(8,047)
Employee benefits	214,300	226,100	219,551	(6,549)
Other	750	1,200	1,084	(116)
Total office of the principal	<u>684,550</u>	<u>679,300</u>	<u>664,588</u>	<u>(14,712)</u>
School administration - other				
Supplies and materials	<u>2,700</u>	<u>2,700</u>	<u>1,873</u>	<u>(827)</u>
Business - fiscal services				
Salaries	121,800	114,800	114,795	(5)
Employee benefits	93,300	82,400	75,754	(6,646)
Purchased services	31,700	16,200	14,794	(1,406)
Supplies and materials	2,000	1,250	1,539	289
Other	450	450	543	93
Total fiscal services	<u>249,250</u>	<u>215,100</u>	<u>207,425</u>	<u>(7,675)</u>

Schoolcraft Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Business - other				
Purchased services	\$ 5,150	\$ 5,900	\$ 5,888	\$ (12)
Other	26,000	20,000	9,293	(10,707)
Total other business	<u>31,150</u>	<u>25,900</u>	<u>15,181</u>	<u>(10,719)</u>
Operations and maintenance - operating building services				
Salaries	379,400	336,600	353,243	16,643
Employee benefits	211,200	169,900	163,231	(6,669)
Purchased services	86,900	117,900	114,108	(3,792)
Supplies and materials	334,650	355,250	342,977	(12,273)
Total operating building services	<u>1,012,150</u>	<u>979,650</u>	<u>973,559</u>	<u>(6,091)</u>
Pupil transportation services				
Salaries	241,150	241,550	229,074	(12,476)
Employee benefits	96,400	96,700	83,262	(13,438)
Purchased services	13,500	14,600	14,556	(44)
Supplies and materials	132,400	127,400	118,991	(8,409)
Other	22,250	22,500	23,324	824
Total transportation services	<u>505,700</u>	<u>502,750</u>	<u>469,207</u>	<u>(33,543)</u>
Central - planning, research development and evaluation				
Salaries	-	5,000	5,230	230
Central - communication services				
Employee benefits	-	1,800	1,941	141
Central - staff/personnel and communication services				
Purchased services	4,000	4,000	1,598	(2,402)
Other	900	900	990	90
Total staff/personnel and communication services	<u>4,900</u>	<u>4,900</u>	<u>2,588</u>	<u>(2,312)</u>

Schoolcraft Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Central - support services technology				
Salaries	\$ 60,000	\$ 69,800	\$ 68,454	\$ (1,346)
Employee benefits	36,200	40,300	35,365	(4,935)
Purchased services	70,800	70,800	62,881	(7,919)
Supplies and materials	43,600	34,600	34,617	17
Total support services technology	<u>210,600</u>	<u>215,500</u>	<u>201,317</u>	<u>(14,183)</u>
Athletic activities				
Salaries	60,000	60,000	55,426	(4,574)
Employee benefits	21,100	21,100	19,053	(2,047)
Purchased services	150,100	155,600	154,850	(750)
Supplies and materials	13,500	13,500	14,159	659
Other	9,000	9,000	9,973	973
Total athletic activities	<u>253,700</u>	<u>259,200</u>	<u>253,461</u>	<u>(5,739)</u>
Community services - custody and care of children				
Salaries	21,000	21,000	20,393	(607)
Employee benefits	7,500	7,500	7,010	(490)
Supplies and materials	450	450	274	(176)
Total custody and care of children	<u>28,950</u>	<u>28,950</u>	<u>27,677</u>	<u>(1,273)</u>
Capital outlay				
Central - support services technology	<u>1,400</u>	<u>1,400</u>	<u>1,322</u>	<u>(78)</u>
Other financing uses				
Transfers out	<u>357,700</u>	<u>452,700</u>	<u>452,700</u>	<u>-</u>
Total expenditures and financing uses	<u>\$ 9,504,850</u>	<u>\$ 9,584,470</u>	<u>\$ 9,380,865</u>	<u>\$ (203,605)</u>

Schoolcraft Community Schools
Fiduciary Fund
Statement of Assets and Liabilities
June 30, 2013

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets				
Cash	\$ 99,920	\$ 247,257	\$ 252,373	\$ 94,804
Liabilities				
Due to student groups	\$ 99,920	\$ 247,257	\$ 252,373	\$ 94,804

See Accompanying Notes to Financial Statements

Schoolcraft Community Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2013

Year Ending June 30,	2009 Refunding Bonds	2009 Series B Refunding Bonds	Total
2014	\$ 795,000	\$ 730,000	\$ 1,525,000
2015	785,000	740,000	1,525,000
2016	750,000	-	750,000
2017	735,000	-	735,000
2018	735,000	-	735,000
2019	735,000	-	735,000
2020	725,000	-	725,000
2021	710,000	-	710,000
2022	710,000	-	710,000
2023	705,000	-	705,000
2024	705,000	-	705,000
2025	695,000	-	695,000
2026	705,000	-	705,000
Total	<u>\$ 9,490,000</u>	<u>\$ 1,470,000</u>	<u>\$ 10,960,000</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>	

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

Board of Education
Schoolcraft Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Schoolcraft Community School as of and for the year ended June 30, 2013, which collectively comprise Schoolcraft Community Schools' basic financial statements and have issued our report thereon dated October 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Yeo & Yeo, P.C.

Kalamazoo, MI
October 11, 2013