

**Schoolcraft Community Schools**

**Annual Financial Statements  
and  
Auditors' Report**

**June 30, 2009**

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**Schoolcraft Community Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2009**

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**Members of the Board of Education**

Michael Rochholz – President

Skip Fox – Vice President

Matt DeVoe – Treasurer

Darby Fetzer – Secretary

David Krum – Trustee

Kathy Mastenbrook - Trustee

Janette Gabel-Goes - Trustee

**Administration**

Douglas Knobloch

## Independent Auditors' Report

To the Board of Education  
Schoolcraft Community Schools  
Schoolcraft, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Schoolcraft Community Schools as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Schoolcraft Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Schoolcraft Community Schools as of June 30, 2009, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 16, 2009, on our consideration of the Schoolcraft Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Schoolcraft Community Schools' basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Yeo & Yeo, P.C.*

Kalamazoo, Michigan  
October 16, 2009

## **Schoolcraft Community Schools Management's Discussion and Analysis For the Year Ended June 30, 2009**

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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, 2009. It is to be read in conjunction with the School District's financial statements, which immediately follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Schoolcraft Community Schools financially as a whole. The District-wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the School District-wide financial statements by providing information about the School District's most significant funds - the General Fund, the 1996 Debt Fund, and the Capital Projects Fund with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

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

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

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

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

**Schoolcraft Community Schools  
Management's Discussion and Analysis  
For the Year Ended June 30, 2009**

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

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

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

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

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

**Schoolcraft Community Schools  
Management's Discussion and Analysis  
For the Year Ended June 30, 2009**

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2009:

	Year Ended June 30, 2009	Year Ended June 30, 2008		Year Ended June 30, 2009	Year Ended June 30, 2008
<b>Assets</b>			<b>Liabilities</b>		
Current assets	\$ 3,785,988	\$ 3,599,843	Current liabilities	\$ 1,914,149	\$ 2,066,817
Capital assets	25,715,072	25,734,012	Long-term liabilities	<u>15,364,845</u>	<u>16,264,375</u>
Less: accumulated depreciation	<u>(10,183,861)</u>	<u>(9,764,317)</u>	Total liabilities	<u>17,278,994</u>	<u>18,331,192</u>
Capital assets, net book value	<u>15,531,211</u>	<u>15,969,695</u>	<b>Net Assets</b>		
			Invested in capital assets, net of related debt	(343,846)	(778,909)
			Restricted for debt service	287,111	268,066
			Unrestricted	<u>2,094,940</u>	<u>1,749,189</u>
			Total net assets (liabilities)	<u>2,038,205</u>	<u>1,238,346</u>
Total assets	<b>\$ <u>19,317,199</u></b>	<b>\$ <u>19,569,538</u></b>	Total liabilities and net assets	<b>\$ <u>19,317,199</u></b>	<b>\$ <u>19,569,538</u></b>

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$2,038,205, and \$1,238,346 at June 30, 2009 and June 30, 2008, respectively. Capital assets (net of related debt totaling (\$343,846) and (\$778,909) at June 30, 2009 and June 30, 2008, respectively) compares the original cost, less depreciation, of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Debt repayments are outpacing the investment in additional capital assets as expected. All major renovations and building projects were completed prior to June 30, 2005 and maintenance plans have been put in place to care for the existing facilities so the School District anticipates the continuation of this trend. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets \$2,094,940 was unrestricted.

The \$2,094,940 and \$1,749,189 at June 30, 2009 and June 30, 2008, respectively, in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year. See below for further discussion on the change in unrestricted net assets.

**Schoolcraft Community Schools  
Management's Discussion and Analysis  
For the Year Ended June 30, 2009**

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net assets for fiscal years 2009 and 2008 respectively.

**Table 2 - Statement of Activities**

	Year Ended June 30, 2009	Year Ended June 30, 2008		Year Ended June 30, 2009	Year Ended June 30, 2008
<b>Program revenue:</b>			<b>Expenses:</b>		
Charges for services	\$ 340,873	\$ 331,295	Instruction	\$ 6,552,877	\$ 6,485,191
Operating grants	<u>1,463,680</u>	<u>1,044,623</u>	Supporting Services	3,701,585	3,820,328
Total program revenue	1,804,553	1,375,918	Food services	331,991	327,787
<b>General revenue:</b>			Athletics	216,774	205,460
Property taxes, levied for general purposes	1,130,205	1,284,046	Interest on long-term debt	<u>727,264</u>	<u>826,334</u>
Property taxes, levied for debt service	1,906,811	1,833,561			
State aid, unrestricted	7,307,832	7,592,966			
Interest and investment earnings	31,960	39,579			
Other	<u>148,989</u>	<u>134,405</u>			
Total general revenue	<u>10,525,797</u>	<u>10,884,557</u>	Total expenses	<u>\$ 11,530,491</u>	<u>\$ 11,665,100</u>
Total revenue	<u>\$ 12,330,350</u>	<u>\$ 12,260,475</u>	Increase in net assets	<u>\$ 799,859</u>	<u>\$ 595,375</u>

As reported in the statement of activities, the cost of all governmental activities for 2008-09 was \$11,530,491. Some activities were partially funded by those who benefited from the programs (\$340,873) or by subsidies from other governments and organizations (\$1,463,680). The remaining "public benefit" portion of governmental activities was paid for with \$1,130,205 in taxes, \$7,307,832 in state foundation allowance, and with other revenues (i.e. interest and general entitlements). The increase in operating grants and the decreases in property taxes, levied for general purposes, and state aid unrestricted, when combined is a net decrease of \$19,900. The changes in these groupings from the prior year relate to how the school was funded due to lower tax collections, which is made up by the foundation allowance which was reduced by the amount of American Recovery and Reinvestment Act dollars (ARRA) received. No real dollar change occurred in these revenue items but the funding source is important as the ARRA revenue is a limited funding source. The decrease in supporting services expenses can primarily be attributed to two factors, neither of which is individually significant. A drop in fuel prices resulted in lower transportation costs and the return to the classroom of the interim placement of an additional building administrator.

The School District experienced an increase in net assets of \$799,859.

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,

**Schoolcraft Community Schools  
Management's Discussion and Analysis  
For the Year Ended June 30, 2009**

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the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

**The School District's Funds**

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

As the School District completed the 2008-09 fiscal year, the governmental funds reported a combined fund balance of \$2,636,575, which is an increase of \$198,285 from the previous year. The primary reasons for the increase are as follows:

The General Fund's fund balance decreased \$138,403 to \$1,047,440. The net change is primarily the result of a drop in enrollment of 20 students from the previous year. General Fund fund balance is available to fund costs related to allowable school operating purposes.

The 1996 Debt Service Fund remained stable from the prior year. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Durant debt obligations are funded by annual state appropriations, and no fund balance exists at year end. Debt Service Funds fund balances are reserved and can only be used to pay debt service obligations.

The Capital Projects Fund increased \$317,643 to \$1,300,824. This is the fund that the School District uses to manage the district wide capital asset replacement and maintenance plans. The 1.5 % county wide regional enhancement millage and District facility rental revenues fund these plans. The School District's asset replacement and maintenance plan is a long-term plan. While the county wide millage was renewed for an additional three years in May of 2007, facility rental revenues are expected to decrease significantly in the next 3 years; therefore the School District is committed to funding the Capital Projects Fund out of the General Fund at a steadily increasing level to replace the short term funding from these short term sources.

Special Revenue Funds remained stable from the prior year, maintaining a total fund balance of \$1,200.

**General Fund Budgetary Highlights**

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

**Schoolcraft Community Schools  
Management's Discussion and Analysis  
For the Year Ended June 30, 2009**

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There were revisions made to the 2008-09 General Fund original budget. Budgeted revenues were reallocated to better reflect their sources without a significant change in total revenue budgeted. The most significant revision of this type (\$435,000) related to the receipt of the ARRA monies in July instead of foundation allowance as originally budgeted.

Budgeted expenditures were increased \$60,800 primarily to account for transfer out of the rental income received.

**Capital Assets and Debt Administration**

***Capital Assets***

As of June 30, 2009, the School District had \$15.5 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture and equipment. This amount represents a net decrease from the previous year primarily due to depreciation, as the only major additions to capital assets were the purchase of a bus (\$98,798), the acquisition of copier equipment (\$17,346) and various facility and operational improvements that were individually insignificant (\$21,000).

The major capital projects budgeted for the 2009-2010 fiscal year include the purchase of transportation vehicles (\$140,000), an upgrade to one computer lab and mobile laptop cart (\$62,000), the ongoing energy consortium project (\$56,000), the replacement of the storage facility attached to the Ken Krum Recreational Facility (\$50,000). These capital projects are expected to be funded primarily through the regional enhancement millage receipts that are projected to generate \$440,000 in revenue for the School District.

***Debt***

At the end of this year, the School District had \$12.25 million in bonds outstanding versus \$12.9 million in the previous year - a decrease of 7.75% percent. Those bonds consisted of the following:

	<u>2009</u>	<u>2008</u>
General Obligation Bonds	<u>\$ 12,250,000</u>	<u>\$ 12,875,000</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 \$12.25 million is significantly below the statutorily imposed limit.

The School District's general obligation bond rating is AA-. On September 16, 2009 and October 6, 2009 the District refunded (refinanced) both its general obligation bonds in the amount of \$12,420,000 and its bonds in the school loan revolving fund in the amount of \$4,010,000 respectively.

**Schoolcraft Community Schools  
Management's Discussion and Analysis  
For the Year Ended June 30, 2009**

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The first transaction resulted in a net present value of \$500,000. The second transaction resulted in a net present value of \$167,000 and will allow the debt millage to be lowered to approximately 7.50 from 9.05 in December 2010 which will result in a savings in 2011 for the District's taxpayers.

Other obligations include accrued compensated absences. More detailed information about our long-term liabilities is presented in the notes to the financial statements.

**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 2009-10 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 2009-10 budget was adopted in June 2009, based on an estimate of students that will be enrolled in September 2009. 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 2009-10 school year, it is anticipated that the fall student count will be similar to the estimates used in creating the 2009-10 budget. The related per pupil funding that was adopted by the State is \$112 per pupil lower than used in the original budget, which was a decrease of \$59 per pupil. The \$165 per pupil decrease is expected to result in \$190,000 lost revenue to the District. The state economy continues to remain down and has not recovered at the pace forecasted for the fifth year in a row. The State used American Recovery and Reinvestment Act dollars to back fill the 2009-10 budget so that the decrease was only \$165 leaving the District to believe that the 2010-11 funding is expected to be significantly lower. While the District has made many budget and staffing cuts over the past several years while maintaining solid programming the inability of the State to adequately fund education will undoubtedly result in deeper cuts going forward. It is the intention of District in 2009-10 to establish a cross functional community and district committee to facilitate the discussion of next steps to take to remain solvent. The School District's administration continues to work under a zero basis budgeting approach, purchasing needs only, as they wait to see how the state budget crisis is handled.

**Schoolcraft Community Schools**  
**Statement of Net Assets**  
**June 30, 2009**

	Governmental Activities
<b>Assets</b>	
Cash	\$ 2,108,865
Taxes receivable	23,775
Accounts receivable	5,802
Due from other governmental units	1,515,989
Interest receivable	3,181
Inventory	5,611
Investments	113,760
Prepaid items	9,005
Capital assets not being depreciated	148,000
Capital assets - net of accumulated depreciation	15,383,211
Total assets	19,317,199
 <b>Liabilities</b>	
Accounts payable	381,645
Due to other governmental units	179,558
Payroll deductions and withholdings	84,962
Accrued expenditures	111,378
Accrued salaries payable	476,258
Deferred revenue	3,215
Noncurrent liabilities	
Due within one year	677,133
Due in more than one year	15,364,845
Total liabilities	17,278,994
 <b>Net Assets (Liabilities)</b>	
Invested in capital assets, net of related debt	(343,846)
Restricted for:	
Debt service	287,111
Unrestricted	2,094,940
Total net assets	\$ 2,038,205

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2009**

	Program Revenues			Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions		Revenue and Changes in Net Assets
<b>Functions/Programs</b>				
Governmental activities				
Instruction	\$ 6,552,877	\$ 51,284	\$ 1,374,283	\$ (5,127,310)
Supporting services	3,701,585	-	-	(3,701,585)
Food services	331,991	237,999	89,397	(4,595)
Athletic activities	216,774	51,590	-	(165,184)
Interest on long-term debt	727,264	-	-	(727,264)
Total governmental activities	\$ 11,530,491	\$ 340,873	\$ 1,463,680	(9,725,938)
General revenues				
Property taxes, levied for general purposes				1,130,205
Property taxes, levied for debt service				1,906,811
State aid - unrestricted				7,307,832
Interest and investment earnings				31,960
Other				148,989
Total general revenues				10,525,797
Change in net assets				799,859
Net assets - beginning				1,238,346
Net assets - ending				\$ 2,038,205

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2009**

	<u>General Fund</u>	<u>1996 Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash	\$ 635,798	\$ 283,930	\$ 1,186,604	\$ 2,533	\$ 2,108,865
Taxes receivable	10,880	12,895	-	-	23,775
Accounts receivable	2,419	-	3,383	-	5,802
Due from other funds	2,901	-	110,837	172	113,910
Due from other governmental units	1,515,989	-	-	-	1,515,989
Interest receivable	-	3,181	-	-	3,181
Inventory	1,000	-	-	4,611	5,611
Investments	113,760	-	-	-	113,760
Prepaid items	9,005	-	-	-	9,005
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 2,291,752</u>	<u>\$ 300,006</u>	<u>\$ 1,300,824</u>	<u>\$ 7,316</u>	<u>\$ 3,899,898</u>

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2009**

	<u>General Fund</u>	<u>1996 Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Liabilities and Fund Balance</b>					
Liabilities					
Accounts payable	\$ 381,645	\$ -	\$ -	\$ -	\$ 381,645
Due to other funds	111,009	-	-	2,901	113,910
Due to other governmental units	179,558	-	-	-	179,558
Payroll deductions and withholdings	84,962	-	-	-	84,962
Accrued salaries payable	476,258	-	-	-	476,258
Deferred revenue	10,880	12,895	-	3,215	26,990
	<u>1,244,312</u>	<u>12,895</u>	<u>-</u>	<u>6,116</u>	<u>1,263,323</u>
Total liabilities					
Fund Balance					
Reserved for inventory	1,000	-	-	-	1,000
Reserved for prepaid items	9,005	-	-	-	9,005
Reserved for debt service	-	287,111	-	-	287,111
Reserved for capital projects	-	-	1,300,824	-	1,300,824
Other undesignated	1,037,435	-	-	1,200	1,038,635
	<u>1,047,440</u>	<u>287,111</u>	<u>1,300,824</u>	<u>1,200</u>	<u>2,636,575</u>
Total fund balance					
Total liabilities and fund balance	<u>\$ 2,291,752</u>	<u>\$ 300,006</u>	<u>\$ 1,300,824</u>	<u>\$ 7,316</u>	<u>\$ 3,899,898</u>

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2009**

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<b>Total fund balances for governmental funds</b>	<b>\$ 2,636,575</b>
Total net assets for governmental activities in the statement of net assets is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Property taxes	23,775
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	148,000
Capital assets - net of accumulated depreciation	15,383,211
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(111,378)
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	(166,921)
Bonds payable	(11,934,598)
School bond loan payable	(3,882,802)
Other loans payable and liabilities	<u>(57,657)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 2,038,205</u></b>

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2009**

	General Fund	1996 Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local sources	\$ 965,629	\$ 1,912,168	\$ 21,252	\$ 270,902	\$ 3,169,951
State sources	7,685,098	9,795	-	13,564	7,708,457
Federal sources	566,856	-	-	94,520	661,376
Intermediate sources	831,228	-	-	-	831,228
 Total revenues	 <u>10,048,811</u>	 <u>1,921,963</u>	 <u>21,252</u>	 <u>378,986</u>	 <u>12,371,012</u>
<b>Expenditures</b>					
Current					
Education					
Instruction	6,103,619	-	-	-	6,103,619
Supporting services	3,410,513	-	-	-	3,410,513
Food services	-	-	-	329,411	329,411
Athletic activities	-	-	-	205,592	205,592
Capital outlay	23,549	-	214,471	-	238,020
Debt service					
Principal	-	960,494	-	-	960,494
Interest and other expenditures	-	942,424	-	-	942,424
 Total expenditures	 <u>9,537,681</u>	 <u>1,902,918</u>	 <u>214,471</u>	 <u>535,003</u>	 <u>12,190,073</u>
 Excess (deficiency) of revenues over expenditures	 <u>511,130</u>	 <u>19,045</u>	 <u>(193,219)</u>	 <u>(156,017)</u>	 <u>180,939</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, 2009**

	<u>General Fund</u>	<u>1996 Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Other Financing Sources (Uses)</b>					
Capital leases	\$ 17,346	\$ -	\$ -	\$ -	\$ 17,346
Transfers in	-	-	510,862	156,017	666,879
Transfers out	<u>(666,879)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(666,879)</u>
Total other financing sources (uses)	<u>(649,533)</u>	<u>-</u>	<u>510,862</u>	<u>156,017</u>	<u>17,346</u>
Net change in fund balance	(138,403)	19,045	317,643	-	198,285
Fund balance - beginning	<u>1,185,843</u>	<u>268,066</u>	<u>983,181</u>	<u>1,200</u>	<u>2,438,290</u>
Fund balance - ending	<u>\$ 1,047,440</u>	<u>\$ 287,111</u>	<u>\$ 1,300,824</u>	<u>\$ 1,200</u>	<u>\$ 2,636,575</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, 2009**

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<b>Net change in fund balances - total governmental funds</b>	\$	198,285
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Property taxes		(40,662)
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		(575,928)
Capital outlay		137,444
Expenses are recorded when incurred in the statement of activities.		
Interest		215,160
Compensated absences		(7,987)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Debt issued - capital lease		(17,346)
Repayments of long-term debt		970,893
Amortization bond issuance costs		(80,000)
		(17,346)
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>799,859</u></b>

**Schoolcraft Community Schools**  
**Fiduciary Funds**  
**Statement of Assets and Liabilities**  
**June 30, 2009**

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	<u>Agency Funds</u>
<b>Assets</b>	
Cash	\$ <u>107,954</u>
<b>Liabilities</b>	
Due to agency fund activities	\$ <u>107,954</u>

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2009**

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

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

**Reporting Entity**

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

**District-wide Financial Statements**

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

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

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

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

**Fund Financial Statements**

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

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

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2009**

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

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

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

The School District reports the following major governmental funds:

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

*1996 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 Building and Site Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, building, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished. 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 Food Service and Athletic Funds. Operating deficits generated by these activities are generally transferred from the General Fund.

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

**Assets, Liabilities and Equity**

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

Property taxes and other receivables are shown net of an allowance for uncollectible amounts.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2009, 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	9.05000

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2009**

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

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by Kalamazoo County and should be remitted to the School District by May 15.

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

*Inventories and Prepaid Items* – Food service inventories are valued at cost, on a first-in, first-out basis and recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

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

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

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

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

*Long-term Obligations* – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

*Fund Equity* – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data**

Comparative data is not included in the School District's financial statements.

**Eliminations and Reclassifications**

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

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2009**

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**Upcoming Accounting and Reporting Change**

The Government Accounting Standards Board has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial life extending beyond a single reporting period. In general, the new rules will cause district-wide financial statements to include intangible assets as capital assets. This statement is effective for the year ending June 30, 2010.

**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 cancel all encumbrances. These appropriations are reestablished at the beginning of the year.

The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the Act 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 which were amended.

**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:

<u>Function</u>	<u>Final Budget</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
General Fund			
Capital outlay	\$ 11,330	\$ 23,549	\$ 12,219
Food service Fund	312,950	329,411	16,461
Athletics Fund	203,000	205,592	2,592

**Note 3 - Deposits and Investments**

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash	\$ 2,108,865	\$ 107,954	\$ 2,216,819
Investments	113,760	-	113,760
	<u>\$ 2,222,625</u>	<u>\$ 107,954</u>	<u>\$ 2,330,579</u>

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2009**

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 2,213,319
Investments in securities, mutual funds, and similar vehicles	113,760
Petty cash and cash on hand	3,500
<b>Total</b>	<b><u><u>\$ 2,330,579</u></u></b>

*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, \$1,957,500 of the District's bank balance of \$2,378,494 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk - Investments* - For an investment, this 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. Consistent with the District's investment policy, the District's investments in a municipal investment fund are held by a counterparty and not insured.

**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	\$ 148,000	\$ -	\$ -	\$ 148,000
Capital assets being depreciated				
Buildings and additions	22,873,217	-	-	22,873,217
Equipment and furniture	1,970,734	38,646	156,384	1,852,996
Buses and other vehicles	742,061	98,798	-	840,859
Total capital assets being depreciated	<u>25,586,012</u>	<u>137,444</u>	<u>156,384</u>	<u>25,567,072</u>
Less accumulated depreciation for				
Buildings and additions	7,696,341	427,838	-	8,124,179
Equipment and furniture	1,601,200	96,331	156,384	1,541,147
Buses and other vehicles	466,776	51,759	-	518,535
Total accumulated depreciation	<u>9,764,317</u>	<u>575,928</u>	<u>156,384</u>	<u>10,183,861</u>
Net capital assets being depreciated	<u>15,821,695</u>	<u>(438,484)</u>	<u>-</u>	<u>15,383,211</u>
Net capital assets	<u>\$ 15,969,695</u>	<u>\$ (438,484)</u>	<u>\$ -</u>	<u>\$ 15,531,211</u>

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2009**

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

<b>Governmental activities</b>	
Instruction	\$ 420,039
Support services	142,127
Food services	2,580
Athletic activities	<u>11,182</u>
 Total governmental activities	 <u><u>\$ 575,928</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	Capital Projects	\$ 110,837
General	Athletics	172
Food Service	General	2,446
Athletics	General	<u>455</u>
		<u><u>\$ 113,910</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.

Interfund transfers were made during the year from the General Fund to the Capital Projects Fund, Athletic Fund and the Lunch Fund in the amount of \$510,862, \$154,002 and \$2,015 respectively. The transfers to the Athletics and Lunch Funds were made to cover the costs of the School District's programs that were in excess of

revenues generated from those activities. The transfer to the Capital Projects Fund consisted of rental income collected and the Countywide Enhancement millage revenue received by the School District during the year. The Board of Education elected to earmark these funds to offset future costs related to the technology and capital improvements.

**Note 6 - Deferred Revenue**

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes	\$ 23,775	\$ -
Lunch monies on account	<u>-</u>	<u>3,215</u>
 Total	 <u><u>\$ 23,775</u></u>	 <u><u>\$ 3,215</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.

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2009**

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 12,875,000	\$ -	\$ 625,000	\$ 12,250,000	\$ 655,000
Durant resolution package bonds	82,361	-	7,763	74,598	8,132
School Bond Loan	4,210,533	-	327,731	3,882,802	-
Capital lease	50,710	17,346	10,399	57,657	14,001
Compensated absences	158,934	166,921	158,934	166,921	-
Deferred amount on refunding	(470,000)	-	(80,000)	(390,000)	-
<b>Total</b>	<u>\$ 16,907,538</u>	<u>\$ 184,267</u>	<u>\$ 1,049,827</u>	<u>\$ 16,041,978</u>	<u>\$ 677,133</u>

Interest expenditure for the fiscal year in the Debt Service Funds was \$941,824.

General obligation bonds payable at yearend, consists of the following:

\$8,220,000 serial bond due in annual installments of \$65,000 to \$740,000 through May 2026, interest at 4.05% to 4.60%	\$ 6,495,000
\$5,955,000 serial bond due in annual installments of \$20,000 to \$510,000 through May 2026, interest at 4.05% to 4.875%	<u>5,755,000</u>
<b>Total general obligation bonded debt</b>	<u>\$ 12,250,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2010	\$ 655,000	\$ 566,546	\$ 1,221,546
2011	695,000	538,996	1,233,996
2012	725,000	509,074	1,234,074
2013	760,000	477,498	1,237,498
2014	765,000	444,034	1,209,034
2015-2019	3,660,000	1,706,314	5,366,314
2020-2024	3,575,000	851,708	4,426,708
2025-2026	1,415,000	101,726	1,516,726
<b>Total</b>	<u>\$ 12,250,000</u>	<u>\$ 5,195,896</u>	<u>\$ 17,445,896</u>

The general obligation bonds are payable from the Debt Service Funds. As of yearend, the fund had a balance of \$ 287,111 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

\$139,487 Durant Refunding serial bonds due in annual installments through 5/15/2013; interest 4.76% due annually	<u>\$ 74,598</u>
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These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2009**

Future principal and interest requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 8,132	\$ 1,663	\$ 9,795
2011	8,519	1,276	9,795
2012	8,925	870	9,795
2013	49,022	16,789	65,811
Total	<u>\$ 74,598</u>	<u>\$ 20,598</u>	<u>\$ 95,196</u>

**State School Bond Loan**

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 on the School District's bond issues. In prior years, the School District issued bonds to renovate School District facilities. The bond election, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond vote millage of 9.05 mills, but instead the election permitted the School District to extend this levy through the year 2026. Since the monies generated by the 9.05 mills were not sufficient to cover the entire debt service requirements of the School District in prior years, it was necessary for the School District to borrow a total of \$ 4,364,848 to meet debt service requirements. 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 issued and all necessary borrowing from the State School Bond Loan Fund. During the year, the School District repaid \$347,269 of accrued interest and \$327,731 on the outstanding principal and had an outstanding balance at yearend of \$3,882,802, from the State School Bond Loan Fund. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

**Capital Leases Payable**

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

Year Ending June 30,	2007 Lease	2009 Lease	Total
2010	\$ 14,808	\$ 4,070	\$ 18,878
2011	14,808	4,440	19,248
2012	14,808	4,440	19,248
2013	2,468	4,440	6,908
2014	-	4,440	4,440
2015 - 2019	-	370	370
Total minimum lease payments	46,892	22,200	69,092
Less amount representing interest	6,581	4,854	11,435
Present value of minimum lease payments	<u>\$ 40,311</u>	<u>\$ 17,346</u>	<u>\$ 57,657</u>

The assets acquired through capital lease are as follows:

Assets			
Machinery and equipment	\$ 58,650	\$ 17,364	\$ 76,014
Less accumulated depreciation	9,775	-	9,775
Total	<u>\$ 48,875</u>	<u>\$ 17,364</u>	<u>\$ 66,239</u>

**Compensated Absences**

Accrued compensated absences, including payroll taxes on these benefits at year end is \$166,921. 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.

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2009**

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**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 yearend, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

1996 Issue refunded	\$ 11,860,000
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**Note 8 - Risk Management**

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

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District's unemployment compensation expense for the year was \$9,395. At June 30, 2009 the School District has recorded a \$15,545 unemployment compensation liability.

**Note 9 - Defined Benefit Pension Plan**

**Plan Description**

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

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

MPERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. The report provides information for the plan as a whole and information helpful for understanding the scale of the information presented relative to the School. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671 or calling 800-381-5111.

**Schoolcraft Community Schools**  
**Notes to Financial Statements**  
**June 30, 2009**

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**Funding Policy**

The School is required by State statute to contribute to MPSERS an actuarially determined percentage of payroll for all participating employees. Additionally, employees participating in the Member Investment Plan contributed 3% to 4.3% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPSERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPSERS funding for the three-year period beginning July 1, 2006 through June 30, 2009.

	2009	2008	2007
Funding percentage range	16.54 - 16.72%	16.72 - 17.74%	16.34-17.74%
Total payroll	5,833,724	5,728,022	5,489,942
Total covered payroll	5,719,941	5,634,148	5,376,602
School contributions	948,172	953,483	938,746
Employee MIP contributions	170,470	166,555	156,544
Tax deferred payment program	45,718	50,955	48,299
Portion of school contribution covering health, dental and vision benefits	41%	39%	37%

**Trend Information**

Ten-year historical trend information is presented in the September 30, 2008, PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The total benefit obligations and net assets available for benefits as of September 30, 2007, the latest date for which information is available, approximates \$ 47.1 billion and \$ 39.9 billion, respectively. The School's share of the total current actuarially determined employer contribution requirement under MPSERS was less than 1% for the year ended September 30, 2008.

**Post Employment Benefits**

In addition to the pension benefits described above, the School District provides post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPSERS).

Expenditures for these benefits are recognized on a cash disbursement basis. During the year ended September 30, 2008, statewide expenditures of \$ 735 million were recognized for post-retirement health care, dental and vision. This represented approximately 19% of the total expenditures of the Michigan Public School Employees Retirement System.

**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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Local sources	\$ 1,068,100	\$ 959,300	\$ 965,629	\$ 6,329
State sources	7,916,800	7,671,300	7,685,098	13,798
Federal sources	105,900	566,600	566,856	256
Intermediate sources	<u>840,000</u>	<u>819,900</u>	<u>831,228</u>	<u>11,328</u>
 Total revenues	 <u>9,930,800</u>	 <u>10,017,100</u>	 <u>10,048,811</u>	 <u>31,711</u>
 <b>Expenditures</b>				
Instruction				
Basic programs	5,062,400	5,076,000	5,028,862	(47,138)
Added needs	1,176,745	1,109,145	1,074,757	(34,388)
Supporting services				
Pupil	335,800	339,300	331,108	(8,192)
Instructional staff	298,100	306,900	282,973	(23,927)
General administration	221,205	230,505	222,314	(8,191)
School administration	603,800	605,500	587,544	(17,956)
Business	240,300	245,600	219,853	(25,747)
Operations and maintenance	1,197,200	1,207,100	1,111,493	(95,607)
Pupil transportation services	562,800	537,800	516,975	(20,825)
Central	152,200	153,500	138,253	(15,247)
Capital outlay	<u>11,330</u>	<u>11,330</u>	<u>23,549</u>	<u>12,219</u>
 Total expenditures	 <u>9,861,880</u>	 <u>9,822,680</u>	 <u>9,537,681</u>	 <u>(284,999)</u>
 Excess of revenues over expenditures	 <u>68,920</u>	 <u>194,420</u>	 <u>511,130</u>	 <u>316,710</u>

**Schoolcraft Community Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>			Over (Under) Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Other Financing Sources (Uses)</b>				
Capital leases	\$ -	\$ -	\$ 17,346	\$ 17,346
Transfers out	<u>(571,950)</u>	<u>(671,950)</u>	<u>(666,879)</u>	<u>5,071</u>
Total other financing sources (uses)	<u>(571,950)</u>	<u>(671,950)</u>	<u>(649,533)</u>	<u>22,417</u>
Net change in fund balance	(503,030)	(477,530)	(138,403)	339,127
Fund balance - beginning	<u>1,185,843</u>	<u>1,185,843</u>	<u>1,185,843</u>	<u>-</u>
Fund balance - ending	<u>\$ 682,813</u>	<u>\$ 708,313</u>	<u>\$ 1,047,440</u>	<u>\$ 339,127</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2009**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service	Athletics	
<b>Assets</b>			
Cash	\$ 1,050	\$ 1,483	\$ 2,533
Due from other funds	-	172	172
Inventory	4,611	-	4,611
Total assets	\$ 5,661	\$ 1,655	\$ 7,316
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Due to other funds	\$ 2,446	\$ 455	\$ 2,901
Deferred revenue	3,215	-	3,215
Total liabilities	5,661	455	6,116
<b>Fund Balance</b>			
Other undesignated	-	1,200	1,200
Total liabilities and fund balance	\$ 5,661	\$ 1,655	\$ 7,316

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2009**

	<u>Special Revenue Funds</u>		Total
	<u>Food Service</u>	<u>Athletics</u>	Nonmajor Governmental Funds
<b>Revenues</b>			
Local sources	\$ 219,312	\$ 51,590	\$ 270,902
State sources	13,564	-	13,564
Federal sources	<u>94,520</u>	<u>-</u>	<u>94,520</u>
Total revenues	<u>327,396</u>	<u>51,590</u>	<u>378,986</u>
<b>Expenditures</b>			
Current			
Education			
Food services	329,411	-	329,411
Athletic activities	<u>-</u>	<u>205,592</u>	<u>205,592</u>
Total expenditures	<u>329,411</u>	<u>205,592</u>	<u>535,003</u>
Deficiency of revenues over expenditures	<u>(2,015)</u>	<u>(154,002)</u>	<u>(156,017)</u>
<b>Other Financing Sources</b>			
Transfers in	<u>2,015</u>	<u>154,002</u>	<u>156,017</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>1,200</u>	<u>1,200</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 1,200</u>	<u>\$ 1,200</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Comparative Balance Sheet**  
**June 30, 2009**

	2009	2008
<b>Assets</b>		
Cash	\$ 635,798	\$ 24,726
Taxes receivable	10,880	167,059
Accounts receivable	2,419	27,826
Due from other funds	2,901	1,916
Due from other governmental units	1,515,989	1,488,810
Inventory	1,000	2,000
Investments	113,760	820,413
Prepaid items	9,005	6,068
Total assets	\$ 2,291,752	\$ 2,538,818
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 381,645	\$ 380,408
Due to other funds	111,009	214,411
Due to other governmental units	179,558	179,558
Payroll deductions and withholdings	84,962	73,939
Accrued salaries payable	476,258	459,391
Deferred revenue	10,880	45,268
Total liabilities	1,244,312	1,352,975
<b>Fund Balance</b>		
Reserved for inventory	1,000	2,000
Reserved for prepaid items	9,005	6,068
Other undesignated	1,037,435	1,177,775
Total fund balance	1,047,440	1,185,843
Total liabilities and fund balance	\$ 2,291,752	\$ 2,538,818

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Revenues Compared to Budget**  
**For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenues from local sources</b>				
Property tax levy	\$ 875,800	\$ 760,800	\$ 760,005	\$ (795)
Earnings on investments	19,500	7,000	5,351	(1,649)
Community service activities	42,100	49,000	51,284	2,284
Other local revenues	<u>130,700</u>	<u>142,500</u>	<u>148,989</u>	<u>6,489</u>
Total revenues from local sources	<u>1,068,100</u>	<u>959,300</u>	<u>965,629</u>	<u>6,329</u>
<b>Revenues from state sources</b>				
Grants - unrestricted	7,557,300	7,296,000	7,298,037	2,037
Grants - restricted	358,000	373,800	387,061	13,261
State payments in lieu of taxes	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
Total revenues from state sources	<u>7,916,800</u>	<u>7,671,300</u>	<u>7,685,098</u>	<u>13,798</u>
<b>Revenues from federal sources</b>				
Grants	<u>105,900</u>	<u>566,600</u>	<u>566,856</u>	<u>256</u>
<b>Intermediate sources</b>				
ISD collected millage	840,000	819,900	829,788	9,888
Cooperative education	<u>-</u>	<u>-</u>	<u>1,440</u>	<u>1,440</u>
Total intermediate sources	<u>840,000</u>	<u>819,900</u>	<u>831,228</u>	<u>11,328</u>
<b>Other financing sources</b>				
Capital leases	<u>-</u>	<u>-</u>	<u>17,346</u>	<u>17,346</u>
Total revenue and other financing sources	<u>\$ 9,930,800</u>	<u>\$ 10,017,100</u>	<u>\$ 10,066,157</u>	<u>\$ 49,057</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Basic program - elementary</b>				
Salaries	\$ 1,706,900	\$ 1,725,000	\$ 1,719,326	\$ (5,674)
Employee benefits	924,400	912,500	909,489	(3,011)
Purchased services	33,100	29,900	30,941	1,041
Supplies and materials	55,000	71,400	56,020	(15,380)
Total elementary	<u>2,719,400</u>	<u>2,738,800</u>	<u>2,715,776</u>	<u>(23,024)</u>
<b>Basic program - middle school</b>				
Salaries	556,600	567,700	568,194	494
Employee benefits	301,950	300,350	300,748	398
Purchased services	14,100	11,100	8,509	(2,591)
Supplies and materials	42,750	26,350	19,563	(6,787)
Total middle school	<u>915,400</u>	<u>905,500</u>	<u>897,014</u>	<u>(8,486)</u>
<b>Basic program - high school</b>				
Salaries	829,500	842,100	838,100	(4,000)
Employee benefits	485,500	493,900	493,157	(743)
Purchased services	20,600	16,700	16,499	(201)
Supplies and materials	83,300	71,300	61,806	(9,494)
Other	1,800	1,800	750	(1,050)
Total high school	<u>1,420,700</u>	<u>1,425,800</u>	<u>1,410,312</u>	<u>(15,488)</u>
<b>Basic program - pre-school</b>				
Other	2,500	2,500	2,379	(121)

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Basic program - summer school</b>				
Salaries	\$ 1,800	\$ 1,300	\$ 1,310	\$ 10
Employee benefits	900	625	613	(12)
Purchased services	1,300	1,200	1,206	6
Supplies and materials	400	275	252	(23)
Total summer school	<u>4,400</u>	<u>3,400</u>	<u>3,381</u>	<u>(19)</u>
<b>Added needs - special education</b>				
Salaries	525,000	487,800	486,837	(963)
Employee benefits	252,800	225,600	225,132	(468)
Purchased services	600	5,200	3,959	(1,241)
Supplies and materials	4,750	4,695	3,314	(1,381)
Other	500	655	-	(655)
Total special education	<u>783,650</u>	<u>723,950</u>	<u>719,242</u>	<u>(4,708)</u>
<b>Added needs - compensatory education</b>				
Salaries	66,200	82,000	77,600	(4,400)
Employee benefits	18,200	23,300	20,627	(2,673)
Supplies and materials	1,000	1,000	1,000	-
Total compensatory education	<u>85,400</u>	<u>106,300</u>	<u>99,227</u>	<u>(7,073)</u>
<b>Added needs - career and technical education</b>				
Salaries	116,600	118,200	117,828	(372)
Employee benefits	61,900	62,400	61,857	(543)
Purchased services	6,440	6,440	6,598	158
Supplies and materials	16,755	16,655	9,279	(7,376)
Other	106,000	75,200	60,726	(14,474)
Total career and technical education	<u>307,695</u>	<u>278,895</u>	<u>256,288</u>	<u>(22,607)</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Pupil - guidance services</b>				
Salaries	\$ 95,000	\$ 96,300	\$ 95,475	\$ (825)
Employee benefits	33,000	32,900	32,497	(403)
Supplies and materials	3,500	3,500	2,510	(990)
Other	2,500	2,500	1,753	(747)
Total guidance services	<u>134,000</u>	<u>135,200</u>	<u>132,235</u>	<u>(2,965)</u>
<b>Pupil - health services</b>				
Purchased services	8,000	8,000	5,896	(2,104)
Supplies and materials	1,000	1,000	259	(741)
Total health services	<u>9,000</u>	<u>9,000</u>	<u>6,155</u>	<u>(2,845)</u>
<b>Pupil - psychological services</b>				
Salaries	61,200	62,400	62,372	(28)
Employee benefits	32,400	32,300	31,888	(412)
Supplies and materials	700	700	440	(260)
Other	550	550	319	(231)
Total psychological services	<u>94,850</u>	<u>95,950</u>	<u>95,019</u>	<u>(931)</u>
<b>Pupil - speech services</b>				
Salaries	62,700	64,000	63,753	(247)
Employee benefits	32,700	32,600	32,237	(363)
Supplies and materials	500	500	149	(351)
Other	550	550	325	(225)
Total speech services	<u>96,450</u>	<u>97,650</u>	<u>96,464</u>	<u>(1,186)</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Pupil - other support services</b>				
Other	\$ 1,500	\$ 1,500	\$ 1,235	\$ (265)
<b>Instructional staff - improvement of education</b>				
Salaries	16,400	16,500	16,691	191
Employee benefits	2,500	4,000	3,826	(174)
Total improvement of education	<u>18,900</u>	<u>20,500</u>	<u>20,517</u>	<u>17</u>
<b>Instructional staff - educational media services</b>				
Salaries	65,600	68,100	71,187	3,087
Employee benefits	24,700	29,400	25,310	(4,090)
Supplies and materials	20,000	20,000	19,066	(934)
Other	3,200	3,200	1,963	(1,237)
Total educational media services	<u>113,500</u>	<u>120,700</u>	<u>117,526</u>	<u>(3,174)</u>
<b>Instructional staff - supervision and direction of instructional staff</b>				
Purchased services	<u>30,000</u>	<u>30,000</u>	<u>29,614</u>	<u>(386)</u>
<b>Instructional staff - other services</b>				
Salaries	83,000	83,000	74,683	(8,317)
Employee benefits	20,300	20,300	15,255	(5,045)
Purchased services	25,000	25,000	19,261	(5,739)
Supplies and materials	3,000	3,000	1,917	(1,083)
Other	4,400	4,400	4,200	(200)
Total other instructional staff services	<u>135,700</u>	<u>135,700</u>	<u>115,316</u>	<u>(20,384)</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>General administration - board of education</b>				
Salaries	\$ 805	\$ 805	\$ 805	\$ -
Purchased services	32,500	33,800	26,355	(7,445)
Other	3,000	3,000	2,765	(235)
Total board of education	<u>36,305</u>	<u>37,605</u>	<u>29,925</u>	<u>(7,680)</u>
<b>General administration - executive administration</b>				
Salaries	134,000	143,700	153,688	9,988
Employee benefits	37,800	36,100	33,679	(2,421)
Purchased services	2,200	2,200	1,791	(409)
Supplies and materials	9,400	9,400	1,674	(7,726)
Other	1,500	1,500	1,557	57
Total executive administration	<u>184,900</u>	<u>192,900</u>	<u>192,389</u>	<u>(511)</u>
<b>School administration - office of the principal</b>				
Salaries	429,200	431,400	421,886	(9,514)
Employee benefits	169,200	168,700	162,422	(6,278)
Other	2,400	2,400	949	(1,451)
Total office of the principal	<u>600,800</u>	<u>602,500</u>	<u>585,257</u>	<u>(17,243)</u>
<b>School administration - other</b>				
Supplies and materials	3,000	3,000	2,287	(713)

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Business - fiscal services</b>				
Salaries	\$ 110,400	\$ 110,400	\$ 106,888	\$ (3,512)
Employee benefits	47,300	52,100	42,900	(9,200)
Purchased services	46,100	47,700	45,559	(2,141)
Supplies and materials	3,000	3,000	1,233	(1,767)
Other	900	900	408	(492)
Total fiscal services	<u>207,700</u>	<u>214,100</u>	<u>196,988</u>	<u>(17,112)</u>
<b>Business - other</b>				
Purchased services	6,600	5,500	5,441	(59)
Other	26,000	26,000	17,424	(8,576)
Total other business	<u>32,600</u>	<u>31,500</u>	<u>22,865</u>	<u>(8,635)</u>
<b>Operations and maintenance - operating building services</b>				
Salaries	386,700	393,700	393,007	(693)
Employee benefits	168,500	169,000	160,031	(8,969)
Purchased services	515,000	497,400	436,976	(60,424)
Supplies and materials	127,000	147,000	121,479	(25,521)
Total operating building services	<u>1,197,200</u>	<u>1,207,100</u>	<u>1,111,493</u>	<u>(95,607)</u>
<b>Pupil transportation services</b>				
Salaries	264,300	284,900	285,405	505
Employee benefits	120,000	110,000	106,103	(3,897)
Purchased services	127,900	91,300	82,993	(8,307)
Supplies and materials	50,600	51,600	42,474	(9,126)
Total transportation services	<u>562,800</u>	<u>537,800</u>	<u>516,975</u>	<u>(20,825)</u>

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**General Fund**  
**Schedule of Expenditures Compared to Budget**  
**For the Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Central - staff/personnel and communication services</b>				
Purchased services	\$ 1,500	\$ 1,500	\$ 1,213	\$ (287)
Supplies and materials	5,000	5,000	3,194	(1,806)
Total staff/personnel and communication services	<u>6,500</u>	<u>6,500</u>	<u>4,407</u>	<u>(2,093)</u>
<b>Central - support services technology</b>				
Salaries	50,000	51,000	50,994	(6)
Employee benefits	28,100	28,400	26,804	(1,596)
Purchased services	53,500	53,500	49,227	(4,273)
Supplies and materials	13,500	13,500	6,691	(6,809)
Other	600	600	130	(470)
Total support services technology	<u>145,700</u>	<u>147,000</u>	<u>133,846</u>	<u>(13,154)</u>
<b>Capital outlay</b>				
Basic program - elementary	1,000	1,000	-	(1,000)
Added needs - career and technical education	2,830	2,830	1,188	(1,642)
Operations and maintenance - operating building services	-	-	17,346	17,346
Central - support services technology	7,500	7,500	5,015	(2,485)
Total capital outlay	<u>11,330</u>	<u>11,330</u>	<u>23,549</u>	<u>12,219</u>
<b>Other financing uses</b>				
Transfers out	571,950	671,950	666,879	(5,071)
Total expenditures and financing uses	<u>\$ 10,433,830</u>	<u>\$ 10,494,630</u>	<u>\$ 10,204,560</u>	<u>\$ (290,070)</u>

**Schoolcraft Community Schools**  
**Fiduciary Fund**  
**Statement of Changes in Assets and Liabilities**  
**June 30, 2009**

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>Assets</b>				
Cash	\$ 113,034	\$ 310,050	\$ 315,130	\$ 107,954
<b>Liabilities</b>				
Due to student groups	\$ 113,034	\$ 310,050	\$ 315,130	\$ 107,954

See Accompanying Notes to Financial Statements

**Schoolcraft Community Schools**  
**Other Supplemental Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2009**

Year Ending June 30,	1998 Refunding Bonds	1999 Refunding Bonds	Total
2010	\$ 635,000	\$ 20,000	\$ 655,000
2011	670,000	25,000	695,000
2012	700,000	25,000	725,000
2013	735,000	25,000	760,000
2014	740,000	25,000	765,000
2015	730,000	25,000	755,000
2016	220,000	510,000	730,000
2017	215,000	510,000	725,000
2018	215,000	510,000	725,000
2019	215,000	510,000	725,000
2020	210,000	510,000	720,000
2021	205,000	510,000	715,000
2022	205,000	510,000	715,000
2023	205,000	510,000	715,000
2024	200,000	510,000	710,000
2025	200,000	510,000	710,000
2026	195,000	510,000	705,000
Total	<u>\$ 6,495,000</u>	<u>\$ 5,755,000</u>	<u>\$ 12,250,000</u>
Principal payments due first day of	May	May	
Interest payments due first day of	May and November	May and November	
Interest rate	4.05% - 4.60%	4.05% - 4.80%	
Original issue	<u>\$ 8,220,000</u>	<u>\$ 5,955,000</u>	

**Schoolcraft Community Schools  
Schoolcraft, Michigan**

**Single Audit Report**

**June 30, 2009**

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

Members of the Board of Education  
Schoolcraft Community Schools  
Schoolcraft, Michigan

We have audited the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of Schoolcraft Community Schools as of and for the year ended June 30, 2009, and have issued our report thereon dated October 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, others within the entity, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Yeo & Yeo, P.C.*

Kalamazoo, Michigan  
October 16, 2009

## **Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

To the Board of Education  
Schoolcraft Community Schools  
Schoolcraft, Michigan

### **Compliance**

We have audited the compliance of Schoolcraft Community Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Schoolcraft Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Schoolcraft Community Schools' management. Our responsibility is to express an opinion on Schoolcraft Community Schools' compliance based on our audit.

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

In our opinion, Schoolcraft Community Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

### **Internal Control over Compliance**

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

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Schoolcraft Community Schools, as of and for the year ended June 30, 2009, and have issued our report thereon dated October 16, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Schoolcraft Community Schools' basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Yeo & Yeo, P.C.*

Kalamazoo, Michigan  
October 16, 2009

**Schoolcraft Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2008	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjust- ments	Accrued (Deferred) Revenue June 30, 2009
<b>U.S. Department of Agriculture</b>								
Child Nutrition Cluster								
Passed through Michigan Department of Education								
Non-Cash assistance (commodities)								
National School Lunch Program	10.555	\$ 18,687	\$ -	\$ -	\$ 18,687	\$ 18,687	\$ -	\$ -
Cash assistance								
National School Lunch Program								
081950 Sec 4. - Total Servings	10.555	2,638	-	-	2,638	2,638	-	-
081950 Sec 11. - Free and Reduced		5,789	-	-	5,789	5,789	-	-
081965 USDA Commodity Recall		49	-	-	49	-	49	-
091950 Sec 4. - Total Servings		20,724	-	-	20,724	20,724	-	-
091950 Sec 11. - Free and Reduced		46,682	-	-	46,682	46,682	-	-
			-	-	75,882	75,833	49	-
Total Department of Agriculture			-	-	94,569	94,520	49	-
<b>U.S. Department of Education</b>								
Passed through Michigan Department of Education								
0917000809 Title I	84.010	58,066	-	-	58,066	58,066	-	-
Passed through Kalamazoo Regional Edu. Services Assoc.								
0904500809 IDEA	84.027A	42,181	-	-	42,181	42,181	-	-
Passed through Michigan Department of Education								
0942900809 Technology Literacy Challenge	84.318	500	-	-	500	500	-	-
Passed through Michigan Department of Education								
0905200809 Improving Teacher Quality	84.367	31,086	-	-	31,086	31,086	-	-
Passed through Michigan Department of Education								
0925250809 ARRA - State Fiscal Stabilization Fund	84.394	435,023	-	-	435,023	-	-	435,023
Total U.S. Department of Education			-	-	566,856	131,833	-	435,023
Total Federal Programs			\$ -	-	\$ 661,425	\$ 226,353	\$ 49	\$ 435,023

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Schoolcraft Community Schools**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

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1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2009.
3. The federal amounts reported on the Form R-7120 "Grant Sections Auditors Report" and the CMS Grant Auditor Report are in agreement with the Schedule of Expenditures of Federal Awards, with the exception of USDA Commodity Recall. This grant had a \$49 variance between the Schedule of Expenditures of Federal Awards and the Financial Statements as a result of a September 2008 difference.
4. The amounts reported on the Recipient Entitlement Balance Reports agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.

**Schoolcraft Community Schools  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009**

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

*Financial Statements*

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

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

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

*Federal Awards*

Internal control over major programs:

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

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

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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.394	ARRA - State Fiscal Stabilization Fund

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

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

**Schoolcraft Community Schools**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

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**SECTION II – GOVERNMENT AUDITING STANDARDS FINDINGS**

There were no findings related to the financial statements which are required to be reported in accordance with government auditing standards for the year ended June 30, 2009.

**SECTION III – FEDERAL AWARD FINDINGS**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2009



710 E. Milham  
Kalamazoo, MI 49002  
(269) 329-7007 / (800) 375-3968  
Fax (269) 329-0626

October 16, 2009

Management and the Board of Education  
Schoolcraft Community Schools  
Schoolcraft, MI 49067

We have completed our audit of the financial statements of Schoolcraft Community Schools as of and for the year ended June 30, 2009 and have issued our report dated October 16, 2009. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Management Comments

We discussed these matters with various personnel in the organization during the audit . 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.

*Yeo & Yeo, P.C.*

Kalamazoo, Michigan

## **Appendix I**

### **Communication to Those Charged with Governance**

#### **Responsibilities under generally accepted auditing standards**

As stated in our engagement letter dated July 7, 2009, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

#### **Planned Scope and Timing of the Audit**

We performed the audit as outlined in our engagement letter dated July 7, 2009.

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

Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the District during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.

Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected.

Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

#### **Difficulties Encountered During the Audit**

No difficulties were encountered during the audit.

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

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

**Disagreements with Management**

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

**Management Representations**

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

**Management's Consultations with Other Accountants**

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

**Significant Issues Discussed or Subject to Correspondence with Management**

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during 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, Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, and the Schedule of Findings and Questioned Costs. Please read all information included in those to ensure you are aware of relevant information.

## **Appendix II Management Comments**

In planning and performing our audit of the financial statements of Schoolcraft Community Schools as of and for the year ended June 30, 2009, we considered Schoolcraft Community Schools' internal control over financial reporting (internal control) as a basis for designing our audit 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and improving operating efficiency. This letter does not affect our report dated October 16, 2009, on the financial statements of Schoolcraft Community Schools. Our comments and recommendations are as follows:

### **Segregation of Duties**

We are sensitive to the fact that the District is a small organization; however we are required to tell you under auditing standards that the District has a control deficiency related to the segregation of duties. Even within very small organizations there is the ability to gain some amount of segregation of duties. We recommend that a certain minimum segregation of duties be implemented to increase the effectiveness of internal controls within the Organization. These procedures will help prevent human errors as well as being a deterrent to fraud. We recommend that the disbursement cycle be segregated to ensure the person writing the checks and reconciling the bank statement is not the person signing the checks. We recommend that the receipts cycle be segregated to ensure the person recording the deposits and reconciling the bank statement is not the person making the deposits. We further recommend a person who has not reconciled the bank account review the bank reconciliation. We understand that some of the recommendations above occur on a regular basis but based on current Organization administrative staffing, there is some cross-over of duties. We feel it is our duty to bring the issue to your attention. The District must make the determination of how best to employ the available resources.

### **Contracted Employee Reporting/ Adjusting Journal Entry Required**

As part of the audit of the payroll and the related liabilities, we discovered that the accounting system included a contract of an employee that was not recorded properly. The mistake effected accrued salaries and the related benefits at yearend which necessitated a proposed journal entry to correct. We believe this to be an isolated incident based on other audit procedures performed subsequent to the discovery. The contracted employee appears to have been paid properly and there was no indication that there were any problems with reporting to other outside agencies. We recommend that the District set up a procedure whereby on some recurring basis (at minimum quarterly), someone reviews the 'Contract Balance Report' to ascertain that all the contracted employees are being accounted for properly and that the liability at yearend will be accurate.

**Interfund Receivables and Payables**

At June 30, 2009, the District had interfund balances due to or from each other.

<u>Funds Drawn On</u>	<u>Fund Check Payable To</u>	<u>Amount</u>
General	Capital Projects	\$110,837
Athletics	General	283 (net amount)
Food Service	General	2,446

We suggest that the funds shown issue the checks necessary to clear out these interfund balances as soon as possible.