

**MARION PUBLIC SCHOOLS**

**MARION, MICHIGAN**

**JUNE 30, 2012**

*Baird, Cotter and Bishop, P. C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2012

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# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
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July 26, 2012

### INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Marion Public Schools  
Marion, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Public Schools, Marion, Michigan, as of and for the year ended June 30, 2012, which collectively comprise the Districts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Marion Public 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 the 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 Marion Public Schools, Marion, Michigan, as of June 30, 2012, and the respective changes in financial position thereof 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 our report dated July 26, 2012, on our consideration of Marion Public 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 *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iii through ix and 27-28 be presented to supplement the basic financial statements. Such information, although not a part of the

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marion Public Schools, Marion, Michigan's financial statements as a whole. The combining fund financial statements, financial statements of individual funds and other information sections are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund financial statements and financial statements of individual funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2012

This section of Marion Public Schools’ (the “District”) annual report presents our discussion and analysis of the District’s financial performance during the year ended June 30, 2012. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**A. Government-Wide Financial Statements**

The government-wide statements provide short-term and long-term financial information about the District’s overall financial status. The district-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Assets includes all of the District’s assets and liabilities. All of the year’s revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – is one way to measure the District’s financial health or position.

Over time, increases and decreases in the District’s net assets are indicators of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District requires consideration of additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District’s activities are all shown in one category titled “Governmental Activities”. These activities, including regular and special education, transportation, administration, food services, athletic activities, and community services, are primarily financed with state and federal aids and property taxes.

**B. Fund Financial Statements**

The fund financial statements provide more detailed information about the District’s funds, focusing on its most significant or “major” funds, rather than the District as a whole. Funds that do not meet the threshold to be classified as major funds are called “non-major” funds. Detailed financial information for non-major funds can be found in the combining and individual fund statements section.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2012

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes.

The District maintains the following kinds of funds:

**Governmental Funds** – The District's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can be readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

**Fiduciary Funds** – The District is a trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

**C. Summary of Net Assets**

The following schedule summarizes the net assets at fiscal year ended June 30:

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Current Assets	<u>\$ 1,957,411</u>	<u>\$ 1,729,593</u>
Non Current Assets		
Deferred Charges - Net	162,067	180,193
Capital Assets	9,988,271	9,986,893
Less Accumulated Depreciation	<u>(4,522,414)</u>	<u>(4,154,975)</u>
Total Non Current Assets	<u>5,627,924</u>	<u>6,012,111</u>
Total Assets	<u><u>\$ 7,585,335</u></u>	<u><u>\$ 7,741,704</u></u>



MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2012

	<u>2012</u>	<u>2011</u>
<b>Liabilities</b>		
Current Liabilities	\$ 1,562,460	\$ 1,358,069
Non Current Liabilities	<u>4,255,256</u>	<u>4,503,653</u>
Total Liabilities	<u>5,817,716</u>	<u>5,861,722</u>
<b>Net Assets</b>		
Invested in Capital Assets Net of Related Debt	1,226,629	1,380,519
Restricted for Food Service	25,304	20,290
Restricted for Debt Retirement	123,533	110,525
Restricted for Millie Jones Expenses	14,906	19,521
Unrestricted	<u>377,247</u>	<u>349,127</u>
Total Net Assets	<u>1,767,619</u>	<u>1,879,982</u>
Total Liabilities and Net Assets	<u>\$ 7,585,335</u>	<u>\$ 7,741,704</u>

**D. Analysis of Financial Position**

During the fiscal year ended June 30, 2012, the District's net assets decreased by \$112,363. A few of the more significant factors affecting net assets during the year are discussed below:

**1. Depreciation Expense**

The school district is required to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2012, \$379,378 was recorded for depreciation expense.

**2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2012, \$15,843 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$366,061 for the fiscal year ended June 30, 2012.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2012

**3. Payment of Long-Term Debt**

During the year ending June 30, 2012, the District decreased its long-term debt by \$246,215.

**E. Change in Net Assets**

For the fiscal year ended June 30, the results of operations, on a District-Wide basis, were:

	<u>2012</u>	<u>2011</u>
<b>General Revenues</b>		
Property Taxes	\$ 1,822,811	\$ 1,764,371
Investment Earnings	513	1,311
State Sources	2,323,588	2,405,596
Gain on Sale of Capital Assets	0	2,000
Other	63,129	76,667
	<u>4,210,041</u>	<u>4,249,945</u>
<b>Program Revenues</b>		
Charges for Services	90,527	84,725
Operating Grants	1,607,107	2,124,791
	<u>1,697,634</u>	<u>2,209,516</u>
<b>Total Revenues</b>	<u>5,907,675</u>	<u>6,459,461</u>
<b>Expenses</b>		
Instruction	3,558,807	4,153,986
Supporting Services	1,523,200	1,693,691
Community Activities	7,904	2,679
Food Service Activities	265,773	284,619
Athletic Activities	84,552	106,041
Interest on Long-Term Debt	199,924	210,118
Other Transactions	500	500
Unallocated Depreciation	379,378	390,392
	<u>6,020,038</u>	<u>6,842,026</u>
<b>Change in Net Assets</b>	<u>\$ (112,363)</u>	<u>\$ (382,565)</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2012

**F. Financial Analysis of the District's Funds**

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
<b>Major Fund</b>			
General Fund	\$ 493,103	\$ 468,783	\$ 24,320
<b>Nonmajor Funds</b>			
Food Service	25,304	20,290	5,014
1998 Debt Retirement	0	0	0
2005 Energy Debt Retirement	66	66	0
2006 Debt Retirement	68,290	65,934	2,356
2006 Debt Refunding	59,424	48,600	10,824
2010 Debt Refunding	29,108	34,277	(5,169)
	<u>          </u>	<u>          </u>	<u>          </u>
Total Governmental Funds	<u>\$ 675,295</u>	<u>\$ 637,950</u>	<u>\$ 37,345</u>

In 2011-2012, the General Fund balance increased. The reason for the increase is the District is trying to align their expenses with revenue.

**G. General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2011-2012 fiscal year, the District amended the general fund budget throughout the year. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	\$ 4,777,682	\$ 5,328,181	\$ 5,257,257
 <u>EXPENDITURES</u>			
Instruction	\$ 3,116,778	\$ 3,613,466	\$ 3,559,789
Supporting Services	1,621,334	1,761,180	1,620,939
Community Activities	0	15,800	7,904
Debt Services	3,746	3,746	3,746
Total Expenditures	\$ 4,741,858	\$ 5,394,192	\$ 5,192,378

The change in the Total Revenue Original Budget to Final Budget was an increase of \$550,499 as a result of many things, including receiving an incentive from WMISD for adopting a common calendar (approx \$30,000), reflecting a spend down of the Early Reading First Grant (\$130,000), an increase in the Edu Jobs allocation of \$27,223. In addition, the District saw an increase in state aid due to an agreement with NMC allowing us to claim some of their students as ours. Also, the District qualified for best practice incentive from the state.

The change in the Total Expenditures Original Budget to Final Budget was an increase of \$628,331 due to, among other things, spending the Early Reading First Grant (\$130,000) and paying the teachers from NMC (\$151,484). Also, the District added staff that wasn't in the original budget and adjusted staff schedules.

## H. Capital Asset and Debt Administration

### 1. Capital Assets

At June 30, 2012, the District has \$9,988,271 in a broad range of capital assets, including school buildings and facilities, school buses, and various types of equipment. Depreciation expense for the year amounted to \$379,378, bringing the accumulated depreciation to \$4,522,414 as of June 30, 2012.

### 2. Long-Term Debt

At June 30, 2012, the District has \$4,364,055 in bonded debt outstanding. This represents a decrease of \$233,871 from the amount outstanding at the close of the prior fiscal year. Other long-term debt includes compensated absences of \$100,950 and a water connection loan in the amount of \$63,100.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2012

**I. Factors Bearing on the District's Future**

Retirement costs continue to rise while per pupil funding is remaining (at best) steady. The District is striving to control these costs while still providing a sound education for its students. In June, 2012, the retirement rate was 24.46%; on October 1, 2012 it is scheduled to increase to 27.37%; on October 1, 2013 it is scheduled to increase to 31.21%. Payroll for the District is approximately \$2,712,000. The increase in retirement rate alone will increase costs the District by \$78,900 and \$104,100 in the respective years.

Two of the union contracts are expiring in August, 2012. The District is negotiating with these groups to come to a reasonable solution for all parties.

For 11/12 and 12/13 the District is fortunate to have a retired school employee acting as superintendent and elementary principal. This is a huge savings to the District as the wages are lower than typical for this position and there are no retirement or health insurance costs for this person. The District will have to plan for the replacement of this person as he retires for the final time in June, 2013. The District will be working on administrative restructuring in an attempt to soften the financial implications of this.

Marion Public Schools is striving to meet the challenges facing them while remaining a "great small school".

**J. Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Wexford-Missaukee Intermediate School District, 9907 East 13<sup>th</sup> Street, Cadillac, Michigan 49601.

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MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

ASSETS

CURRENT ASSETS

Cash	\$ 183,850
Taxes Receivable	41
Accounts Receivable	30
Due from Other Governmental Units	699,962
Inventory	8,001
Investments	311,052
Restricted Cash	754,475
Total Current Assets	1,957,411

NON CURRENT ASSETS

Deferred Charges - Net	162,067
Capital Assets	9,988,271
Less Accumulated Depreciation	(4,522,414)
Total Non Current Assets	5,627,924
TOTAL ASSETS	7,585,335

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	44,489
Accrued Interest Payable	33,002
Salaries and Fringe Benefits Payable	466,116
State Aid Note	750,000
Deferred Revenue	17,616
Current Portion of Non Current Liabilities	251,237
Total Current Liabilities	1,562,460

NON CURRENT LIABILITIES

Bonds Payable (Net of Deferred Charges of \$21,612)	4,342,443
Water Connection Loan	63,100
Compensated Absences	100,950
Less Current Portion of Non Current Liabilities	(251,237)
Total Non Current Liabilities	4,255,256
Total Liabilities	5,817,716

NET ASSETS

Invested in Capital Assets Net of Related Debt	1,226,629
Restricted for Food Service	25,304
Restricted for Debt Retirement	123,533
Restricted for Millie Jones Expenses	14,906
Unrestricted	377,247
Total Net Assets	\$ 1,767,619

The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>GOVERNMENTAL</u>
		<u>CHARGES FOR</u>	<u>OPERATING</u>	<u>ACTIVITIES</u>
		<u>SERVICES</u>	<u>GRANTS</u>	<u>NET (EXPENSE)</u>
				<u>REVENUE AND</u>
				<u>CHANGES IN</u>
				<u>NET ASSETS</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 3,558,807	\$ 0	\$ 1,171,248	\$ (2,387,559)
Supporting Services	1,523,200	9,600	214,255	(1,299,345)
Community Activities	7,904	0	7,419	(485)
Food Service Activities	265,773	53,696	214,185	2,108
Athletic Activities	84,552	27,231	0	(57,321)
Interest on Long Term Debt	199,924	0	0	(199,924)
Other Transactions	500	0	0	(500)
Unallocated Depreciation	379,378	0	0	(379,378)
Total Governmental Activities	<u>\$ 6,020,038</u>	<u>\$ 90,527</u>	<u>\$ 1,607,107</u>	<u>(4,322,404)</u>
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				1,442,760
Property Taxes - Debt Service				380,051
Investment Earnings				513
State Sources				2,323,588
Other				63,129
Total General Revenues				<u>4,210,041</u>
Change in Net Assets				(112,363)
<u>NET ASSETS</u> - Beginning of Year				<u>1,879,982</u>
<u>NET ASSETS</u> - End of Year				<u>\$ 1,767,619</u>

The notes to the financial statements are an integral part of this statement.



MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2012

	<u>GENERAL</u> <u>FUND</u>	<u>OTHER</u> <u>NONMAJOR</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
<u>ASSETS</u>			
Cash	\$ 7,745	\$ 176,105	\$ 183,850
Taxes Receivable	41	0	41
Accounts Receivable	0	30	30
Due from Other Funds	0	599	599
Due from Other Governmental Units	698,475	1,487	699,962
Inventory	0	8,001	8,001
Investments	310,137	915	311,052
Restricted Cash	754,475	0	754,475
	<u>\$1,770,873</u>	<u>\$ 187,137</u>	<u>\$ 1,958,010</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 39,544	\$ 4,945	\$ 44,489
Due to Other Funds	599	0	599
Accrued Interest Payable	3,895	0	3,895
Salaries and Fringe Benefits Payable	466,116	0	466,116
State Aid Note Payable	750,000	0	750,000
Deferred Revenue	17,616	0	17,616
	<u>1,277,770</u>	<u>4,945</u>	<u>1,282,715</u>
<u>FUND BALANCES</u>			
Nonspendable			
Inventory	0	8,001	8,001
Restricted for:			
Food Service	0	17,303	17,303
Debt Retirement	0	156,888	156,888
Millie Jones Expenditures	14,906	0	14,906
Unassigned	478,197	0	478,197
	<u>493,103</u>	<u>182,192</u>	<u>675,295</u>
	<u>\$1,770,873</u>	<u>\$ 187,137</u>	<u>\$ 1,958,010</u>

The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET ASSETS

JUNE 30, 2012

Total Governmental Fund Balances	\$	675,295
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		
The cost of the capital assets is	\$	9,988,271
Accumulated depreciation is		<u>(4,522,414)</u>
		5,465,857
Long-term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds Payable		(4,364,055)
Water Connection Loan		(63,100)
Compensated Absences		(100,950)
Bond Discount		35,780
Amortization of Bond Discount		(14,168)
Bond Deferred Loss on Refunding		154,691
Amortization of Bond Deferred Loss on Refunding		(56,804)
Bond Issuance Cost on Refunding		98,150
Amortization of Bond Issuance Cost on Refunding		<u>(33,970)</u>
		(4,344,426)
Long-term accrued interest is not included as a liability in government funds, it is recorded when paid		<u>(29,107)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>1,767,619</u></u>

The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 1,543,225	\$ 433,755	\$ 1,976,980
State Sources	2,808,443	14,598	2,823,041
Federal Sources	784,897	203,835	988,732
Other Transactions	120,692	0	120,692
Total Revenues	<u>5,257,257</u>	<u>652,188</u>	<u>5,909,445</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	2,999,852	0	2,999,852
Added Needs	559,937	0	559,937
Supporting Services			
Pupil	45,258	0	45,258
Instructional Staff	233,576	0	233,576
General Administration	103,032	0	103,032
School Administration	267,439	0	267,439
Business	88,091	0	88,091
Operation and Maintenance	379,983	0	379,983
Pupil Transportation Services	417,271	0	417,271
Support Services - Central	1,737	0	1,737
Support Services - Athletics	84,552	0	84,552
Community Activities	7,904	0	7,904
Food Service Activities	0	265,875	265,875
Debt Service			
Principal	2,129	233,871	236,000
Interest	1,617	179,476	181,093
Other Transactions	0	500	500
Total Expenditures	<u>5,192,378</u>	<u>679,722</u>	<u>5,872,100</u>
Excess (Deficiency) of Revenues Over Expenditures	64,879	(27,534)	37,345
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)	(40,559)	40,559	0
Net Change in Fund Balance	24,320	13,025	37,345
<u>FUND BALANCE</u> - Beginning of Year	<u>468,783</u>	<u>169,167</u>	<u>637,950</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 493,103</u>	<u>\$ 182,192</u>	<u>\$ 675,295</u>

The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

Net Change in Fund Balances Total Governmental Funds \$ 37,345

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(379,378)
Capital Outlay	15,843

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. The change in net assets differs from the change in fund balances by the cost of the capital assets sold net of accumulated depreciation.

Governmental Funds - Cost of capital assets sold	(2,527)
--	---------

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	30,426
Accrued Interest Payable - End of Year	(29,107)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available.

Amortization of Bond Discount	(2,024)
Amortization of Bond Issuance Cost on Refunding	(6,630)
Amortization of Bond Deferred Loss on Refunding	(11,496)
Repayment of Bond Principal	233,871
Repayment of Principal on Long-Term Debt	2,129

Employees Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	100,135
Compensated Absences - End of Year	<u>(100,950)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (112,363)</u>
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The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

JUNE 30, 2012

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUND</u>
<u>ASSETS</u>		
Cash	\$ 298,574	\$ 49,287
Interest Receivable	6,999	0
Scholarship Loans	22,224	0
Investments	2	0
	<hr/>	<hr/>
TOTAL ASSETS	327,799	49,287
	<hr/>	<hr/>
<u>LIABILITIES</u>		
Due to Groups and Organizations	0	49,287
	<hr/>	<hr/>
<u>NET ASSETS</u>		
Reserved for		
Endowments	30,333	0
Student Loans	297,466	0
	<hr/>	<hr/>
Total Net Assets	\$ 327,799	\$ 0
	<hr/> <hr/>	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2012

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	\$ 4,086
<u>DEDUCTIONS</u>	
Scholarships	<u>3,765</u>
Changes in Net Assets	321
<u>NET ASSETS</u> - Beginning of Year	<u>327,478</u>
<u>NET ASSETS</u> - End of Year	<u>\$ 327,799</u>

The notes to the financial statements are an integral part of this statement.

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Marion Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The School District is located in Osceola and Clare Counties with the school buildings located in Marion, Michigan. The District operates under an elected 7-member board of education and provides services to its 553 students in elementary, high school, special education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. The District is not included in any other governmental reporting entity as defined by the generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating 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, intermediate district sources, interest income and other revenues.)

The effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

**Governmental Funds** – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *GENERAL FUND* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

**Other Non-Major Funds**

The *SPECIAL REVENUE FUND* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service activities in the special revenue fund.

The *DEBT SERVICE FUNDS* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.



MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**Fiduciary Funds**

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *PRIVATE PURPOSE TRUST FUND* is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where the principal is considered to be either expendable or non-expendable and the earnings may be spent. These funds are not reported on the District financial statements as they are not used to support District operations or programs.

The *AGENCY FUND* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**Modified Accrual Method**

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

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

**State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2012, the foundation allowance was based on pupil membership counts taken in February and October of 2011, and blended with the previous two years counts. For fiscal year ended June 30, 2012, the per pupil foundation allowance was \$6,846 for Marion Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes (formerly known as Non-Homestead) which may be levied at a rate of up to 6 mills for commercial personal property and up to 18 mills for real property. The State revenue is recognized during the foundation period and is funded through payments from October 2011 to August 2012. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**D. Other Accounting Policies**

1. Cash and Investments

Cash includes amounts in demand deposits and certificates of deposit with original maturities of one year or less.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

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JUNE 30, 2012

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.
- (e) United States government or federal agency obligation repurchase agreements.
- (f) Bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.
- (g) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (h) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

The Schools' deposits and investments are held separately by several of the School District's funds.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and billed and due December 1. Unpaid taxes become delinquent as of February 14th and are subject to penalties and interest after that date. Uncollected taxes at year-end are not material.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

For the year ended June 30, 2012, the District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund – Non-Principal Residence Exemption (PRE)	18.0000
General Fund – Commercial Personal Property	6.0000
2010 Refunding Debt Retirement Fund – PRE, Non-PRE	0.6400
2006 Debt Retirement Fund – PRE, Non-PRE	1.0800
2006 Refunding Debt Retirement Fund – PRE, Non-PRE	0.8600

4. Inventories and Prepaid Expenditures

Inventories are valued at cost. In the General Fund, the School District considers all supplies to be consumed when acquired and any inventories on hand at year-end are considered to be immaterial. The food service inventory consists of U.S.D.A. commodities and other food products held for consumption. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and Additions	25 - 50 years
Furniture and Other Equipment	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$1,000.

6. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The District has opted to apply the provisions of GASB 34 paragraph 146 which allows the amortization of premiums, discounts and bond issuance costs to be applied prospectively for all bonds issued after July 1, 2002.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Balance

In the fund financial statements, governmental funds report the following classifications of fund balance:

*Nonspendable* – Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

*Restricted* – Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

*Committed* – Includes amounts that can only be used for specific purposes determined by a formal action by Board Resolution. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action (Board Resolution) that was employed when the funds were initially committed.

*Assigned* – Includes amounts a government intends to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority. The School Board has delegated this authority to the Superintendent.

*Unassigned* – Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

As stated in Note 1B above, restricted resources are used first when an expense is incurred for which both restricted and unrestricted resources are available. When an expenditure is incurred for

MARION PUBLIC SCHOOLS

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first from committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School Board has provided otherwise in its commitment or assignment actions.

9. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

10. Restricted Assets

Certain cash resources are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants and they are maintained in separate bank accounts.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the District.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.

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MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

4. The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
5. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted on June 29, 2011, or as amended by the School Board of Education from time to time throughout the year.

**B. Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations occurred in the following funds as follows:

General Fund:

Instructional Staff:

Computer-Assisted Instruction expenditures of \$113,657 exceeded appropriations of \$86,833.

Supporting Services - Central:

Non-Instructional Technology expenditures of \$1,737 exceeded appropriations of \$1,700.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments – Credit Risk**

The District's deposits and investments are all on deposit with Citizens Bank within the State of Michigan, Michigan School District Liquid Asset Fund Plus, and The Bank of New York Mellon.

*Investment Rate Risk.* The District will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the District's cash requirement.

*Credit Risk.* The District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

MARION PUBLIC SCHOOLS

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*Concentration of Credit Risk.* The District will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2012, \$928,749 of the government's bank balance of \$1,635,210 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year end all of the District's investments were uncategorized as to risk.

Although the District's investment policy does not specifically address custodial credit risk, the District typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits and investments.

*Foreign Currency Risk.* The District is not authorized to invest in investments which have this type of risk, therefore, it is not addressed in the investment policy.

At year-end, the only investments were investment trust funds.

Investments not subject to categorization:

Investment Trust Funds	<u>\$ 311,054</u>
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The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2012, the fair value of the District's investments is the same as the value of the pool shares.



MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Balance sheet classifications:

	Statement of Net Assets	Statement of Fiduciary Net Assets	Total
Cash	\$ 183,850	\$ 347,861	\$ 531,711
Investments	311,052	2	311,054
	<u>\$ 494,902</u>	<u>\$ 347,863</u>	<u>\$ 842,765</u>

**B. Receivables**

Receivables as of year end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

	General	Nonmajor and Other Funds	Total
Receivables			
Taxes	\$ 41	\$ 0	\$ 41
Accounts	0	30	30
Due from Other Governmental Units	698,475	1,487	699,962
Total Receivables	<u>\$ 698,516</u>	<u>\$ 1,517</u>	<u>\$ 700,033</u>

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues 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 and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Grant Receipts Received, But Not Yet Utilized	<u>\$ 0</u>	<u>\$ 17,616</u>

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

**C. Capital Assets**

A summary of changes in the District's capital assets follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital Assets, Not Being Depreciated:				
Land	\$ 56,817	\$ 0	\$ 0	\$ 56,817
Capital Assets, Being Depreciated:				
Books	193,501	0	0	193,501
Buildings	3,436,495	0	0	3,436,495
Buses	575,424	0	0	575,424
Equipment and Furniture	1,728,826	9,320	0	1,738,146
Improvements	3,957,884	0	0	3,957,884
Other Vehicles	37,946	6,523	14,465	30,004
Total Capital Assets, Being Depreciated	<u>9,930,076</u>	<u>15,843</u>	<u>14,465</u>	<u>9,931,454</u>
Less Accumulated Depreciation for:				
Books	122,496	26,445	0	148,941
Buildings	1,407,364	39,689	0	1,447,053
Buses	496,827	23,393	0	520,220
Equipment and Furniture	976,584	89,288	0	1,065,872
Improvements	1,124,305	197,895	0	1,322,200
Other Vehicles	27,399	2,668	11,939	18,128
Total Accumulated depreciation	<u>4,154,975</u>	<u>379,378</u>	<u>11,939</u>	<u>4,522,414</u>
Total Capital Assets, Being Depreciated, Net	<u>5,775,101</u>	<u>(363,535)</u>	<u>2,526</u>	<u>5,409,040</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,831,918</u>	<u>\$ (363,535)</u>	<u>\$ 2,526</u>	<u>\$ 5,465,857</u>

Depreciation for the fiscal year ended June 30, 2012 amounted to \$379,378. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**D. Long-Term Debt**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Self-Liquidating Bonds were issued by the State of Michigan in the name of the District as part of a state-wide lawsuit settlement.

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2012:

	General Obligation Serial Bonds	Self Liquidating Bonds	Water Connection Loan	Compensated Absences Payable	Total
Balance July 1, 2011	\$ 4,590,000	\$ 7,926	\$ 65,228	\$ 100,135	\$ 4,763,289
Increases	0	0	0	815	815
Decreases	(230,000)	(3,871)	(2,128)	0	(235,999)
Balance June 30, 2012	4,360,000	4,055	63,100	100,950	4,528,105
Less current portion	(245,000)	(4,055)	(2,182)	0	(251,237)
Total due after one year	<u>\$ 4,115,000</u>	<u>\$ 0</u>	<u>\$ 60,918</u>	<u>\$ 100,950</u>	<u>\$ 4,276,868</u>

At June 30, 2012, the Schools' Long-Term Debt consisted of the following:

General Obligation Serial Bonds

2010 refunding bonds due in annual installments of \$75,000 to \$95,000 through May 1, 2021, interest at 2.50% to 4.50%. \$ 765,000

2005 energy conservation improvement bonds due in annual installments of \$25,000 to \$35,000 through May 1, 2020, interest at 4.50% to 4.95%. 240,000

2006 refunding bonds due in annual installments of \$110,000 to \$170,000 through May 1, 2020, interest at 3.55% to 4.00%. 1,165,000

2006 school building and site bonds due in annual installments of \$35,000 to \$400,000 through May 1, 2025, interest at 3.90% to 4.10%. 2,190,000

Self-Liquidating Bonds

1998 Durant Settlement Bonds due in annual principal payment of \$4,055 through May 15, 2013, interest at 4.761%. The funding for this payment to be provided by the State of Michigan through restricted State Aid. 4,055

Water Connection Loan

\$78,734 loan from the Village of Marion dated March 1, 2005 to finance new water line connection at High School. Semi annual payments of \$1,873 including interest at 2.5% due March 1 and August 31 each year through March 1, 2034. 63,100

Compensated Absences Payable

Accumulated Sick and Vacation Pay. 100,950

TOTAL LONG-TERM DEBT \$ 4,528,105

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

The annual requirements to amortize debt outstanding as of June 30, 2012, including interest payments of \$1,335,717 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2013	\$ 251,237	\$ 173,127	\$ 424,364
2014	267,237	164,612	431,849
2015	287,293	155,395	442,688
2016	312,351	145,195	457,546
2017	322,410	133,315	455,725
2018-2022	1,772,992	461,832	2,234,824
2023-2027	1,189,710	99,944	1,289,654
2028-2032	16,656	2,074	18,730
2033-2034	7,269	223	7,492
	<hr/> 4,427,155	<hr/> 1,335,717	<hr/> 5,762,872
Compensated Absences	100,950	0	100,950
	<hr/> <hr/> \$ 4,528,105	<hr/> <hr/> \$ 1,335,717	<hr/> <hr/> \$ 5,863,822

The annual requirements to amortize the accrued compensated absences are uncertain because it is unknown when the employees will use the benefit.

Compensated absences and early retirement benefits will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

**E. Short-Term Debt**

On August 22, 2011, the District issued State Aid Anticipation Notes in the amount of \$750,000. At June 30, 2012, the balance outstanding on these notes was \$753,895, including accrued interest at 0.782%. The District has \$754,475 set aside at The Bank of New York Mellon that will be used to pay off the \$750,000 State Aid Anticipation Note and related accrued interest.

The following is a summary of the Short-Term Debt transactions for the School District for the year ended June 30, 2012:

Short-Term Debt at July 1, 2011	\$ 575,000
New Debt Issued	750,000
Debt Retired and Paid	(575,000)
Short-Term Debt at June 30, 2012	<hr/> <hr/> \$ 750,000

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

**F. Interfund Receivables, Payables, and Transfers**

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2012, were:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 0	\$ 599
School Service Fund - Food Service Fund	599	0
	<u>\$ 599</u>	<u>\$ 599</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2012 are expected to be repaid within one year.

Interfund transfers as shown in the individual fund financial statements at June 30, 2012, were:

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General Fund	\$ 0	\$ 40,559
School Service Fund - Food Service Fund	3,000	0
2005 Energy Debt Fund	37,559	0
	<u>\$ 40,559</u>	<u>\$ 40,559</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 4 – OTHER INFORMATION**

**A. Employee Retirement System**

Plan Description. The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909 or by calling (800) 381-5111.

Funding Policy. Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members joining the system on or after July 1, 2008 contribute at the following graduated rate: 3% of the first \$5,000, 3.6% of \$5,001 through \$15,000 and 6.4% of all wages over \$15,000.

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

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of MPSERS who became a member of MPSERS after June 30, 2010 is a Pension Plus Member. The Pension Plus Plan pairs a guaranteed retirement income (defined benefit pension) with a flexible and transferable retirement savings (defined contribution) account.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2012, were 20.66% of payroll through September 30, 2011, and 24.46% effective October 1, 2011. For employees who first worked on or after July 1, 2010, the rate for the year ended June 30, 2012, was 19.16% for the first quarter and 23.23% for the remainder of the year. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2012, 2011, and 2010 were \$821,124, \$566,544, and \$501,423 respectively, and were equal to the required contribution for those years.

Other Post Employment Benefits Funding Policy. Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The Systems has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010, to contribute 3% (or 1.5%) of their compensation to offset employer contributions for health care benefits of current retirees. For the school fiscal year that began July 1, 2010, members who were employed by a reporting unit that were paid less than \$18,000 are required to contribute 1.5% of the members' compensation. For each school fiscal year that begins on

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

or after July 1, 2011, members shall contribute 3% of compensation into the health care funding account. Effective April 1, 2011 a court order eliminated this requirement. The court order is being appealed by the State of Michigan.

Pension recipients are generally eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing coverage.

The District is not responsible for the payment of retirement benefits and post-employment benefits which is the responsibility of the State of Michigan.

**B. Single Audit Report**

The School District is required to have an audit performed in accordance with the guidelines of the Single Audit Act of 1984, as amended. This audit is being performed and the reports based thereon will be issued under separate cover.

**C. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2011 or any of the prior three years.

**D. Lease Information**

The School District leases copy machines, digital duplicators, and a dishwasher. The total rental expense for the fiscal years ended June 30, 2012, and June 30, 2011, was \$13,719 and \$13,765 respectively. The future minimum payments are summarized below:

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MARION, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

<u>YEAR-ENDING</u>	<u>AMOUNTS</u>
2013	\$ 12,690
2014	12,690
2015	10,798
2016	4,815
2017	2,948
	<hr/> <u>\$ 43,941</u>

**E. Commitments and Contingencies**

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the district.



MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED JUNE 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 1,521,146	\$ 1,517,450	\$ 1,543,225
State Sources	2,708,259	2,828,727	2,808,443
Federal Sources	548,277	860,856	784,897
Other Transactions	0	121,148	120,692
Total Revenues	<u>4,777,682</u>	<u>5,328,181</u>	<u>5,257,257</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs			
Elementary	1,249,846	1,267,679	1,257,217
High School	1,321,364	1,516,533	1,508,079
Pre-Kindergarten	124,846	235,747	228,591
Summer School	0	12,034	5,965
Added Needs			
Special Education	280,684	354,525	350,547
Compensatory Education	140,038	226,948	209,390
Supporting Services			
Pupil			
Guidance	36,110	51,130	44,836
Other Pupil Services	1,000	1,000	422
Instructional Staff			
Improvement of Instruction	56,869	48,086	23,405
Educational Media Services	124,990	137,071	96,514
Computer-Assisted Instruction	0	86,833	113,657
General Administration			
Board of Education	37,700	27,500	22,890
Executive Administration	84,515	83,265	80,142
School Administration			
Office of the Principal	260,138	273,057	267,439
Business			
Fiscal Services	41,588	42,605	38,932
Other Business Services	21,630	53,359	49,159
Operation and Maintenance	428,479	410,029	379,983
Pupil Transportation Services	428,378	445,608	417,271

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Support Services - Central			
Non-Instructional Technology	0	1,700	1,737
Support Services - Other	99,937	99,937	84,552
Community Activities	0	15,800	7,904
Debt Service			
Principal	2,129	2,129	2,129
Interest	1,617	1,617	1,617
Total Expenditures	<u>4,741,858</u>	<u>5,394,192</u>	<u>5,192,378</u>
Excess (Deficiency) of Revenues Over Expenditures	35,824	(66,011)	64,879
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	<u>(64,559)</u>	<u>(40,559)</u>	<u>(40,559)</u>
Net Change in Fund Balance	(28,735)	(106,570)	24,320
<u>FUND BALANCE - Beginning of Year</u>	<u>272,031</u>	<u>468,783</u>	<u>468,783</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 243,296</u>	<u>\$ 362,213</u>	<u>\$ 493,103</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2012

	SPECIAL REVENUE FUND	DEBT RETIREMENT FUNDS					TOTAL NONMAJOR GOVERNMENTAL
	FOOD SERVICE FUND	1998 DEBT RETIREMENT FUND	2005 ENERGY DEBT RETIREMENT FUND	2006 DEBT RETIREMENT FUND	2006 REFUNDING DEBT RETIREMENT FUND	2010 REFUNDING DEBT RETIREMENT FUND	
<u>ASSETS</u>							
Cash	\$ 19,217	\$ 0	\$ 66	\$ 68,290	\$ 59,424	\$ 29,108	\$ 176,105
Accounts Receivable	30	0	0	0	0	0	30
Due from Other Funds	599	0	0	0	0	0	599
Due from Other Governments	1,487	0	0	0	0	0	1,487
Inventory	8,001	0	0	0	0	0	8,001
Investments	915	0	0	0	0	0	915
<b>TOTAL ASSETS</b>	<b>\$ 30,249</b>	<b>\$ 0</b>	<b>\$ 66</b>	<b>\$ 68,290</b>	<b>\$ 59,424</b>	<b>\$ 29,108</b>	<b>\$ 187,137</b>
<u>LIABILITIES AND FUND BALANCES</u>							
<u>LIABILITIES</u>							
Accounts Payable	\$ 4,945	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,945
<u>FUND BALANCE</u>							
Nonspendable							
Inventory	8,001	0	0	0	0	0	8,001
Restricted for:							
Food Service	17,303	0	0	0	0	0	17,303
Debt Retirement	0	0	66	68,290	59,424	29,108	156,888
<b>Total Fund Balances</b>	<b>25,304</b>	<b>0</b>	<b>66</b>	<b>68,290</b>	<b>59,424</b>	<b>29,108</b>	<b>182,192</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 30,249</b>	<b>\$ 0</b>	<b>\$ 66</b>	<b>\$ 68,290</b>	<b>\$ 59,424</b>	<b>\$ 29,108</b>	<b>\$ 187,137</b>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2012

	DEBT RETIREMENT FUNDS						TOTAL NONMAJOR GOVERNMENTAL FUNDS
	SPECIAL REVENUE FUND						
	FOOD SERVICE FUND	1998 DEBT RETIREMENT FUND	2005 ENERGY DEBT RETIREMENT FUND	2006 DEBT RETIREMENT FUND	2006 REFUNDING DEBT RETIREMENT FUND	2010 REFUNDING DEBT RETIREMENT FUND	
<u>REVENUES</u>							
Local Sources	\$ 53,704	\$ 0	\$ 0	\$ 126,671	\$ 159,077	\$ 94,303	\$ 433,755
State Sources	10,350	4,248	0	0	0	0	14,598
Federal Sources	203,835	0	0	0	0	0	203,835
Total Revenues	267,889	4,248	0	126,671	159,077	94,303	652,188
<u>EXPENDITURES</u>							
Food Service Activities	265,875	0	0	0	0	0	265,875
Debt Service							
Principal	0	3,871	25,000	35,000	100,000	70,000	233,871
Interest	0	377	12,559	89,115	48,053	29,372	179,476
Other Transactions	0	0	0	200	200	100	500
Total Expenditures	265,875	4,248	37,559	124,315	148,253	99,472	679,722
Excess (Deficiency) of Revenues Over Expenditures	2,014	0	(37,559)	2,356	10,824	(5,169)	(27,534)
<u>OTHER FINANCING SOURCES</u>							
Transfers In (Out)	3,000	0	37,559	0	0	0	40,559
Net Change in Fund Balance	5,014	0	0	2,356	10,824	(5,169)	13,025
<u>FUND BALANCE</u> - Beginning of Year	20,290	0	66	65,934	48,600	34,277	169,167
<u>FUND BALANCE</u> - End of Year	\$ 25,304	\$ 0	\$ 66	\$ 68,290	\$ 59,424	\$ 29,108	\$ 182,192

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

FIDUCIARY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

WITH COMPARATIVE TOTALS FOR JUNE 30, 2011

	PRIVATE PURPOSE TRUST FUNDS							
	B. DEE DEE		DORALD L.	MILLIE		TOTALS		
	MANCHA-HAMMAR	WHITE-HELFRICH	GIDDINGS	JONES	JENNIE P.			
	MEMORIAL	LOAN FUND	SCHOLARSHIP	SCHOLARSHIP	OPPER	2012	2011	
			TRUST	TRUST	LOAN FUND			
<u>ASSETS</u>								
Cash	\$ 0	\$ 173,854	\$ 10,151	\$ 20,182	\$ 94,387	\$ 298,574	\$ 298,792	
Interest Receivable	0	4,552	0	0	2,447	6,999	6,110	
Scholarship Loans	0	12,224	0	0	10,000	22,224	22,574	
Investments	0	0	0	0	2	2	2	
<b>TOTAL ASSETS</b>	<b>0</b>	<b>190,630</b>	<b>10,151</b>	<b>20,182</b>	<b>106,836</b>	<b>327,799</b>	<b>327,478</b>	
<u>LIABILITIES</u>	0	0	0	0	0	0	0	
<u>NET ASSETS</u>								
Reserved for								
Endowments	0	0	10,151	20,182	0	30,333	30,189	
Student Loans	0	190,630	0	0	106,836	297,466	297,286	
Student Scholarships	0	0	0	0	0	0	3	
<b>Total Net Assets</b>	<b>\$ 0</b>	<b>\$ 190,630</b>	<b>\$ 10,151</b>	<b>\$ 20,182</b>	<b>\$ 106,836</b>	<b>\$ 327,799</b>	<b>\$ 327,478</b>	

MARION PUBLIC SCHOOLS

MARION, MICHIGAN

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

YEAR ENDED JUNE 30, 2012

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2011

	PRIVATE PURPOSE TRUST FUNDS					TOTALS	
	B. DEE DEE MANCHA - HAMMAR MEMORIAL	WHITE-HELFRICH LOAN FUND	DORALD L. GIDDINGS SCHOLARSHIP TRUST	MILLIE JONES SCHOLARSHIP TRUST	JENNIE P. OPPER LOAN FUND	2012	2011
<u>ADDITIONS</u>							
Earnings on Investments and Deposits	\$ 0	\$ 2,560	\$ 92	\$ 64	\$ 1,370	\$ 4,086	\$ 1,448
<u>DEDUCTIONS</u>							
Scholarships	0	2,500	0	0	1,250	3,750	4,351
Bank Charges	3	0	12	0	0	15	0
Total Deductions	3	2,500	12	0	1,250	3,765	4,351
Changes in Net Assets	(3)	60	80	64	120	321	(2,903)
<u>NET ASSETS</u> - Beginning of Year	3	190,570	10,071	20,118	106,716	327,478	330,381
<u>NET ASSETS</u> - End of Year	\$ 0	\$ 190,630	\$ 10,151	\$ 20,182	\$ 106,836	\$ 327,799	\$ 327,478

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2012

	BALANCE 7/1/2011	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2012
<u>Elementary and Administrative</u>				
Band Resale-Elementary	\$ 190	\$ 249	\$ 117	\$ 322
Book Store	818	0	0	818
Elementary Book Fair	466	2,216	2,215	467
Paper and Administration	11,269	1,633	1,399	11,503
Elementary Pop Account	764	276	264	776
Girls on the Run	955	1,000	1,554	401
Field Trips	2,434	6,735	4,281	4,888
Interest Account	670	29	549	150
General Mills Grant	4,714	0	4,657	57
Osceola Community Foundation	1,449	12,165	909	12,705
Total Elementary and Administrative	<u>23,729</u>	<u>24,303</u>	<u>15,945</u>	<u>32,087</u>
<u>High School</u>				
Alex Harrison Memorial Scholarship	0	1,000	0	1,000
Art	38	37	0	75
Band	287	2,029	2,186	130
Chess	0	11	0	11
Choir	(5)	5	0	0
Class of 2008	(317)	317	0	0
Class of 2011	195	0	0	195
Class of 2012	793	15	310	498
Class of 2013	959	934	572	1,321
Class of 2014	215	225	0	440
Class of 2015	0	267	145	122
Cross Country	0	1,217	652	565
Junior High Boys' Basketball	32	155	100	87
Lowe's Grant	199	0	0	199
Middle School Student Council	188	106	78	216
Miscellaneous Account	(17)	549	48	484
NHS	69	392	169	292
Shop	3,961	3,444	4,849	2,556
Spanish Club	(919)	919	0	0
Stuco	900	219	364	755
Student Activities	780	0	85	695
Students Against Drunk Driving	326	1,011	917	420

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2012

	BALANCE 7/1/2011	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2012
Varsity and Junior Varsity Boys' Basketball	727	100	133	694
Varsity and Junior Varsity Football	1,448	90	41	1,497
Varsity and Junior Varsity Girls' Basketball	191	916	896	211
Varsity and Junior Varsity Baseball	426	586	564	448
Varsity and Junior Varsity Softball	64	254	60	258
Varsity and Junior Varsity Track	333	0	129	204
Varsity and Junior Varsity Volleyball	653	1,037	755	935
Varsity Cheerleaders	215	4,406	4,327	294
Yearbook	(4,900)	4,900	0	0
Pencil and Paper HS	91	0	0	91
General Mills Grant	4,904	4,000	6,424	2,480
HS Sunshine Fund	75	0	48	27
Total High School	11,911	29,141	23,852	17,200
Total Elementary, Administrative and High School	\$ 35,640	\$ 53,444	\$ 39,797	\$ 49,287
Represented By				
Assets				
Elementary and Administrative				
Cash	\$ 23,729			\$ 32,087
High School				
Cash	11,911			17,200
	\$ 35,640			\$ 49,287
Liabilities				
Due to Groups and Organizations	\$ 35,640			\$ 49,287



MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
1998 BOND ISSUE - DURANT SETTLEMENT

JUNE 30, 2012

<u>TITLE OF ISSUE</u>	1998 School Improvement Bond		
<u>PURPOSE</u>	For purposes permitted in Section 1352(1) of Act-451, Public Acts of Michigan		
<u>DATE OF ISSUE</u>	November 24, 1998		
<u>INTEREST PAYABLE</u>	May 15th of each year		
<u>AMOUNT OF ISSUE</u>		\$	60,497
<u>AMOUNT REDEEMED</u>			
Prior to Current Year		\$	52,571
During Current Year			3,871
			56,442
<u>BALANCE OUTSTANDING - June 30, 2012</u>		\$	4,055

<u>DUE DATES</u>	<u>INTEREST</u>	<u>Requirements</u>		
May 15, 2013	<u>RATE</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	4.761 %	\$ 4,055	\$ 193	\$ 4,248

REDEMPTIONS PRIOR TO MATURITY      This bond does not provide for redemption prior to maturity.

TAX LEVY FOR RETIREMENT OF BONDS      The revenues to redeem the 1998 Durant Settlement Bond issue come from yearly transfers of state aid from the State of Michigan. Therefore, no property taxes are levied by the School District to meet this debt obligation.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2005 ENERGY CONSERVATION IMPROVEMENT BONDS

JUNE 30, 2012

<u>TITLE OF ISSUE</u>	2005 Energy Conservation Improvement Bonds		
<u>PURPOSE</u>	The bonds are issued for the purpose of paying the cost of certain energy conservation projects for the District's facilities.		
<u>DATE OF ISSUE</u>	April 15, 2005		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 375,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year		\$ 110,000	
During Current Year		25,000	135,000
<u>BALANCE OUTSTANDING - June 30, 2012</u>			<u>\$ 240,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2012			\$ 5,723	\$ 5,723
May 1, 2013	4.500 %	\$ 25,000	5,723	30,723
November 1, 2013			5,161	5,161
May 1, 2014	4.550 %	25,000	5,161	30,161
November 1, 2014			4,592	4,592
May 1, 2015	4.600 %	25,000	4,592	29,592
November 1, 2015			4,017	4,017
May 1, 2016	4.750 %	30,000	4,017	34,017
November 1, 2016			3,304	3,304
May 1, 2017	4.850 %	30,000	3,304	33,304
November 1, 2017			2,577	2,577
May 1, 2018	4.875 %	35,000	2,577	37,577
November 1, 2018			1,724	1,724
May 1, 2019	4.900 %	35,000	1,724	36,724
November 1, 2019			866	866
May 1, 2020	4.950 %	35,000	866	35,866
		<u>\$ 240,000</u>	<u>\$ 55,928</u>	<u>\$ 295,928</u>

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2005 ENERGY CONSERVATION IMPROVEMENT BONDS

JUNE 30, 2012

DENOMINATIONS

\$5,000 each or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTION PRIOR TO MATURITY

The Bonds or portions of Bonds in multiples of \$5,000, maturing on or after May 1, 2016 are subject to redemption prior to maturity at the option of the School District in such order as the School District may determine, by lot within any maturity, on any interest payment date occurring on or after May 1, 2015, at par and accrued interest to the date fixed for redemption.

TAX LEVY FOR RETIREMENT OF BONDS

The bonds will pledge the full faith and credit of the School District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied within the constitutional and statutory tax limitations of the District.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN  
BOND PAYMENT SCHEDULE  
2006 SCHOOL BUILDING AND SITE BONDS

JUNE 30, 2012

<u>TITLE OF ISSUE</u>	2006 School Building and Site Bond		
<u>PURPOSE</u>	Partially remodeling school facilities; and developing and improving sites related to the remodeling.		
<u>DATE OF ISSUE</u>	January 26, 2006		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>			\$ 2,365,000
Amount Redeemed Prior Years	\$	140,000	
Amount Redeemed During Current Year		35,000	175,000
<u>BALANCE OUTSTANDING - June 30, 2012</u>			<u><u>\$ 2,190,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2012			\$ 43,875	\$ 43,875
May 1, 2013	3.900 %	\$ 35,000	43,875	78,875
November 1, 2013			43,192	43,192
May 1, 2014	3.900 %	35,000	43,193	78,193
November 1, 2014			42,510	42,510
May 1, 2015	3.900 %	35,000	42,510	77,510
November 1, 2015			41,828	41,828
May 1, 2016	3.900 %	40,000	41,828	81,828
November 1, 2016			41,048	41,048
May 1, 2017	3.900 %	45,000	41,048	86,048
November 1, 2017			40,170	40,170
May 1, 2018	3.900 %	50,000	40,170	90,170
November 1, 2018			39,195	39,195
May 1, 2019	3.900 %	60,000	39,195	99,195
November 1, 2019			38,025	38,025
May 1, 2020	3.900 %	80,000	38,025	118,025
November 1, 2020			36,465	36,465
May 1, 2021	3.900 %	260,000	36,465	296,465
November 1, 2021			31,395	31,395

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2006 SCHOOL BUILDING AND SITE BONDS

JUNE 30, 2012

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 1, 2022	4.000 %	375,000	31,395	406,395
November 1, 2022			23,895	23,895
May 1, 2023	4.000 %	385,000	23,895	408,895
November 1, 2023			16,195	16,195
May 1, 2024	4.100 %	390,000	16,195	406,195
November 1, 2024			8,200	8,200
May 1, 2025	4.100 %	400,000	8,200	408,200
		<u>\$ 2,190,000</u>	<u>\$ 891,987</u>	<u>\$ 3,081,987</u>

DENOMINATIONS

\$5,000 each or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTIONS PRIOR TO MATURITY

The Bonds or portions of Bonds in multiples of \$5,000, maturing in the year 2020 and thereafter, shall be subject to redemption prior to maturity at the option of the School District in such order as the School District may determine, by lot within any maturity, on any payment occurring on or after May 1, 2015, at par and accrued interest to the date fixed for redemption.

TAX LEVY FOR RETIREMENT OF BONDS

The bonds will pledge the full faith and credit of the school District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2006 REFUNDING BONDS

JUNE 30, 2012

<u>TITLE OF ISSUE</u>	2006 Refunding Bonds		
<u>PURPOSE</u>	To refund a portion of a prior bond issue of the School District and the costs of issuing the bonds		
<u>DATE OF ISSUE</u>	January 26, 2006		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>		\$	1,410,000
Amount Redeemed Prior Years	\$	145,000	
Amount Redeemed During Current Year		100,000	245,000
			245,000
<u>BALANCE OUTSTANDING - June 30, 2012</u>		\$	1,165,000

<u>DUE DATES</u>	<u>INTEREST RATE</u>	Requirements		
		Principal	Interest	Total
November 1, 2012			\$ 22,276	\$ 22,276
May 1, 2013	3.550 %	\$ 110,000	22,276	132,276
November 1, 2013			20,324	20,324
May 1, 2014	3.600 %	120,000	20,324	140,324
November 1, 2014			18,164	18,164
May 1, 2015	3.650 %	135,000	18,164	153,164
November 1, 2015			15,700	15,700
May 1, 2016	3.800 %	145,000	15,700	160,700
November 1, 2016			12,945	12,945
May 1, 2017	3.800 %	155,000	12,945	167,945
November 1, 2017			10,000	10,000
May 1, 2018	4.000 %	165,000	10,000	175,000
November 1, 2018			6,700	6,700
May 1, 2019	4.000 %	170,000	6,700	176,700
November 1, 2019			3,300	3,300
May 1, 2020	4.000 %	165,000	3,300	168,300
		\$ 1,165,000	\$ 218,818	\$ 1,383,818

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2006 REFUNDING BONDS

JUNE 30, 2012

DENOMINATIONS

\$5,000 each or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTIONS PRIOR TO MATURITY

The Bonds or portions of Bonds in multiples of \$5,000, maturing in the year 2017 and thereafter, shall be subject to redemption prior to maturity at the option of the School District in such order as the School District may determine, by lot within any maturity, on any payment occurring on or after May 1, 2015, at par and accrued interest to the date fixed for redemption.

TAX LEVY FOR RETIREMENT OF BONDS

The bonds will pledge the full faith and credit of the school District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount.

MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2010 REFUNDING BONDS

JUNE 30, 2012

<u>TITLE OF ISSUE</u>	2010 Refunding Bonds		
<u>PURPOSE</u>	To refund a portion of a prior bond issue of the School District and the costs of issuing the bonds.		
<u>DATE OF ISSUE</u>	March 11, 2010		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of each year		
<u>AMOUNT OF ISSUE</u>		\$	900,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year		\$	65,000
During Current Year			70,000
			<u>135,000</u>
<u>BALANCE OUTSTANDING - June 30, 2012</u>		<u>\$</u>	<u>765,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 1, 2012			\$ 13,811	\$ 13,811
May 1, 2013	2.500 %	\$ 75,000	13,811	88,811
November 1, 2013			12,874	12,874
May 1, 2014	2.750 %	85,000	12,874	97,874
November 1, 2014			11,705	11,705
May 1, 2015	3.000 %	90,000	11,705	101,705
November 1, 2015			10,355	10,355
May 1, 2016	3.500 %	95,000	10,355	105,355
November 1, 2016			8,693	8,693
May 1, 2017	3.750 %	90,000	8,692	98,692
November 1, 2017			7,005	7,005
May 1, 2018	4.000 %	85,000	7,005	92,005
November 1, 2018			5,305	5,305
May 1, 2019	4.200 %	85,000	5,305	90,305
November 1, 2019			3,520	3,520
May 1, 2020	4.300 %	80,000	3,520	83,520
November 1, 2020			1,800	1,800
May 1, 2021	4.500 %	80,000	1,800	81,800
		<u>\$ 765,000</u>	<u>\$ 150,135</u>	<u>\$ 915,135</u>



MARION PUBLIC SCHOOLS  
MARION, MICHIGAN

BOND PAYMENT SCHEDULE  
2010 REFUNDING BONDS

JUNE 30, 2012

DENOMINATIONS

\$5,000 each or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTION PRIOR TO MATURITY

The Bonds or portions of Bonds in multiples of \$5,000, maturing on or after May 1, 2020 are subject to redemption prior to maturity at the option of the School District in such order as the School District may determine, by lot within any maturity, on any interest payment date occurring on or after May 1, 2019, at par and accrued interest to the date fixed for redemption.

TAX LEVY FOR RETIREMENT OF BONDS

The bonds will pledge the full faith and credit of the school District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount.





